

119TH CONGRESS
1ST SESSION

S. 2758

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the Internal Revenue Code of 1986 to provide a tax credit to encourage the replacement or modernization of inefficient, outdated freight railcars, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 10, 2025

Mr. BANKS (for himself and Mr. COONS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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the Internal Revenue Code of 1986 to provide a tax credit to encourage the replacement or modernization of inefficient, outdated freight railcars, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Freight Rail Assets
5 Investment to Launch Commercial Activity Revitalization
6 Act of 2025” or the “Freight RAILCAR Act of 2025”.

1 **SEC. 2. FREIGHT RAILCAR MODERNIZATION CREDIT.**

2 (a) IN GENERAL.—Subpart D of part IV of sub-
 3 chapter A of chapter 1 of the Internal Revenue Code of
 4 1986 is amended by adding at the end the following new
 5 section:

6 **“SEC. 45BB. FREIGHT RAILCAR MODERNIZATION CREDIT.**

7 “(a) IN GENERAL.—For purposes of section 38, the
 8 freight railcar modernization credit determined under this
 9 section for the taxable year is an amount equal to 10 per-
 10 cent of the taxpayer’s freight railcar fleet modernization
 11 expenses.

12 “(b) LIMITATION.—No more than 1,000 qualified
 13 freight railcars per taxpayer may be taken into account
 14 for purposes of determining the credit under subsection
 15 (a) with respect to a taxable year.

16 “(c) DEFINITIONS.—For purposes of this section—

17 “(1) FREIGHT RAILCAR FLEET MODERNIZATION
 18 EXPENSES.—The term ‘freight railcar fleet mod-
 19 ernization expenses’ means the sum of the qualifying
 20 railcar replacement and modernization amount.

21 “(2) QUALIFYING RAILCAR REPLACEMENT AND
 22 MODERNIZATION AMOUNT.—The term ‘qualifying
 23 railcar replacement and modernization amount’
 24 means—

1 “(A) the basis of any qualified newly built
2 replacement railcar placed in service by the tax-
3 payer during the taxable year, plus

4 “(B) the qualified railcar modernization
5 expenditures of the taxpayer for the taxable
6 year.

7 “(3) QUALIFIED NEWLY BUILT REPLACEMENT
8 RAILCAR.—The term ‘qualified newly built replace-
9 ment railcar’ means a qualified freight railcar
10 which—

11 “(A) is built after the date of the enact-
12 ment of this section,

13 “(B) is ordered or originally placed in serv-
14 ice before the date that is three years after the
15 date of the enactment of this section, and

16 “(C) replaces two freight railcars owned by
17 the taxpayer that—

18 “(i) were in service within the 48
19 months preceding the beginning of the tax-
20 able year, and

21 “(ii) which were both scrapped and
22 permanently removed from the AAR Umler
23 System master file during such taxable
24 year.

25 “(4) QUALIFIED FREIGHT RAILCAR.—

“(A) IN GENERAL.—The term ‘qualified freight railcar’ means a freight railcar that—

“(i) is either acquired or modernized by the taxpayer after the date of the enactment of this section,

“(ii) meets the significant improvement requirements for capacity or performance of subparagraph (B),

“(iii) was built in a qualified facility, and

“(iv) with respect to which no credit under this section was previously claimed by any taxpayer.

“(B) SIGNIFICANT IMPROVEMENT.—For purposes of this paragraph, an improvement in capacity and performance with respect to a modernized freight railcar is a significant improvement if—

“(i) such capacity, as the case may be, is increased by at least 8 percent, or

“(ii) in the case of performance, the qualified freight railcar meets the requirements of the Association of American Railroads Standard S-286 or is modernized to meet the design standards set forth in final

1 rule HM-251 of the Pipeline and Haz-
 2 ardous Materials Safety Administration (as
 3 amended by HM-251C).

4 “(C) MODERNIZED.—The term ‘modern-
 5 ized’ means modified, retrofitted, converted or
 6 rebuilt for the purpose of meeting the signifi-
 7 cant improvement criteria of subparagraph (B).

8 “(5) QUALIFIED RAILCAR MODERNIZATION EX-
 9 PENDITURE.—The term ‘qualified railcar moderniza-
 10 tion expenditure’ means any amount paid or in-
 11 curred—

12 “(A) in connection with the modernization
 13 of a freight railcar resulting in such railcar
 14 being designated a qualified freight railcar, and

15 “(B) which is properly chargeable to a cap-
 16 ital account with respect to such freight railcar.

17 “(6) QUALIFIED FACILITY.—The term ‘quali-
 18 fied facility’ means a facility that is not owned or
 19 leased by an entity that would be ineligible for an
 20 award of a contract or subcontract under 49 U.S.C.
 21 5323(u).

