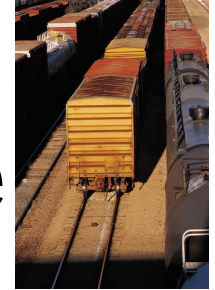




**BIGGS APPRAISAL**

PROVIDING VALUATION AND TRANSPORTATION SERVICES TO THE RAIL INDUSTRY



# Subjects of Value

*The Inspection and Appraisal of Rail Equipment*

Volume 15, Issue 4

Special Edition FREIGHT Bill

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## Consider Holding off on taking a Railcar related Impairment

Introduced into Congress on August 21, 2020, H.R. 8082 called the Freight Railcar Act.

*To amend the Internal Revenue Code of 1986 to provide a tax credit to encourage the replacement or modernization of inefficient, outdated freight railcars, and for other purposes. This stimulus bill that would be very beneficial the United States Railcar owner community. The bill as detailed in its preliminary form below will give significant incentives in the form of tax breaks to rebalance and modernize the freight car fleet. As with any legislation, it will typically be considered by committee next before it is possibly sent on to the House or Senate as a whole. The Latest action was 08/21/2020 Referred to the House Committee on Ways and Means.*

If you can see the merit of this potential legislation, you need might consider an uplink of this to the powers that be in your organization. A ground swell of positive response through your legislative channels may be able to get this legislation honed into a passable form and fast tracked to be of real benefit to the rail industry and the railcar owner stakeholders in resolving significant issues related to the surplus of railcars whose initial commodity purpose has changed significantly.

While it is likely that this could become part of proposed Infrastructure legislation, the importance to the rail industry and the recovery of the U.S. economy of getting this very focused bill enacted should stimulate the stakeholders to push for its accelerated passage on its own.

“H.R.8082, Introduced by Reps. Schneider, LaHood, Blumenauer, Ferguson, Lipinski & Crawford -The Freight Rail Assistance & Investment to Launch Coronavirus-era Activity & Recovery Act (Freight RAILCAR Act)

Key Points:

- 1) Provides a time-limited 50% tax credit for new railcars or modification of existing railcars to help offset the costs associated with either of the following:  
Replacing two existing railcars with a new railcar that improves fuel efficiency or capacity by at least 8%
- 2) Refurbishing or modernizing an existing railcar to improve fuel efficiency or capacity by at least 8% or to upgrade to DOT-117 tank car specifications. This credit will expire on December 31, 2024.
- 3) Provides a separate tax credit available for the scrapping of a railcar based on the depreciated value of that particular asset. This credit also expires on December 31, 2024.
- 4) Provides a time-limited 50% tax credit for capital expenditures on equipment or technology

enhancements in railcar-related manufacturing or repair shops if that equipment, Improves the implementation of enhanced controls to meet environmental standards including emissions limits under the Clean Air Act, or Improves the efficiency, quality, or safety of railcar or railcar component manufacturing, repair, and modernization operations. This credit will expire on December 31, 2023.

**Eligibility:** To benefit from the new car tax credit, the old railcars must have been in service during the 48 months prior to enactment of the bill and must be permanently taken out of service. Anyone utilizing the credit tied to the scrapping of a railcar cannot also use that car for purposes of meeting eligibility requirements for the new car tax credit. Facilities eligible to build or refurbish railcars must be privately or publicly owned and may not be under the control of a state-owned or state-supported entity.

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## BIGGS APPRAISAL

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*Biggs Appraisal and Subjects of Value are service products of Edward D. Biggs III, LLC D/B/A Biggs Appraisal. An Accredited Senior Appraiser (ASA) member of the American Society of Appraisers with a focus on rail equipment, locomotive, railcar, and maintenance of way equipment valuations. Ed Biggs has spent over 43 years in the railroad industry with a mix of significant experience with railroads and leasing companies, including experience in fleet operations, mechanical, and sales. Biggs has particularly in-depth knowledge of railcar extended life upgrade and rebuilding programs. Biggs Appraisal also researches a wide variety of subjects to support valuations, both for its own interests and those of its clients. Stuart Biggs has been involved with every aspect of Biggs Appraisal's business for over 11 years and is a qualified rail equipment inspector that you can expect to see more of on inspections. Johanna Biggs Mitchell has been working behind the scenes for four years in research, appraisals, and inspections both are members of the American Society of Appraisers. The articles in Subjects of Value are by necessity brief and are designed to spur further conversation. Questions, comments, and feedback are always appreciated. This newsletter is aimed at people interested in the rail industry. If you wish to be added to the Subjects of Value mailing list there is a sign-up form on the front page of our website [Biggsappraisal.com](http://Biggsappraisal.com). We encourage industry distribution of this newsletter.*

# Consider Holding off on taking a Railcar related Impairment

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## Estimated Environmental Benefits:

- 18.9% Capacity Increase in Covered Hoppers a 6.8 million tons of CO<sub>2</sub> saved over 20 years.
- 16.7% Capacity Increase in Double Stack Cars a 3.3

million tons of CO<sub>2</sub> saved over 20 years.

- 20.5% Capacity Increase in Autorack Railcars a 13.2 million tons of CO<sub>2</sub> saved over 20 years."

Looking at the magnitude of problem should help you convince your stake holders to act to bring this bill to fruition.

## General Service Rail Fleet Snap Shot

Car Type	220K to 268K GRL Obsolete Capacity	Total
Boxcar	51,842	118,977
Covered Hoppers	155,837	608,039
Gondolas	38,861	107,799
Open Top Hoppers	20,008	50,789
<b>Total</b>	<b>266,548</b>	<b>885,604</b>
Utility Gondolas	12,259	114,026
Utility RD Hoppers	12,458	88,869
	<b>24,717</b>	<b>202,895</b>



Gondola for scrap consideration

Estimated Utility coal fleet likely to scrap 120,000 units.

Biggs estimates 40% or less of Utility Coal Fleet is likely to be needed by 2022.

Biggs Appraisal Special Study of the RailInc Umler File February 5, 2020