



September 9, 2021

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 69 chapters representing more than 21,000 members, I write to express our concerns about the current budget reconciliation process and the impact this package could have on the construction industry. ABC believes that construction businesses could be disproportionately harmed by 2022 budget reconciliation bill that is being formulated by committees in the U.S. House of Representatives and urges the House Committee on Ways and Means to reject harmful tax policies and costly employer mandates from the proposal.

Tax Provisions

As capital-intensive, low-margin, domestically oriented businesses comprised largely of small, family-owned and closely held merit shop construction firms, ABC members have felt the positive effects of the tax reform enacted by the 2017 Tax Cuts and Jobs Act. As a result of this legislation, ABC contractor members hired more employees, invested in workforce development and increased the paychecks and benefits of their employees.

Prior to the passage of the TCJA, according to analysis by the U.S. Department of Treasury, the construction industry paid the highest effective tax rate of any sector of the nation's economy—27%, compared to an average of 22% for other industries—from 2007 to 2011.

As detailed in the Senate's budget resolution, the yet-to-be-written partisan budget reconciliation bill will seek to enact several of the policy priorities laid out in President Biden's American Families Plan, including plans to enact \$1.75 trillion or more in tax hikes on America's workers and business through repealing and altering critical provisions of the 2017 TCJA, which could include increasing the corporate tax rate, capping the Section 199A deduction for small businesses, hiking the individual rate, altering the Section 1031 of the tax code for like-kind exchanges and eliminating stepped-up basis for family-owned businesses.

Preserving these and other job-growing tax provisions included in the 2017 tax law—which have allowed so many business owners in the construction industry to hire more workers, invest in their businesses and provide generous benefits to their employees—will be critical to the ability of the United States to fully recover from the COVID pandemic. ABC urges Congress to consider the negative consequences that raising taxes would have on small businesses in the construction industry and reject the proposed tax increases in the bill.

Paid Leave Provision

First and foremost, ABC does not believe the budget reconciliation process is an effective vehicle for enacting federal paid leave as it circumvents much-needed debate and discussion in pursuit of the best policies possible for such a far-reaching program that will impact employers and employees throughout the country.

ABC understands that Americans have long struggled with the stress of finding a healthy balance between work and family, especially when it comes to new families following the birth or adoption of a child and individuals dealing with a personal or family illness. ABC and its members remain committed to providing essential workplace benefits, and we are committed to working with Congress and the White House to expand access to paid family and medical leave.

Providing quality employee benefits is a top priority for ABC and its member companies, but we remain concerned about establishing new government-run programs for paid leave and the impact such programs could have on wages and leave and employee benefits programs that construction employers currently provide to their workers. ABC opposes any tax hikes to fund a federal program and believes that any new federally-run program must be voluntary for employers and employees and should address the complex system of varying state and local paid leave requirements that employers currently face throughout the country.

ABC appreciates the opportunity to comment on these important policies and hopes that Congress can avoid partisan pitfalls and work together to address the ongoing needs of our economy and hardworking Americans.

Sincerely,



Kristen Swearingen
Vice President, Legislative & Political Affairs