TRANSPORTATION CONSTRUCTION COALITION

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December 13, 2017

Dear Tax Reform Conferee:

We commend Congress for working to advance comprehensive tax reform legislation. While including a permanent solution to the Highway Trust Fund's revenue deficit is the main priority of the 31 national associations and trade unions that make up the Transportation Construction Coalition (TCC), other issues that directly impact our industry have become part of the debate. Accordingly, we urge you to:

- Include a permanent Highway Trust Fund revenue solution in the final tax reform package. This would improve the effectiveness of the tax package by creating economic growth and jobs while solving one of the biggest problems Congress will face in the years to come.

- Adopt the Senate approach and maintain the tax-exempt status for Private Activity Bonds (PABs). As you are aware, Section 3601 of the House bill calls for ending of the tax-exempt status of PABs while the Senate bill contains no such provision. At a time when all levels of government are struggling to meet their infrastructure needs, PABs are a crucial financing tool, especially for larger-scale surface transportation projects and public-private partnerships.

- Continue to allow for the advanced refund of municipal bonds. While the bill maintains the tax-exempt status for municipal bonds used to fund many state and local infrastructure projects, it eliminates advanced refund municipal bonds, which is a common tool used by state and local governments to lower the cost of construction projects.

- Adopt parts of the Senate and House provisions on expensing of business capital investments. As you know, the House bill allows five years of 100 percent expensing for new and used equipment purchases while the Senate allows 100 percent expensing, but only for new equipment purchases, for five years with a gradual phase out (80 percent, 60 percent, 40 percent, 20 percent from 2023-2026). We urge conferees to adopt the Senate phase out provision, which provides greater certainty, while allowing new and used equipment purchases to be eligible, similar to the House bill. TCC members purchase new and used construction equipment and incentivizing both will ensure the maximum benefit for the construction sector.

- Ensure like-kind exchanges (LKE) remain available for equipment purchases ineligible for full expensing. As you are aware, both the House and Senate bills repeal the use of LKEs for personal property. LKEs incentivize equipment purchases, benefitting construction equipment dealers, manufacturers and contractors. While full expensing partially offsets the repeal of LKE, the temporary nature of these provisions combined with a permanent repeal will be detrimental to the construction industry. We ask conferees to restore certainty and ensure a valuable capital investment incentive remains a part of the tax code when bonus depreciation sunsets.

- Members of the TCC represent large and small businesses dedicated to designing and building America's infrastructure, and we urge lawmakers to ensure firms of all sizes and tax structures – C corps and pass-through firms – receive equitable treatment in the conference report.

Once again we appreciate your willingness to make improvements to the tax code and urge you to adopt the provisions highlighted above in order to get the best results for the country out of this bill.

Sincerely,

The Transportation Construction Coalition