

June 29, 2021

**VIA HAND DELIVERY**

Honorable Clay J. Schexnayder  
Speaker of the House  
Louisiana House of Representatives  
Post Office Box 94062  
Baton Rouge, Louisiana 70804-9062

RE: Veto of House Bill 289 of the 2021 Regular Session

Dear Speaker Schexnayder:

Please be advised that I have vetoed House Bill 289 of the 2021 Regular Session.

House Bill 289 creates a new state income and franchise tax credit for qualified railroad track repairs, maintenance, reconstruction, or replacement by Class II and Class III railroads, or short line railroads. According to the information provided by the proponents of the bill, the existing backlog for privately-owned short line rail infrastructure funding is estimated to be \$260 million. In contrast, the existing backlog for public transportation infrastructure is \$14.8 billion. With legislators seeking additional general fund revenues to dedicate to transportation infrastructure, the reluctance to move legislation increasing the gas tax, and the looming sunset of the additional 0.45% of state sales tax in June 2025, the creation of a new tax credit to fund privately owned infrastructure only serves to exacerbate the state's transportation funding dilemma.

Further, there is an existing federal tax credit for short line rail infrastructure investments. The Section 45G federal credit, effective since 2005, is currently a 50% credit for the same investment in track repairs, maintenance, reconstruction or replacement by short line railroads addressed in House Bill 289. In 2023, the Section 45G federal credit will decrease to a 40% credit. The provisions of House Bill 289 include no corresponding reduction in the proposed 50% state tax credit to 40% in 2023. A short line railroad would be eligible for a federal tax credit equal to 50% of the investment on repairs made to privately owned railroad track in Louisiana and a separate 50% state tax credit on that same investment. Even with a cap on the amount of tax credits allowed each year, the state can ill afford to spend limited general fund revenue on privately owned infrastructure when the outstanding public infrastructure needs exceed the amount of annual general fund revenue collections.

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For these reasons, House Bill 289 is vetoed.

Sincerely,

John Bel Edwards  
Governor

cc: Honorable Patrick Page Cortez  
Louisiana Senate President