October 15, 2024

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S House
Washington, D.C. 20515

Dear Chairman Smith,

On behalf of the 500 members of the National Stone, Sand & Gravel Association (NSSGA), I write to you with our priorities regarding the upcoming expiration of the Tax Cuts and Jobs Act of 2017 (TCJA). NSSGA appreciates the committee's work creating tax teams to study key tax provisions and identify legislation solutions to help families, workers and small businesses. 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. NSSGA supports sensible reforms to our tax laws that remove undue burdens and allow for industry innovation and will oppose any provision that would adversely impact industry operators.

Our key priorities for a forthcoming tax bill include extending the following provisions: percentage depletion, bonus depreciation, corporate tax rate, small business deduction, research and development tax credit, capital gains tax, estate tax and addressing Highway Trust Fund solvency.

Percentage Depletion:
NSSGA opposes legislative efforts to repeal the percentage depletion allowance. This critical 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 aggregates, including federal agencies and discourage investment.

Bonus Depreciation:
Aggregates 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. NSSGA 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 (R&D) 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 disproportionately impact small businesses and require hard-working taxpayers to cover as high as 200 – 300 percent tax increases 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 aggregates industry also supports efforts to incentivize American manufacturing, which is critical to our economic prosperity.

Small Business Deduction:
NSSGA supports 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:
The U.S. tax system has always encouraged risk-taking investments in innovation and infrastructure. The current preference for capital gains should be continued without any income phaseout that would disproportionally affect small family businesses like those in the aggregates industry.

Estate Tax:
NSSGA supports 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.

Addressing 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. To avoid a devastating shortfall, the next surface transportation reauthorization bill must incorporate visionary and evolutionary revenue increases. NSSGA supports 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, NSSGA will 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.

NSSGA appreciates your consideration and looks forward to working with you as the next tax package develops. Should you have any questions, please do not hesitate to contact NSSGA Director of Government Affairs Adam Pugh, at apugh@nssga.org.

Sincerely,

Michele Stanley

Michele Stanley
Interim Chief Executive Officer, Executive Vice President & Chief Advocacy Officer