

# COMPREHENSIVE TAX REFORM

## Promote Long-Term Growth & Infrastructure Investment

### 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%, 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:

- **A Majority of Construction Firms Pay the Pass-through Rate.** The individual rate must be brought into parity with the corporate rate in order to reduce the marginal rates businesses pay. This includes the payroll taxes owed on reasonable compensation when distinguishing between business income and wage income for active business owners.
- **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. Immediate and full-expensing is a concept embraced by AGC members, but long-term contract accounting methods must be modified in order to avoid negative, unintended tax consequences.
- **Reform Onerous Tax Accounting Calculations by Re-Introducing 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 Address Infrastructure Investment and the Federal Trust Funds.**
  - **Cosponsor H.R. 960/S. 326, 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 \$5 billion allocation would facilitate traditional public infrastructure investments and provide a catalyst for Public-Private Partnership (P3s projects).
  - **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 Section 2704 Regulations Designed to Increase Estate Taxes on Family Businesses.** In 2016, Treasury proposed 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 would force more companies to contend with complicated and costly estate taxes in excess of 60 percent.