



Statement of the American Council of Engineering Companies On Key Tax Reform Principles

April 15, 2013

The American Council of Engineering Companies (ACEC) -- the business association of the nation's engineering industry -- is pleased to submit comments to the House Ways and Means Committee in support of a comprehensive, balanced approach to reforming the nation's tax code.

ACEC members -- numbering more than 5,000 firms representing hundreds of thousands of engineers and other specialists throughout the country -- are engaged in a wide range of engineering works that propel the nation's economy, and enhance and safeguard America's quality of life. The Council represents engineering businesses of all sizes, from the single professional engineer to firms that employ tens of thousands of professionals working in the United States and throughout the world. Nearly 80 percent of the Council's member firms are organized as some type of passthrough entity, including S corporations, partnerships, and sole proprietorships.

The broad distribution of ACEC members across both the C corporation and passthrough structures drives the Council's support for comprehensive tax reform. Although reforming the corporate and individual sides of the tax code simultaneously will be challenging, it is the only approach that will not disadvantage a large segment of the business community and their employees.

Key leaders of the congressional tax-writing committees have embraced a general approach to tax reform of lowering tax rates by eliminating tax preferences. Using the revenue from business tax provisions that are claimed by both C corporations and passthrough businesses to lower the corporate tax rate would disadvantage passthrough businesses in two ways. They would face higher marginal rates, and at the same time their effective tax rates would increase because of the loss of tax preferences. We strongly recommend that Congress only pursue comprehensive tax reform that treats all business structures equally.

As Congress considers the elimination of business tax preferences, it is important to keep in mind that our tax code should be designed in a manner consistent with achieving key policy goals, including enhancing the competitiveness of American firms in the global marketplace. The tax code should encourage research and development, as well as investment in new equipment and technologies. Reform of the tax code should also be consistent with a national

energy strategy that seeks to achieve energy sustainability and self-sufficiency. Many engineering firms are employee-owned, and the Council recommends that Congress continue to support tax provisions that support employee-ownership and other retirement savings incentives.

Finally, ACEC believes that the tax code should promote the development of the nation's critical infrastructure – including highways, bridges, transit systems, water, and wastewater. Infrastructure underpins American communities, and is an essential component of a thriving economy.

In particular, ACEC urges Congress to address the long-term stabilization of the Highway Trust Fund (HTF) as part of a comprehensive tax reform package. According to the Congressional Budget Office, the balance of the HTF will be depleted in Fiscal Year 2015, necessitating dramatic cuts in highway and transit spending unless new revenues are provided. Cutting transportation investment would have a devastating impact on state and local transportation agencies and postpone critical projects to improve safety, reduce congestion and enhance mobility. Conversely, a long-term solution to the revenue challenges facing the HTF would boost the economy while also reducing the deficit. With predictable, sustainable and growing revenue sources – particularly user fees – the Highway Trust Fund will support infrastructure investments that foster economic growth in a fiscally responsible way.

Once again, on behalf of the nation's engineering industry, we thank the leadership of the House Ways and Means Committee for the opportunity to submit comments.