



AMERICAN COUNCIL OF ENGINEERING COMPANIES

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NEWS RELEASE

FOR IMMEDIATE RELEASE

JUNE 17, 2010

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ACEC Urges Senate to Reject Tax Hike on Small Engineering Firms in Extenders Bill

WASHINGTON, D.C. — The American Council of Engineering Companies (ACEC) is once again urging the Senate to remove language in a pending tax extender bill that will boost the tax burden on certain small engineering firms.

“At a time when America’s engineering companies are struggling to recover from the worst economy in decades, raising taxes on the most vulnerable firms – the small engineering companies – makes no sense,” said ACEC President and CEO David A. Raymond.

Raymond cited language in HR 4213, the American Jobs and Closing Tax Loopholes Act of 2010, which as originally drafted would apply payroll taxes to S corporation distributions in cases where (1) the principal asset of the business is the reputation and skill of three or fewer employees, or (2) a professional services S corporation is a partner in a partnership. Senate Finance Committee Chairman Max Baucus (D-MT) has attempted to scale back the provision, applying the tax only if 80 percent or more of the income is attributable to three or fewer shareholders.

ACEC continues to hear from small, often family owned firms that will likely be impacted by the provision, including:

Gary J. Lewis, Lewis & Van Vleet, Inc., Tualatin, OR

Gary heads a seven-person firm, down from 11 full-time employees prior to the country’s economic problems, which has two principals who have already taken pay cuts to help the business survive. “We have seriously thought about foregoing the headaches and hard work of small business ownership and job creation, laying off our staff and unincorporating... the biggest obstacle to closing the business is our hesitation to put five more people in the unemployment lines.”

Scott Miller, Haley and Ward, Waltham, MA

In business since 1897, the firm has 19 employees and two owners. The firm focuses on water projects for government clients, and Scott notes that the firm's contracts and invoices are open to the public and that salary and overhead costs are often audited.

D. B. Graff, Cothren Graff Smoak Engineering, Inc., Shreveport, LA

“This law would affect our firm, which is a small consulting engineering company of 10 employees in Shreveport, La., three of which are principals.”

Doug Smith, David C. Smith & Associates, Inc., Portland, OR

The firm is a small family owned photogrammetric engineering/mapping firm with three firm principals, two of which are responsible for all day to day operations, and a staff of 10: “This would have a significant impact on our operating expenses.”

“All of these represent Main Street examples of engineering firms that will be forced to cut back further in order to absorb this tax hike,” added Raymond. “This runs completely contrary to what Congress should be focused on, which is to promote jobs and economic growth.”

The American Council of Engineering Companies (ACEC) is the business association of America's engineering industry, representing approximately 5,700 independent engineering companies throughout the United States engaged in the development of America's transportation, environmental, industrial, and other infrastructure. Founded in 1909 and headquartered in Washington, D.C., ACEC is a national federation of 51 state and regional organizations.