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PRESIDENT & CEO

November 16, 2017

Senator Orrin G. Hatch
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Senator Ron Wyden
Ranking Member, Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

SUBJECT: Senate Proposal Would Increase Taxes on Engineering Companies
and Jeopardize America's Economic and Infrastructure Renewal;
Simple Correction Needed

Dear Chairman Hatch and Senator Wyden:

The American Council of Engineering Companies (ACEC) – the business association of the nation's engineering industry – has serious concerns over the Tax Cuts and Jobs Act –specifically that the bill increases taxes on thousands of small and mid-size firms organized as passthroughs.

ACEC represents over 5,000 of the nation's leading engineering firms, employing hundreds of thousands of engineers, scientists, and other STEM professionals who develop America's infrastructure – the roads, bridges, airports, water, energy, commercial, industrial and manufacturing facilities so critical to economic growth.

Engineering firms large and small contribute equally to the growth and vitality of the nation's economy, yet the tax bill before the Finance Committee would favor some over others. ACEC supports the fact that all businesses organized as C corporations, including engineering firms, qualify for the lower 20 percent rate, but the organization cannot support the bill's current approach to passthrough firms, where some engineering companies will qualify for the new 17.4 percent deduction but not others.

This problem is magnified further by the bill's elimination of Section 199, which provides engineering and other construction-related industries a 9 percent deduction for certain projects. For firms that don't qualify for the new passthrough deduction, the loss of Section 199 means these firms will face a substantially higher tax burden under the Committee bill than current law.

The vast majority of the engineering businesses in your respective states and throughout the country are small and mid-sized firms organized as passthroughs, so it is essential that this problem be corrected. There is no public policy justification for establishing a tax code that favors corporations over smaller firms, or one that creates arbitrary winners and losers among passthrough firms.

We look forward to working with you to address these concerns, but we cannot support a tax bill that disenfranchises thousands of engineering firms throughout the country.

Sincerely,

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