



AMERICAN COUNCIL OF ENGINEERING COMPANIES

## Tax Reform and Job Creation

### ISSUE

America's engineering industry ranges from very small, family-owned firms to large companies that employ tens of thousands of professionals. These firms represent a variety of business structures, including C corporations and pass-through entities, such as S corporations, LLCs, and sole proprietorships. For this reason, ACEC strongly supports an approach to reforming the nation's tax code that treats all business structures equally, encourages investment in the firm and its people, and promotes innovation and competitiveness.

There is growing consensus that the top corporate tax rate of 35 percent – which is the highest among OECD nations – makes American firms less competitive at home and abroad. In addition, there are concerns that the disparity in tax rates between the United States and other countries will encourage more American firms to reincorporate overseas. ACEC believes that Congress should pursue tax reform to address these concerns and enhance our competitiveness in the global marketplace, and do so in a manner that benefits both corporations and pass-through businesses. A comprehensive approach to tax reform could also provide an opportunity to address the need for sustainable financing for the Highway Trust Fund, which ACEC strongly supports.

While trade-offs may be necessary for achieving the goal of lower tax rates and a simpler tax code, the elimination of certain provisions would make it difficult for engineering firms to grow and create jobs.

### KEY AREAS OF CONCERN

- **Cash accounting:** Many engineering firms and other professional services firms use the cash method of accounting, where taxes are paid when payment is received for services rendered, versus the accrual method, where taxes are paid when the service is delivered. Recent House and Senate tax-writing committee proposals would force firms with more than \$10 million in revenues to switch to accrual accounting, which would create serious cash flow problems as firms often wait many months to be paid by their clients.
- **S corp payroll tax:** Proposals to increase payroll taxes on professional services S corporation owners in order to address specific instances where individuals have structured their businesses to avoid taxes would adversely impact tax-compliant engineering firms that pay competitive, market wages.
- **Section 199:** This deduction for engineering work on domestic construction projects enables firms to be competitive in the global marketplace.
- **Municipal bonds:** Recent proposals from the White House and Congress to limit the tax exemption for municipal bonds would hurt the ability of state and local governments to finance roads, bridges, airports, schools, utilities, and other critical infrastructure.

### ACEC POSITION

- ACEC supports comprehensive tax reform that treats all business structures equally.
- Lawmakers should oppose proposals that would increase the tax burden on firms or restrict their ability to expand and create jobs, particularly if such changes are considered separately from a comprehensive package of reforms.

**House Committee on  
Ways & Means**

**Republicans**

**Paul Ryan (WI)**  
*Chairman*

Sam Johnson (TX)  
Kevin Brady (TX)  
Devin Nunes (CA)  
Pat Tiberi (OH)  
Dave Reichert (WA)  
Charles Boustany (LA)  
Peter Roskam (IL)  
Tom Price (GA)  
Vern Buchanan (FL)  
Adrian Smith (NE)  
Lynn Jenkins (KS)  
Erik Paulsen (MN)  
Kenny Marchant (TX)  
Diane Black (TN)  
Tom Reed (NY)  
Todd Young (IN)  
Mike Kelly (PA)  
James Renacci (OH)  
Patrick Meehan (PA)  
Kristi Noem (SD)  
George Holding (NC)  
Jason Smith (MO)

**Democrats**

**Sander Levin (MI)**  
*Ranking Member*

Charles Rangel (NY)  
Jim McDermott (WA)  
John Lewis (GA)  
Richard Neal (MA)  
Xavier Becerra (CA)  
Lloyd Doggett (TX)  
Mike Thompson (CA)  
John Larson (CT)  
Earl Blumenauer (OR)  
Ron Kind (WI)  
Bill Pascrell (NJ)  
Joseph Crowley (NY)  
Danny Davis (IL)  
Linda Sánchez (CA)

**Senate Committee on  
Finance**

**Republicans**

**Orrin Hatch (UT)**  
*Chairman*

Charles Grassley (IA)  
Michael Crapo (ID)  
Pat Roberts (KS)  
Mike Enzi (WY)  
John Cornyn (TX)  
John Thune (SD)  
Richard Burr (NC)  
Johnny Isakson (GA)  
Rob Portman (OH)  
Pat Toomey (PA)  
Dan Coats (IN)  
Dean Heller (NV)  
Tim Scott (SC)

**Democrats**

**Ron Wyden (OR)**  
*Ranking Member*

Chuck Schumer (NY)  
Debbie Stabenow (MI)  
Maria Cantwell (WA)  
Bill Nelson (FL)  
Robert Menendez (NJ)  
Tom Carper (DE)  
Ben Cardin (MD)  
Sherrod Brown (OH)  
Michael Bennet (CO)  
Bob Casey (PA)  
Mark Warner (VA)