ACEC
American Council of Engineering Companies
of Ohio

November 10, 2017

Senator Rob Portman
Senate Office Building
Washington, DC 20510

Dear Senator Portman:

On behalf of the American Council of Engineering Companies of Ohio, I am writing to express serious concerns over the fact that engineering firms in our state may be excluded from the lower tax rate for passthrough businesses in the tax reform plan released by the Senate Finance Committee.

ACEC Ohio represents over 130 of the state's leading engineering companies, and the majority of those are organized as some form of passthrough business, such as S corporations, partnerships, and LLCs. Our member firms are an important part of the state's economy, playing a critical role in designing solutions that enhance our roads and bridges, water and wastewater systems, and address other challenges in the built environment.

The Finance Committee proposal will lower the corporate tax rate to 20 percent and apply the reduced rate to all industries, including engineering, which we support. The plan also eliminates the current Section 199 domestic production activities deduction – which manufacturing, construction, architecture and engineering firms of all types qualify for and use -- and replaces it with a new 17.4 percent tax deduction specifically for passthrough businesses (S corporations, partnerships, LLCs, and sole proprietorships) to keep those firms competitive.

While engineering firms organized as C corps receive a reduced tax rate consistent with all other corporations, we are concerned that most engineering firms organized as passthroughs will be denied the new deduction. These firms will be at a competitive disadvantage, and because of the elimination of Section 199 and other tax provisions, could actually see their tax burden increase in comparison to current law.

There is no good public policy reason that justifies a lower tax rate for some passthrough businesses, but not others, or reforming the code to help large firms at the expense of small businesses. On behalf of the engineering firms in our state and throughout the country, we respectfully ask for your help to ensure that all passthrough businesses are treated equally.

Thank you for your attention in this important matter, and I look forward to hearing from you.

Sincerely,

Beth Easterday

Beth Easterday
President

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