



8 Justifications for AGC Tax Priorities

AGC on Tax Reform – Ensure that reforms to tax and spending policy promote long-term economic growth; simplify and instill certainty in the tax code including indexing threshold amounts to inflation to guard against inadvertent tax increases; promote investment in our nation’s critical infrastructure; and extend the solvency of Medicare and Social Security for generations to come. Congress must not pick winners and losers; therefore, any corporate tax reform must address all types of C-corporations and pass-through entities simultaneously. If Congress can substantially reduce rates, we support giving up tax incentives that currently reduce the effective tax rate of our member companies. If Congress cannot deliver on reducing rates, we want to retain the policies listed below for the following reasons.

AGC Tax Policy	Eliminates Unfair policy	Reduces Tax Liability (effective rate)	Reduces Complexity	Reduces Compliance Costs	Good Tax Policy	Certainty (+inflation)	Unique Importance to industry	Generates Economic Growth
Repeal corporate and individual Alternative Minimum Tax – Repeal the Alternative Minimum Tax (AMT) for C-corporations and S-corporations (pass-throughs) in order to provide capital needed for businesses to grow and invest in their companies and projects.	✓	✓	✓	✓	✓	✓	✓	✓
Percentage-of-Completion Accounting – The threshold at which the Percentage-of-Completion method of accounting is required should be increased to \$40m indexed for inflation since inception and should be exempt from AMT calculations.	✓	LEGISLATION PENDING INTRO						✓
Estate Taxes – Preserve “stepped-up basis” for assets to allow a fair market value transfer of appreciated property. Meanwhile, the 2012 ATRA package included some estate tax relief provisions (40% rate & \$5m exemption indexed to inflation).	✓	✓	✓	✓	✓	✓	✓	✓
Eliminate Lookback Accounting –Section 460 requires construction contractors to file amended tax returns. At the end of a project, the contractor must go back to each year’s tax statement and recalculate, replacing estimates with actual figures, prior taxable income figures. In the end, the same tax is paid, but thousands of dollars are spent on calculations. Even the IRS is encountering difficulty auditing lookback.	✓	LEGISLATION PENDING INTRO						
Halt Taxation of Income While In Dispute –Businesses reporting using the percentage-of-completion accounting method for long-term contracts should be required to include in the contract amount only items for which the “all events test” has been met. The construction industry is the only industry that has been singled out with taxation prior to an economic transfer of value.	✓	✓	✓	✓	✓	✓	✓	
Employee Misclassification – Oppose unnecessary administrative burdens and recordkeeping requirements for employers and clarify the definition to preserve legitimate Independent Contractor relationships.	✓		✓	✓		✓	✓	✓
Domestic Production Activities Deduction – Preserve Section 199 deduction for the construction industry.	PERMANENT 179 – BONUS 2019		✓		✓	✓	✓	✓
Bonus Depreciation and Capital Expenditures Write-Off Levels – Expand and make permanent bonus depreciation and enhanced capital expenditures write-offs to incentivize capital investments and new and used equipment purchases (Section 179).			✓		✓	✓	✓	✓
Shortened Cost Recovery Period for Leasehold Improvements – Make 15-year shortened cost recovery permanent to provide an important incentive for capital improvements to these properties.		PERMANENT		✓	✓	✓	✓	✓

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Section 1031 – Maintain current deferral of taxable income on like-kind exchanges of real property such as heavy construction equipment and truck fleets.		✓				✓	✓	✓
Per Diem Allowances – Allow the full deductibility of Per Diem Allowances in the construction industry.	✓	✓	✓	✓		✓		
Tax Rate Overhaul – Retain permanent marginal, capital gains, and dividends rate reductions.		✓	✓		✓	✓		✓
5-year built-in gain recognition period – Support the reduction in S-corporation recognition period for built-in gains (BIG) tax. The Tax Increase Prevention Act of 2014 retroactively extended through 2014 the temporary five-year recognition period for built-in gains. The BIG recognition period reverts to 10 years in 2015.		✓	✓	✓		✓	PERMANENT	
Tax Exempt Financing – Preserve the preferable tax treatment of debt used to finance public infrastructure.		✓					✓	✓
Infrastructure Financing – Extend and expand opportunities for construction companies to harness the leverage of unique financing options. Create an additional type of exempt facility Private Activity Bonds (PAB) for public building construction and water projects that allows private investment to be combined with tax-exempt financing in a design-build-finance-maintain delivery model					✓		✓	✓
Commercial Building Energy Efficiency Tax Deduction – Increase deduction and convert it into a tax credit to provide a significant financial incentive for all property owners to improve the energy efficiency of commercial buildings and ensure that 179D does not get charged to the contractor doing the work		✓					✓	✓
Net Operating Loss Carryback – Create permanent policy for NOL Carryback allowing a 5-year carryback and 15-year carryforward for all businesses to allow cash-strapped firms to convert future tax benefits into cash.	✓	✓				✓		
Work Opportunity Tax Credit (WOTC) – Extend and expand provisions that aide employers in hiring veterans.		✓					✓	✓
Research & Development Tax Credit (R&D) – Extend the credit for construction companies that have an increasing responsibility to innovate products and processes in order to secure successful bids on projects.		✓					✓	✓
New Markets Tax Credit – Extend the NMTC program under Section 45D which was established in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. Many of the projects funded through the program involve major, mixed-use urban redevelopment.		✓					✓	✓
Carried Interest – Reject efforts to increase tax that would undercut the economic incentive to build projects and drive away investments from the commercial real estate sector. Most efforts identified have cast a broad net and will likely have a significant impact on equity transfer in closely held construction companies.		✓				✓		
Alternative Energy – Extend alternative energy tax production tax credits (e.g. Wind PTC).						✓		✓
Retirement Security/Pensions – Reform the Social Security system; preserve available tax preferred retirement savings vehicles; and provide alternative savings vehicles to ensure stable retirement for all generations of workers. Reform MPRA to include Composite Plans Designs for MEPs.					✓	✓		
Charitable contributions of S-corps – extend rule providing that a shareholder’s basis is reduced by the shareholder’s pro rata share of the adjusted basis of property contributed by the S-corp for charitable purposes.		✓					✓	

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