

# **ACEC Massachusetts**

*2024 Political Briefing*

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November 7, 2024



AMERICAN COUNCIL OF ENGINEERING COMPANIES

# 2024 Elections – *Key Takeaways*

- The counting continues – but looks like a Republican sweep:
  - Trump won all 7 “Toss-Up” states
  - Senate flipped to the GOP with 52 members, possibility of gaining an additional 2 or 3 seats
  - Republicans poised to keep the US House, needing 12 seats out of the remaining 47 that are still undecided
  - ACEC’s win/loss record so far: House: 269 wins, 6 losses, 25 races undecided; Senate: 15 wins, 1 loss 3 undecided.

# 2024 Elections – *Key Takeaways*

- Trump Administration will rely on regulatory actions/executive orders.
- Preservation of the 2017 tax law will be the top legislative priority – will use “reconciliation” to move the bill.
- Congress will remain in the driver’s seat on infrastructure.
- Trump may have 2-year window – House/Senate could flip in the ‘26 election cycle.

# Advocacy Agenda – *Key Wins 2023 & 2024*

- ✓ **Lifted the 6% Fee Cap** as part of the Defense Authorization Act to 10% for DOD contracts.
- ✓ **Secured exemption for engineering industry** in Administration's PLA executive order.
- ✓ **NEPA Reform** to streamline project delivery -- more Categorical Exclusions, timelines for completion of EA's and EIS', and "E-NEPA" to accelerate digital technology applications.
- ✓ **PPP Relief** language in the FY'25 Transportation appropriations bill.
- ✓ **FAA Reauthorization** to increase funding for airport projects, broadens authority to use drones, sets aside funding for resiliency and PFAS.
- ✓ **Ukraine Reconstruction** language to facilitate private sector engagement.
- ✓ **Boosting the Workforce Pipeline** through reforms to the H-1B visa lottery system recommended by ACEC to prevent abuses in the system.
- ✓ **Expand Nuclear Energy** through legislation promoting new technologies and improving licensing process.
- ✓ **Secured Updates to DOT Disadvantaged Business Enterprise program** to increase the Personal Net Worth cap and exclude retirement assets, align business size standards with relevant federal contracting codes, and facilitate interstate DBE certification.

# *Remaining 2024 Priorities*

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**Restore R&D deductibility** – House passed bill 357-70, Senate procedural vote fell short, action *possible* during lame duck session.

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**Water Resources Development Act** – \$11 billion bill passed House and Senate.

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**FY'25 Appropriations** – only five bills have passed the House, CR into December.

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**Ongoing IJA Implementation/Oversight** – funding, Build America/Buy America, lump-sum.

# Looking Ahead – *Tax Reform*

- The 20% passthrough tax deduction and other elements on the individual side of the tax code expire at the end of 2025.
- ACEC is engaging this year and next on key priorities:
  - ✓ **21% corporate rate**
  - ✓ **20% passthrough deduction**
  - ✓ **Protect ESOPs, other employee ownership structures**
  - ✓ **Restore R&D deductibility**
- Debt looming larger in 2025 -- currently \$35.27 trillion.
- Cost of extending expiring provisions – nearly \$5 trillion
- Key players – Reps. Jason Smith (R-MO), **Richard Neal** (D-MA); Senators Mike Crapo (R-ID) and Ron Wyden (D-OR).

# Tax Cuts and Jobs Act – *fiscal impact*

| Provision  | Revenue Impact                |
|--|-------------------------------|
| Make 199A for pass-through businesses permanent                  | -\$800 billion                |
| Make expensing and employer provided meals deduction permanent   | -\$400 billion                |
| Reinstate prior R&D deductibility and EBITDA interest limitation | -\$400 billion                |
| Make current policy for GILTI, FDII, and BEAT permanent          | -\$200 billion                |
| <b><i>Subtotal – Business Provisions</i></b>                     | <b><i>-\$1.8 trillion</i></b> |
| Make individual tax cuts (other than CTC) permanent              | -\$5.5 trillion               |
| Make individual tax increases permanent                          | +\$3.4 trillion               |
| Make the TCJA Child Tax Credit provisions permanent              | -\$800 billion                |
| Make estate and gift tax provisions permanent                    | -\$200 billion                |
| <b><i>Subtotal – Individual Provisions</i></b>                   | <b><i>-\$3.1 trillion</i></b> |
| <b><i>Total</i></b>  | <b><i>-\$4.9 trillion</i></b> |

# Tax Priorities – *Presidential Candidates*

## Vice President Harris

- Keep 2017 tax cuts for taxpayers earning less than \$400,000
- Raise taxes for upper-income taxpayers
- Raise the corporate rate from 21% to 28%

## Former President Trump

- Retain the 2017 tax cuts
- Suggested further lowering the 21% corporate tax rate



# Tax Reform – *Republican Sweep*

## Opportunities:

- Majority more favorable to protecting 2017 tax cuts
- Potential path to fixing R&D amortization, interest deductibility, and full expensing

## Risks:

- Concern about adding to the debt
- Populist trend creates pressure on top personal, corporate tax rates
- Narrow majorities could limit room for negotiation and deal-making

# Tax Reform – *Divided Government*

## Opportunities:

- Likely extension of individual tax rates with the possible exception of the top rate
- Unlikely to be agreement on an increase in the corporate rate or limits to Section 199A for upper-income owners

## Risks:

- Inability to reach agreement, which would lead to higher taxes in 2026 and a continuation of the R&D amortization requirement.

# Tax Reform – *next steps*

## **ACEC Engagement:**

- Outreach to W&M Republican tax teams
  - Main Street (Section 199A)
  - U.S. Innovation (R&D)
  - Supply Chains (corporate rate, energy tax credits)
  - American Workforce (ESOPs, Section 127)
- Chair of ACEC Tax & Regulatory Affairs Committee testified on Section 199A at a Main Street tax team roundtable.
- Sharing comments on ACEC priorities with W&M and SFC.
- Working with coalition allies on key issues such as restoring R&D deductibility, Section 199A permanency, and infrastructure funding.
- ACEC evaluating outside tax advocates.

# Looking Ahead – *Infrastructure*

- IIJA expires at the end of 2026.
- With a Republican Congress...IIJA Part 2 unlikely – focus will be on reauthorization of federal surface transportation programs.
- Does this become a driver for something bigger -- *possible*.
- Coordinating with industry stakeholders on common goal, message in 2024.
- 2025 tax package possible vehicle for revenue to support transportation bill – Republicans voicing support for targeting Evs to support the Highway Trust Fund.

# ACEC POLITICAL PROGRAM

## Summer Convention Engagement



- RNC Convention featured interaction with key House and Senate leaders – Republican Senate Leader McConnell, Speaker Johnson, W&M Chair Jason Smith, T&I Chair Sam Graves.
- ACEC house at DNC Convention featured reception with Senate Finance Chair Ron Wyden, Congressional Black Caucus.
- Thank you Massachusetts for your support!!

Questions?