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AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.

April 15, 2015

The Honorable Mike Crapo, Co-Chair
Senate Committee on Finance
Savings & Investment Working Group

The Honorable Sherrod Brown, Co-Chair
Senate Committee on Finance
Savings & Investment Tax Working Group

Re: Tax Reform Working Group Stakeholder Comments

Dear Co-Chairs Crapo and Brown:

The Associated General Contractors of America (AGC) appreciates the ongoing efforts in the Senate Finance Committee toward addressing tax policies that are critical to the construction industry. AGC is the leading association in the construction industry. Founded in 1918, AGC represents nearly 25,000 leading firms in the construction industry throughout the United States. AGC members engage in the construction of buildings, shopping centers, factories, industrial facilities, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, dams, hospitals, water conservation projects, defense facilities, multi-family housing projects, municipal utilities and other improvements to real property.

AGC members are engaged in all forms of nonresidential construction and consist primarily of small businesses with the vast majority of our members (typically more than 70 percent) organized as pass-through entities. When our members discuss tax reform they gravitate towards simplicity and permanency as being critical to tax policy that will help construction businesses grow. With a critical element of permanency being the indexing of income thresholds so that inflation is not the cause of policy changes in the Internal Revenue Code ("tax code").

While the industry continues to gradually recover under improving market conditions, the inconsistent tax policy coming from Washington creates an unfavorable investment climate for long-term investment decisions that prohibits more employment, safer infrastructure, and direct economic growth in our communities. As the Working Group prepares findings on current tax policy and legislative recommendations, AGC respectfully urges you to include the following construction industry related provisions that contribute to job creation, capital formation, and long-term investment:

Capital Gains & Dividends

AGC appreciates the efforts by Congress to provide a significant amount of certainty to its membership through the passage of the American Taxpayer Relief Act (ATRA). The legislation that was signed in to law to avert the 2012 fiscal cliff permits companies to plan with the greater confidence that comes from cost predictability. AGC is particularly pleased with the certainty provided for marginal rates for long-term capital gains and dividends set at 15 percent for earnings below $400,000 ($450,000 for joint filers) and 20 percent taxable incomes above the aforementioned amounts; as well as the increase in the Alternative Minimum Tax (AMT) exemption amount, exemption phase-out threshold, and indexing for inflation. AGC continues to support low tax rates on long-term capital assets that encourage the savings and risk taking which spurs economic growth, productivity gains, and continued job creation.

AGC continues to oppose the 3.8 percent tax included in the Affordable Care Act that applies to net investment income for individuals earning more than $200,000 and couples earning more than $250,000. With the surtax, individuals with income greater than $400,000 ($450,000 married couples) will pay a top dividends and capital gains tax rate of 23.8 percent.

Multiemployer Pensions

The Multiemployer Pension Reform Act of 2014 passed in December as part of the Fiscal Year 2015 Federal Funding Appropriations bill. The Act was modeled after the NCCMP's Retirement Security Review Commission proposal, Solutions Not Bailouts, and includes many (but not all) of the proposed reforms. It includes: a permanent extension of the Pension Protection Act along with technical corrections; optional suspension of benefits for plans otherwise headed for insolvency; and a doubling of the PBGC premium multiemployer pension plans. The law did not include the creation of new type of multiemployer benefit plan (composite plan design) that was included in the NCCMP proposal.

AGC urges the committee to incorporate the new multiemployer plan models, otherwise known as "composite plans". These benefit plans will be unique because they would further stabilize the multiemployer pension system, eliminate future withdrawal liability, retain and attract employers all while offering plan participant a lifetime of income security.

Conclusion

AGC thanks the members of the Working Group for the opportunity to submit comments important to construction firms during this period of fact-finding. We believe that simplicity and certainty should be the goal of tax reform and that provisions in the existing code that create a compliance nuisance with little or no change in tax liability should be eliminated especially for small businesses. AGC looks forward to ongoing consultation with the Committee, and members of the Working Groups as this process continues to make improvements to the code in order to create an atmosphere that is increasingly pro-business and pro-growth for the construction industry and the over 6.3 million American workers who benefit from direct or indirect employment.

Sincerely,



Jeffrey D. Shoaf
Senior Executive Director
Government Affairs

Cc: The Honorable Richard Burr, Member, Savings & Investment Tax Working Group
The Honorable Johnny Isakson, Member, Savings & Investment Tax Working Group
The Honorable Dean Heller, Member, Savings & Investment Working Group
The Honorable Tim Scott, Member, Savings & Investment Working Group
The Honorable Benjamin Cardin, Member, Savings & Investment Working Group
The Honorable Bob Casey, Member, Savings & Investment Working Group
The Honorable Mark Warner, Member, Savings & Investment Working Group
The Honorable Robert Menendez, Member, Savings & Investment Working Group