

The SMACNA Policy Agenda for Review by The Trump Transition Team

We are confident these legislative initiatives will be enjoying wide bipartisan support in the incoming, 119th Congress. Each offers sure pathways to strengthen our industry and create far more high-quality skilled construction careers that build stronger family and community economic security. The SMACNA priorities are:

- **Enact Permanent Business Equipment and Capital Formation Tax Incentives** - The nation has witnessed record setting growth of construction activity following the enactment of major policy private sector tax incentives. Therefore, we ask for your support for three bipartisan and essential tax incentive provisions first included in the 2017 Tax Cuts and Jobs Act (TCJA):
 - **Retroactive Extension of the 100% Bonus Depreciation** – Would restore the 100% bonus depreciation for qualified property, instead of the current 20% annual phase down that went into effect on January 1, 2023.
 - **Retroactive Extension and Permanence for 174 Research and Development Expenditures** - Would allow companies to immediately deduct R&D expenses instead of amortizing over five years.
 - **Expand Section 179 expensing and interest deductibility for small businesses**— Would increase the maximum eligible amount of equipment investment and extend the point at which the benefit phases out.

At a time when our firms are working on and bidding on the largest projects in the nation, we are now in a stronger position to overcome operational obstacles due to the lapse or reduced value of three key provisions in the tax code directly impacting purchases of advanced technological equipment. These critical tax incentives are vital to the nation's building and construction industry today and in the future.

- **Promote Sound Infrastructure Policies** - Providing sufficient federal funds to invest in our nation's aging building, transportation, energy, and water infrastructure is vital to the country, the economy, and the construction industry. Recent studies have demonstrated that every \$1 billion invested in nonresidential construction would add \$3.4 billion to gross domestic product (GDP), add \$1.1 billion to personal earnings, and create or sustain 28,500 jobs. One-third (9,700) of these jobs would be onsite construction jobs. In addition, one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers. Lastly, about half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. In addition, federal procurement policy should continue to allow federal agencies to utilize project labor agreements (PLAs) in projects where they determine a PLA would provide the best value and highest quality for federal and federally assisted projects.
- **Reform Change Order Rules on Federal Construction Projects** - The current change order process for federal construction contracts harshly impacts small business cash flows, increases administrative and legal costs, and threatens the survival of federal contractors too often awaiting delayed reimbursement for completed work. A federal agency's failure to process and pay a change order in a timely manner presents a contractor with two undesirable options during the delay. Accordingly, we urge the Trump administration to support noncontroversial and bipartisan federal legislation, the *Small Business Payment for Performance Act*, which would : 1) enable a small business to submit a request for an equitable adjustment to the contracting officer if the contracting officer places a change order without the agreement of the small business, and 2) require the federal government to pay at least 50% of costs incurred from the change order

upon receipt of the equitable adjustment. Such legislation would provide small construction contractors with greater certainty, financial protection, and a level playing field.

- **Enhance Manufacturing Construction Activity and Operational Efficiency** – Enacting significant additional tax incentives for expanding domestic manufacturing construction is vital to quickly building out our manufacturing base for CHIPS, technology, pharmaceuticals and so many more sectors. Nuclear power research and development as well as power plant financing and development also drive energy grid security and expansion. Combined heat and power (CHP) and waste heat to power (WHP) are proven and effective energy resources that can help address current and future energy needs and enhance manufacturing competitiveness while reducing environmental impacts. CHP and WHP projects create direct jobs in manufacturing, engineering, installation, operations, and maintenance, which increase the competitiveness of companies that install the systems and receive the energy savings benefits. The federal government must support policies that advance the deployment of these important clean-energy technologies.
- **Invest in Energy Efficient Buildings** - Buildings are the single largest energy users in the country, consuming 40% of our energy demand. Building more efficient private and public buildings and retrofitting existing building stock by promoting the use of energy efficient retrofits, especially by emphasizing and supporting existing tax incentives, such as IRS Section 179d, will save building owners, tenants and taxpayers significantly on utility billing expenses. Energy efficient building system installations demand highly trained construction contractors, workers and engineers. The federal government must continue to invest in building efficiency research and development, promote innovative industry supported code reforms, while also enforcing stronger, attainable building codes.
- **Invest in the Conversion of Commercial to Residential Buildings** – SMACNA has advocated for legislation (**H.R. 9002**) that addresses the growing demand for residential construction by creating a market-based tax incentive for converting older commercial buildings to residential use. Despite the increased demand for large-scale projects in the industrial sector, there continues to be a shrinking inventory in the residential space. **H.R. 9002** compliments existing real estate tax incentives passed at the state and local levels and represents a highly positive step forward in the effort to modernize U.S. real estate. It would create a new and temporary 20% tax credit for qualified property conversion expenditures, modeled after the historic rehabilitation credit. SMACNA has long championed more commercial property conversions and energy efficiency retrofits.
- **Support and Enact the SAFE Banking Reform Act** - Countless national and state business organizations, including SMACNA contracting corporations, have advocated for years seeking your support of this long overdue banking reform. The SAFE Banking Act would allow banks, credit unions, and other financial institutions to offer banking services to construction contractors and other legally operating businesses providing contracting and other services to the cannabis and related industry. This would be done without fear of punishment or financial complications from federal banking regulators. While cannabis-related enterprises are a growing, legal business market segment in nearly 40 states and more states have legalized cannabis / marijuana for medical use this is a very important small business banking reform issue long overdue for enactment.
- **Provide Tax Incentives to Upgrade Air Quality in Non-Residential Buildings** - SMACNA supports legislation, such as the *Airborne Act*, which would provide essential tax incentives for non-residential building owners to conduct indoor air quality assessments (IAQ) and upgrade

their ventilation and air filtration systems. By incentivizing indoor air quality assessments and HVAC upgrades, this legislation would motivate owners to provide cleaner air in schools, hospitals, nursing homes, offices and other commercial buildings. Inclusion of the same labor standards – prevailing wage and apprenticeship utilization – in the Inflation Reduction Act would support communities, local workforce development, and the highly-skilled technician who perform this work. SMACNA has specifically advocated for a targeted approach to upgrade IAQ in the nation’s schools (**H.R. 9131**) to establish a regularly updated national assessment of IAQ in schools and childcare facilities and support the development of technical assistance, guidelines, and best practices to improve the IAQ conditions of these facilities.

