



## Federal Tax Reform

### Background:

High tax rates and a complex tax code hamper our NECA contractors' competitive standing and hinder their economic growth. The time and money NECA contractors spend to comply with the Federal Government's complex tax code could be—and should be—spent on growing their businesses and creating jobs.

### Key Points:

- Make the Tax Cuts and Jobs Act Permanent. NECA supported passage of the 2017 Tax Cuts and Jobs Act, the first time the tax code had a massive overhaul in 31 years. This legislation greatly benefits NECA contractors nation-wide as it includes multiple provisions. Most of these provisions are set to expire at the end of 2025.
- Make the 199A Pass-Through Deduction Permanent. Congress must pass permanent legislation for the 20 percent deduction for certain qualified business income received from pass-through entities such as partnerships or businesses operating under a Subchapter S election. Under current law, the 20 percent tax deduction will sunset at the end of 2025.
- Repeal the Estate Tax. Under the Tax Cuts and Job Act, the Estate Tax and Generation-Skipping Transfer Tax exemptions doubled. Without Congressional action, the exemptions will revert to their previous levels, indexed for inflation, in 2026. This onerous tax is essentially a penalty that families must pay to the government for the “privilege” of keeping their business in their family. Construction companies are frequently family-owned, and the death tax burden hits them particularly hard. In many cases, the federal estate tax rate is such a burden that families are often forced to sell their small construction companies to pay this tax. Studies indicate that the average family business spends a minimum of \$20,000 in legal fees, \$12,000 for accounting, and an additional \$11,200 for other advisors preparing for death tax planning.
- Repeal the Alternative Minimum Tax. This burdensome tax, which was created to ensure that the wealthiest taxpayers pay a minimum amount of taxes on their economic income, has expanded to include the unintended lower and middle-income taxpayers. While Congress provided permanent AMT relief when it passed the American Taxpayer Relief Act, the AMT remains one of the most complicated and onerous provisions in the tax code. Congress should fully repeal the individual and corporate AMT.
- Reinstatement 100 Percent Bonus Depreciation. The Tax Cuts and Jobs Act (TCJA) provided 100 percent bonus depreciation for qualified property (generally new and most used property with a tax recovery period of 20 years or less) placed in service after September 27, 2017, and before January 1, 2023. Because Congress did not address this in 2022, the bonus percentage depreciation began dropping by 20 percent per year in 2023 and will continue to do so until it zeros out in 2027.

### NECA Asks:

Congress must act to make the Tax Cuts and Jobs Act permanent, repeal the estate tax, repeal the AMT, and reinstate 100 percent bonus depreciation before the end of 2025.