



AGC
THE CONSTRUCTION
ASSOCIATION

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Thank You for Preventing a Tax Increase on Construction



By passing the One Big Beautiful Bill Act (OBBBA), Congress prevented a massive tax hike on the construction industry. Making permanent the pro-growth provisions from the 2017 Tax Cuts and Jobs Act has ensured that construction firms receive long-term certainty to continue investing in building our nation. These provisions directly benefit the majority of construction companies, employing millions of workers nationwide. While OBBBA marks a major victory for the construction industry, more work remains to addressing other outstanding tax challenges for construction.

- **Thank You For Providing Long Term Tax Certainty for Contractors.** OBBBA made permanent the 20 percent Qualified Business Income (QBI) deduction, protecting pass-through firms from an average 20% tax hike and ensuring they can reinvest earnings into their businesses. It also increased the estate tax exemption to \$15 million, safeguarding family-owned construction companies from being forced to sell assets or take on debt just to cover tax bills. Finally, it restored full expensing for new and used construction equipment, giving contractors the ability to invest in safer, cleaner, and more efficient fleets while improving cash flow.
- **Fix the “Small Contractor” Rules For the *Entire* Construction Industry.** OBBBA exempted *residential* construction from complicated accounting requirements, simplifying tax paperwork, but changes are needed across the industry. Raising the exemption for the percentage of completion method (PCM) to \$40 million would let more contractors use straightforward accounting methods and free up cash flow. Removing long-term contracts as an “add-back” under the Alternative Minimum Tax (AMT) would eliminate unnecessary complexity, while repealing the burdensome “look-back” calculation would spare contractors costly compliance with little revenue impact to the Treasury.
- **Eliminate Excess Business Loss Limitations.** OBBBA permanently extended the excess business loss limitation under Section 461(l), which prevents pass-through business owners from deducting losses above \$250,000 (individuals) or \$500,000 (joint filers) in a given year, forcing them to carry losses forward instead of using them when they are most needed. For a cyclical industry like construction, the ability to fully deduct losses in real time is critical to weathering downturns and keeping workers employed. Ending this limitation would align tax treatment between pass-throughs and corporations and improve cash flow during recessions.

ACTION NEEDED

1. **Extend IRS rule simplifications beyond residential construction, raise the PCM exemption to \$40 million, eliminate the AMT “add-backs,” and repeal the look-back rule; and**
2. **Revisit the permanent extension of the Excess Business Loss limitation, which unfairly restricts pass-through construction firms compared to C-corporations.**