



April 8, 2025

Representative Roger Williams
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Representative Nydia Velazquez
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

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

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

Dear Chairman Williams, Ranking Member Velazquez, Chair Ernst, and Ranking Member Markey:

On behalf of the American Council of Engineering Companies (ACEC) – the business association of the nation’s engineering industry – I appreciate the opportunity to share our priorities in the 2025 tax policy debate.

Founded in 1906, ACEC is a national federation of 51 state and regional organizations representing more than 5,500 engineering firms and 600,000+ engineers, surveyors, architects, and other specialists nationwide. ACEC member firms drive the design of America’s infrastructure and built environment.

Almost 75 percent of ACEC member firms have 50 or fewer employees and the impact of federal tax policy on these small businesses is significant. Engineering firms used the financial flexibility of lower taxes due to the Tax Cuts and Jobs Act to grow and strengthen their businesses. According to a recent survey of ACEC members, 82 percent of respondents invested in people through hiring, salary increases, and retention measures. Over half of firms also invested in technology, research and development, and other capital expenditures.

A key priority for the engineering industry is making the Section 199A passthrough deduction permanent and retaining the 21 percent corporate tax rate in order to maintain balanced tax treatment of all business structures. Approximately one-third of ACEC member firms are organized as C corporations and two-thirds are organized as passthrough entities, including S corporations, LLCs, partnerships, and sole proprietorships.

ACEC strongly supports the Main Street Tax Certainty Act, introduced in the House by Representative Lloyd Smucker (R-PA) and in the Senate by Senator Steve Daines (R-MT), which would make Section 199A permanent.

As innovators that facilitate economic growth through infrastructure design, engineering firms have faced significant challenges due to the change to R&D amortization in 2022. Amortization of R&D expenses is causing substantial cash flow problems and forcing firms to put hiring on hold, delay investments in technology, and reconsider plans to grow. Firms need to offer increasingly higher salaries in order to compete for scarce engineering talent and have been hindered from doing so by the huge tax bills created by the R&D amortization requirement. Businesses that are growing will never fully catch up in terms of cash flow as their tax bills also grow.

ACEC urges Congress to restore full deductibility of R&D expenses and strongly supports the American Innovation and R&D Competitiveness Act of 2025, introduced in the House by Representatives Ron Estes (R-KS) and John Larson (D-CT) and soon to be introduced in the Senate by Senators Todd Young (R-IN) and Maggie Hassan (D-NH), which would repeal the R&D amortization requirement.

Employee ownership has long been the norm in the engineering industry. ACEC members include small firms with one employee-owner, larger firms with a team of employee-owners, and many firms that are 100 percent employee-owned through an employee stock ownership plan (ESOP). Engineering firms are typically owned by people who actively work at the business. Congress has consistently demonstrated bipartisan support for employee ownership and the retirement security that it provides and ACEC asks Congress to continue this support.

Finally, America's engineering industry needs more engineers in the talent pipeline to support a growing economy. Bachelor's degrees in key fields – mechanical, civil, electrical, civil/environmental, and environmental engineering – dropped from 60,207 in 2019 to 55,155 in 2023 according to the American Society for Engineering Education, while the ACEC Research Institute reports that nearly 27 percent of A/E/C workers are over the age of 55 and nearing retirement.

ACEC supports a comprehensive approach to this challenge, including tax policies that expand the ability of employers to provide educational and student loan repayment assistance to their employees. ACEC urges Congress to extend the Employer Participation in Repayment Act, which allows employers to provide student loan repayment assistance under Section 127 without it being a taxable benefit for employees.

On behalf of the nation's engineering industry, thank you for your consideration of our tax priorities and please let us know if we can assist further.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Bauer Darr". The signature is fluid and cursive, with the first name "Linda" being the most prominent.

Linda Bauer Darr
President & CEO