22 “(d) SPECIAL RULES.—

23 “(1) DENIAL OF DOUBLE BENEFIT.—No credit
 24 shall be allowed under subsection (a) for any ex-

1 pense for which a deduction or credit is allowed
2 under any other provision of this chapter.

3 “(2) BASIS ADJUSTMENT.—For purposes of
4 this subtitle, if a credit is allowed under subsection
5 (a) with respect to any qualified freight railcar, the
6 basis of such railcar shall be reduced by the amount
7 of the credit so allowed.

8 “(3) SALE-LEASEBACK.—For purposes of sub-
9 section (a), if any qualified freight railcar is—

10 “(A) originally placed in service by a per-
11 son after the date of the enactment of this sec-
12 tion, and

13 “(B) sold and leased back by such person
14 within 3 months after such railcar is originally
15 placed in service (or, in the case of more than
16 one railcar subject to the same lease, within 3
17 months after the date the final railcar is placed
18 in service, so long as the period between the
19 time the first railcar is placed in service and the
20 time the last railcar is placed in service does
21 not exceed 24 months),

22 such railcar shall be treated as originally placed in
23 service not earlier than the date on which such rail-
24 car is used under the leaseback referred to in this
25 paragraph.

1 “(4) SYNDICATION.—For purposes of sub-
2 section (a), if—

3 “(A) any qualified freight railcar is origi-
4 nally placed in service after the date of enact-
5 ment of this section by the lessor of such rail-
6 car,

7 “(B) such railcar is sold by such lessor or
8 any subsequent purchaser within 3 months
9 after the date such railcar was originally placed
10 in service (or, in the case of more than one rail-
11 car subject to the same lease, within 3 months
12 after the date the final railcar is placed in serv-
13 ice and the time the last railcar is placed in
14 service does not exceed 12 months), and

15 “(C) the user of such railcar after the last
16 sale during such 3-month period remains the
17 same as when such railcar was originally placed
18 in service, such railcars shall be treated as
19 originally placed in service not earlier than the
20 date of such last sale.

21 “(5) ENTITIES OWNED OR CONTROLLED BY
22 STATE-OWNED ENTERPRISES INELIGIBLE.—No cred-
23 it under subsection (a) shall be allowed to any tax-
24 payer that would be ineligible for an award of a con-
25 tract or subcontract under 49 U.S.C. 5323(u).

1 “(e) TERMINATION.—This section shall not apply to
 2 any qualifying railcar replacement and modernization
 3 amount after the date that is three years after the date
 4 of the enactment of this section.”.

5 (b) CREDIT ALLOWED AS BUSINESS CREDIT.—Sec-
 6 tion 38(b) of the Internal Revenue Code of 1986 (relating
 7 to current year business credit) is amended by striking
 8 “plus” at the end of paragraph (40), by striking the period
 9 at the end of paragraph (41) and inserting “, plus” and
 10 by inserting at the end thereof the following new para-
 11 graph:

12 “(42) the freight railcar modernization credit
 13 determined under section 45BB.”.

14 (c) COORDINATION WITH SECTION 55.—Section
 15 38(c)(4)(B) of the Internal Revenue Code of 1986 is
 16 amended by redesignating clauses (x), (xi), and (xii) as
 17 clauses (xi), (xii), and (xiii), respectively, and by inserting
 18 after clause (ix) the following new clause:

19 “(x) the freight railcar modernization
 20 credit determined under section 45BB,”.

21 (d) CLERICAL AMENDMENT.—The table of sections
 22 for subpart D of part IV of subchapter A of chapter 1
 23 of the Internal Revenue Code of 1986 is amended by in-
 24 serting after the item relating to section 45AA the fol-
 25 lowing new item:

“Sec. 45BB. Freight railcar modernization credit.”.

1 (e) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service, and
 3 amounts paid or incurred, after December 31, 2024.

4 **SEC. 3. REPORT ON THE FREIGHT RAILCAR MODERNIZA-**
 5 **TION CREDIT.**

6 (a) IN GENERAL.—Not later than 3 years after the
 7 date of the enactment of this Act, the Secretary of the
 8 Treasury (or the Secretary’s delegate), shall submit to the
 9 Committee on Ways and Means of the House of Rep-
 10 resentatives and the Committee on Finance of the Senate
 11 a report on activity with respect to the qualified freight
 12 railcar credit under section 45BB of the Internal Revenue
 13 Code of 1986.

14 (b) REPORT CONTENTS.—The report submitted
 15 under subsection (a) shall contain information with re-
 16 spect to the following:

17 (1) The number of times the credit was
 18 claimed.

19 (2) The number of railcars scrapped as a result
 20 of the credit.

21 (3) The number of new railcars entered into
 22 contract as a result of the credit.

23 (4) The number of new railcars built as a result
 24 of the credit.

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