



April 8, 2025

The Honorable Joni Ernst
Chair
Senate Committee on Small Business &
Entrepreneurship
U.S. Senate
Washington, DC 20510

The Honorable Ed Markey
Ranking Member
Senate Committee on Small Business &
Entrepreneurship
U.S. Senate
Washington, DC 20510

The Honorable Roger Williams
Chair
U.S. House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
House Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairs Ernst and Williams, Ranking Members Markey and Velázquez and Members of the Senate Committee on Small Business & Entrepreneurship and House Committee on Small Business:

On behalf of Associated Builders and Contractors, a national construction industry trade association with 67 chapters representing more than 23,000 members, I appreciate the opportunity to comment on the committee's hearing, "Prosperity on Main Street: Keeping Taxes Low for Small Businesses." The majority of ABC's general contractor and subcontractor members qualify as small businesses as defined by the Small Business Administration. The industry consistently has one of the highest concentrations of small business participation, and its members play an integral role in building America's infrastructure.

The Tax Cuts and Jobs Act included important tax relief for contractors. The scheduled expiration of many of these policies would have grave effects, not only for our contractor members, but for the construction market more broadly, specifically harming small businesses around the country. We urge the committee to support these critical tax policies, which are vital to the continued success and economic prosperity of our industry.

Maintaining Parity for Pass-Through Entities

One of the most significant achievements of the TCJA, alongside establishing an internationally competitive corporate tax rate, was its innovative approach to pass-through business taxation. Pass-through entities comprise 95% of businesses, more than 60% of private employment and over half of all business activity in the United States. The TCJA provided the pass-through sector crucial relief via two key mechanisms: an across-the-board reduction in individual tax rates and the introduction of a new 20% deduction for qualified business income. Together, these provisions reduced the effective marginal tax rate for pass-through entities to 29.6%, moving Main Street toward a level playing field with their corporate counterparts.

[Recent analysis by EY](#) reveals the stark consequences of allowing these provisions to sunset: The combination of the top individual rate returning to 39.6% and the expiration of the Section 199A deduction would trigger a 20% effective rate hike for pass-through businesses. To preserve the vitality of America's Main Street businesses, ABC strongly urges Congress to make these critical tax provisions permanent and maintain the competitive balance that has enabled small, family-owned and closely held businesses to flourish in construction and across the economy.

For this reason, ABC was proud to join over 235 trade associations in a [letter](#) supporting the Main Street Tax Certainty Act, which will help small businesses compete with large public corporations, lead to higher economic growth and more employment and help prevent a significant tax hike on the very businesses we rely on to drive our economy.

Revived Expensing of Research and Development Costs

The policy of allowing businesses to expense research and development costs immediately, rather than amortizing them over several years, is a longstanding feature of the tax code dating back to 1954. The construction industry benefits both directly and indirectly from the code's robust historical preference for R&D. Specifically, the combination of immediate cost recovery and incentives has allowed contractors to embrace innovative new tools, technologies and materials that continue to improve the efficiency, safety and sustainability of the construction process. From building information modeling and 3D printing to robotics, drones and AI, the construction industry is continually investing in and adopting cutting-edge practices that help contractors attain the highest standards of performance.

In addition to innovations in project delivery, the tax treatment of R&D is also a driver of new construction, as new technologies spur investments in everything from advanced manufacturing facilities and energy generation to storage and more efficient buildings. Unfortunately, despite bipartisan support for the expensing policy, R&D costs were required to be amortized over five years beginning in 2022, an unwelcome surprise to many contractors. Restoring immediate expensing of R&D should be a top priority.

Restoration of 100% Bonus Depreciation

Immediate expensing via 100% bonus depreciation was enacted in TCJA as a powerful incentive for businesses to invest in new equipment and technologies. This policy was based on the understanding that allowing immediate expensing of capital investments would encourage businesses to modernize their operations, increase productivity and, ultimately, drive economic growth. It was particularly aimed at capital-intensive industries like construction, where equipment investments can be substantial.

For the past five years, construction businesses have been able to expense or write off the purchase of tools, equipment and machinery the same year in which they were purchased. Unfortunately, since the end of 2022, this incentive has been phasing out and is slated to be eliminated altogether after 2026. Restoring the additional first-year depreciation allowance to 100% is crucial during this fraught time for the U.S. economy. Preserving this beneficial tax policy is essential to guaranteeing the success of key construction projects funded by bipartisan congressional legislation, including the Infrastructure Investment and Jobs Act and the CHIPS and Science Act.

America's small businesses are the backbone of our nation's economy. ABC remains committed to working together to ensure that these critical entities succeed and looks forward to being a resource to the committee for issues affecting our membership and the industry.

Sincerely,



Kristen Swearingen
Vice President, Legislative & Political Affairs