COMPREHENSIVE TAX REFORM

Ensure Reforms to Tax Policies Promote Long-Term Growth

Action Needed:

Enact comprehensive tax reform. Addressing both individual and corporate tax rates ensures businesses of all sizes maintain a fair and competitive playing field in the construction industry. Tax reform should treat C-corporations and pass–through entities equally, shore up trust funds that support infrastructure and expand infrastructure incentives in the tax code.

Tax rates should be reduced. At 30.3 percent, construction companies pay the highest effective rate of any industry.

According to Treasury Department's Office of Tax Analysis – April 4, 2016

Background:

- AGC's members are engaged in all forms of non-residential construction and consist primarily of small businesses, with more than 70 percent organized as S-corporations.

AGC Message:

- **Reform Onerous Tax Accounting Calculations by Cosponsoring the "American Job Builders Tax Reform Act."** Revise the long-term contract accounting rules for contractors in Section 460, which places an unfair burden on smaller construction companies. Eliminate the burdensome look-back accounting requirement for long-term contracts and Repeal the Alternative Minimum Tax (AMT), which will similarly reduce complexity and free up capital needed for businesses to grow and invest.
- **Tax Reform Should Not Pick Winners and Losers**. The ability to recover capital costs in the current system is vital for construction companies. Accelerated and bonus depreciation allow businesses to write off expenditures to incentivize capital investments, as well as new and used equipment purchases.
- **Tax Reform Should Address Infrastructure Investment and the Federal Trust Funds.**
  - ***Cosponsor H.R. 5361/S. 3177, the "Public Buildings Renewal Act of 2016."*** AGC supports the continued tax preferential treatment of municipal bonds, the expansion of the private-activity bond (PAB) cap to include additional types of public infrastructure and the expansion of other financing options that promote the construction of needed public infrastructure at the federal, state and local levels. This financing facilitates traditional public infrastructure investments and provides a catalyst for Public-Private Partnerships.
  - ***Address the Long-Term Viability of the Highway Trust Fund.*** Congress must act beyond the current reauthorization and solve the dilemma for future generations in need of safe and sufficient infrastructure. A sustainable user fee-based model must be considered before the expiration of the FAST Act.
- **Oppose Treasury's Detrimental Section 385 Regulations** that go far beyond cross-border mergers and would apply to a wide range of ordinary business transactions by domestic companies – including U.S.-based construction companies structured as S-corporations – by characterizing regular business loans as equity, thereby creating a second class of stock, as well as potentially violating the shareholder eligibility rules under subchapter S.
- **Oppose Treasury's Section 2704 Regulations that are Designed to Increase Estate Taxes Owed by Family Businesses.** They accomplish this by forcing business owners to disregard important facts like control and marketability when ownership of the business is being passed on to the next generation. These sweeping regulations will force more companies to contend with complicated and costly estate taxes.

For more information contact Brian Lenihan at lenihanb@agc.org or (202) 547-4733

September 2016