- **Prepare the Next Generation of Skilled Workers** - The construction industry is facing a high skilled workforce shortage today and in the coming years. We are witnessing the retirement of a significant portion of our workforce and as yet also see an insufficient number of new, highly trained construction workers in our employment pipelines. Skilled labor is vital to the success of our industry. Therefore, we have invested heavily in registered construction apprenticeship training programs (RAPs) for well over 70 years with noticeable successes. For example, one recent study noted that there were approximately 19 times more apprentices in union construction apprenticeship programs than in nonunion programs. This is because SMACNA and its allied union contractor employers and their labor partners operate over 1,100 apprenticeship training centers nationally and make private investments of over \$1.3 billion annually in workforce training and apprenticeship programs. Continued and expanded federal support for existing and well-established registered apprenticeship and training programs will yield even more significant long-term benefits to the construction industry, as well as the private and public sector customers we serve.
- **Protect Prevailing Wage Laws** – The Davis-Bacon Act’s prevailing wage requirements have for decades ensured that companies pay fair wages and workers receive fair compensation for work based on surveying actual prevailing local wage rates actually paid on local, construction and repair projects. Prevailing wage discourages artificially low bids that undercut local workforce standards and frequently lead to claims, disputes, and project delays. Established industry and project owner practices in both the private and public sectors recognize that high workforce standards deliver superior project outcomes. Moreover, prevailing wage standards promote the use of registered apprenticeships creating important local blue collar construction careers, vitally important to completing complex public works projects. The positions support hundreds of thousands of high quality and high skilled jobs that provide middle class and above family sustaining wages.
- **Modernize Retirement Plan Options** - The multiemployer pension system needs to be modernized through federal authorization of composite plans, which would provide employees lifetime annuity benefits while ensuring predictability for employer contributions. Composite plans would revitalize the multiemployer pension system by creating a third pension plan that combines the best attributes of defined benefit plans that employees favor, and defined contribution plans that employers prefer. Once authorized by Congress and signed by the President, employers and employees would have the voluntary option of selecting composite plans that would provide employees lifetime annuity retirement benefits while providing long-term certainty for employers who contribute to the plans. Critical to the long-term viability of construction industry businesses are alternative plan designs, such as Composite plan options. Allowing plan trustees to voluntarily adopt more flexible plan structures going forward would reduce risk for contributing employers, retain and attract employers, and protect the retirement benefit for millions of active and retired construction craft workers.

- **Support Transparency in Government Contracting Through Bid Listing** - The federal government should prohibit the practice of post-award bid shopping on low-bid federal construction projects in order to restore equitable safeguards for subcontractors who submit their bids to prime contractors in good faith. Procurement policy should require prime contractors on low-bid solicitations over \$1 million to list all subcontractors with work over \$100,000 and require prime contractor project winners to use the listed subcontractor at the price listed.
- **Reduce Tax Gap by Closing Employee Misclassification Loophole** - Misclassification and accompanying payroll fraud occurs when an employer improperly classifies an employee as an independent contractor to gain a competitive advantage at the expense of responsible, lawful companies. Misclassification deprives employees of benefits they deserve as well as federal, state, and local governments of money they are owed. It is estimated that between \$3-4 billion in federal income and employment tax revenue is lost each year due to worker misclassification. The federal government should reform existing tax law to identify bad actors so the government can recoup lost tax revenue and ensure all businesses compete under the same rules. This type of payroll fraud also includes paying workers “off the books”, frequently involving undocumented workers.
- **Upgrade Fire Life Safety in All Federal and Federally Assisted Facilities** - The Trump Administration should use its procurement power to upgrade fire life safety systems in federal buildings and federally assisted facilities. A 2024 report of the GSA’s Office of Inspector General found the Public Buildings Service exercises “deficient” oversight of operations and maintenance contractors and in correcting known deficiencies, including a nearly seven-year delay in correcting a “high fire risk” at Charles E. Chamberlain Federal Building and U.S. Post Office, Lansing, Michigan. *The 2024 report also cites a seven-year delay in correcting three “long-standing, open risk conditions,”* one of which involved a failure to test fire dampers in a Washington DC building. To address these deficiencies, the Trump administration should consider requiring federal contracting agencies to award operations and maintenance contracts and contraction contracts to only those contractors who employ specialty technicians (e.g., fire and smoke damper technicians) whose expertise has been verified by a certification body that has been accredited by American National Standards Institute (ANSI), a nationally recognized accrediting agency.
- **Expand Recognition of “TABB” Certification for Testing, Adjusting, and Balancing (TAB) Technicians** - SMACNA jointly funds and manages, the National Energy Management Institute Committee (NEMIC), which affords apprentices and journeypersons the opportunity to obtain third-party certification of their skills through the Testing, Adjusting and Balancing Bureau (TABB). TABB is accredited as a certification body through ANSI. Government solicitations often require the use of ANSI-certified TAB technicians. To date, the GSA, Veterans Administration, and Department of Defense have recognized TABB certification as satisfying this requirement. To afford equal recognition to all ANSI-accredited certification bodies, we request that the Trump Administration require that all federal contracting agencies recognize TABB certification when federal contracts require third-party certification for TAB technicians.