September 24, 2010

The Honorable Wally Herger
242 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Shelley Berkley
405 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Herger and Berkley:

On behalf of the 11 organizations listed below that represent the construction industry and construction-related industries, tax relief is critical for businesses, especially in this current economy, to spur reinvestment, job creation, and growth. Therefore, we are writing to express our strong support for the American Job Builders Tax Reform Act of 2010 (H.R. 6097), the bipartisan tax bill that you introduced that will increase and index the threshold for small construction contractors and permit them to utilize the Completed Contract Method (CCM).

Since its inception under the 1986 Tax Act, the threshold for the small construction contractor is out-of-date and has not been adjusted for inflation. Under current law, the threshold is approximately $10 million, and because of this, small construction contractors cannot use the CCM of accounting and are required to use the percentage of completion method (PCM), which does not accurately reflect taxes owed because it requires use of estimated future project costs rather than actual completed project profits and losses. H.R. 6097 adjusts and indexes the threshold for inflation, and this minor adjustment has a major effect on small construction contractors. The legislation also provides relief for small construction contractors from the complicated paperwork burden of the Alternative Minimum Tax (AMT) and “look-back” accounting requirements. By increasing the threshold and eliminating the AMT adjustment under H.R. 6097, small construction contractors will no longer be subject to the burdensome “look-back” calculations for both regular and AMT purposes.

Construction contractors typically average a profit margin of 2.2 percent. Additionally, since access to capital is a primary concern for our industry currently, it is critical for small construction contractors to retain as much cash-on-hand to reinvest in their business and spur job creation.

This bipartisan legislation provides meaningful tax and paperwork relief for the construction industry, which will encourage small business owners and construction companies to reinvest in their businesses, thus expanding the economy. We greatly appreciate your leadership on the American Job Builders Tax Reform Act of 2010 (H.R. 6097).

Sincerely,

Associated Builders and Contractors
Associated Equipment Distributors
Associated General Contractors of America
Independent Electrical Contractors
Mason Contractors Association of America
National Association of Minority Contractors
National Electrical Contractors Association
National Ready Mixed Concrete Association
National Roofing Contractors Association
National Utility Contractors Association
Plumbing-Heating-Cooling Contractors – National Association