THE CONSTRUCTION MATERIALS INDUSTRY

ON THE ISSUES

HILL DAY 2024
NAPA+NRMCA+NSSGA

Creating a Tax Structure that Supports Growth

Several key provisions from the Tax Cuts and Jobs Act of 2017 are scheduled to expire at the end of 2025 without changes from Congress. Policymakers must consider industry feedback , while laying the groundwork for the next tax reform package.

A tax code that encourages investments in infrastructure development and allows families and businesses who operate quarries to create and support high-paying jobs is critical to a growing and sustainable economy. The construction materials industry supports sensible reforms to our tax laws that remove undue burdens and allow for industry innovation and vigorously opposes any provisions that would adversely impact industry operators, including:

Percentage Depletion:

■ The construction materials industry will continue to oppose legislative efforts to repeal the percentage depletion allowance. This important provision, incorporated in the Revenue Code since 1926, incentivizes producers to make new investments by providing a five percent capital cost recovery method for sand, gravel and crushed stone and 14 percent for industrial sand development. Eliminating this provision will inappropriately increase costs for end-users of construction materials, including federal agencies, and discourage investment.

Bonus Depreciation:

■ Construction materials producers invest in heavy equipment and machinery to properly run their quarries. This supports our nation's manufacturing economy, ensures materials are available and competitively priced and is the basis for increasing jobs. The bonus depreciation allowance began to phase out on Jan. 1, 2023. The construction materials industry supports the permanent expansion of this important tool that provides aggregate operators with the certainty to make necessary capital investments that create jobs and grow our economy.

Research and Development Tax Credit:

■ For almost seven decades, the Revenue Code has acknowledged the significance of research and development by permitting businesses to deduct their entire R&D expenses within the same fiscal year. However, as of the start of 2023, businesses were obligated to spread out or deduct these expenses over an extended period. This change significantly increased the cost of conducting R&D in the United States. Unfortunately, the industry is already experiencing the chilling impact of the R&D deduction limitations, resulting in the loss of high-paying jobs and reduced R&D activities geared toward future innovations. Even more frustrating, the new expensing requirements are disproportionately impacting small businesses, require hard-working taxpayers to cover as high as 200 – 300 percent increases in taxes for this year.

Corporate Tax Rate:

■ Corporate tax rates must remain globally competitive to allow American labor and materials to compete fairly and effectively. We support maintaining the current Corporate Federal Tax Rate of 21 percent, without the burdensome complexity of an additional minimum tax. The construction materials industry also supports efforts to incentivize American manufacturing, which is critical to our economic prosperity

Small Business Deduction:

■ We support the permanent extension of Section 199A, a 20 percent deduction for qualified business income. Over 80 percent of our members are small producers and family-owned operations that have supplied their local communities with needed materials for generations. Section 199A is scheduled to sunset at the end of 2025. A permanent extension would bring much-needed certainty to small businesses and help further unleash the ingenuity and growth that is powered by small businesses.

Capital Gains Tax:

■ Encouraging risk-taking investments in innovation and infrastructure has always been a hallmark of the U.S. tax system. The current preference for capital gains should be continued without any income phaseout that would disproportionally affect small family businesses like those in the construction materials industry.

more on reverse

For more information, please contact staff at:

NSSGA® NATIONAL STONE, SAND & GRAVEL ASSOCIATION
nssga.org

NAPA NATIONAL ASPHALT PAVEMENT ASSOCIATION
asphaltpavement.org

NRMCA® NATIONAL READY MIXED CONCRETE ASSOCIATION
nrmca.org

Estate Tax:

■ We support a full repeal of the 40 percent federal estate or "death" tax, which is levied on estates valued at greater than $5 million at the time of death. We supported the passage of the Tax Cuts and Jobs Act in 2017, which doubled the exclusion from $5 million to $10 million (adjusted for annual inflation) through 2025.

Highway Trust Fund Solvency:

■ While we applaud Congress and the Biden administration for providing five more years of solvency for the Highway Trust Fund (HTF), Congress must look beyond that timeframe to ensure long-term solvency. The next surface transportation reauthorization bill must incorporate visionary and evolutionary revenue increases to avoid a devastating shortfall. We support sustainable revenue sources to adequately fund needed investments and create financial certainty, including vehicle-miles-traveled (VMTs), bonding measures, registration fees for electric vehicles, national registration fees and the raising and indexing of the federal gas tax, which has been unchanged for nearly 30 years. As discussions about the HTF unfold, we in the construction materials industry advocate for consideration of all potential funding methods. It's crucial to explore sustainable and stable funding sources while explicitly avoiding reliance on yearly appropriations, which could jeopardize the consistency and effectiveness of infrastructure investments.

HILL DAY 2024
NAPA+NRMCA+NSSGA