ACEC

AMERICAN COUNCIL OF ENGINEERING COMPANIES

The House and Senate have passed the budget reconciliation bill – commonly referred to as the One Big Beautiful Bill – and sent it to President Trump for his signature. The centerpiece of the legislation is the permanent extension of key provisions from the 2017 Tax Cuts and Jobs Act that were scheduled to expire at the end of 2025, as well as reinstating full deductibility of R&D expenses and other business provisions. **The business tax portion of the bill fully addresses ACEC's priorities and represents a major win for the engineering industry.**

There are some challenges in the bill and ACEC will work with stakeholder and congressional allies to explore options to revisit and restore policies that support renewable energy projects and other issues that touch our industry.

<u>ACEC wins</u>

- R&D deductibility is permanently restored starting in 2025. In addition, firms with less than $31 million in gross receipts (this is the IRC Section 448(c) cash accounting threshold) are eligible for retroactive relief for 2022-2024. Firms with more than $31 million in gross receipts can elect to speed up unused deductions from 2022-2024.
- Interest deductibility and full expensing for certain capital investments are also permanently restored.
- The Section 199A passthrough deduction is permanently extended at 20%; the bill dropped language that would have limited how much state and local taxes passthrough businesses could deduct.
- The corporate tax rate is retained at 21%.
- The SALT cap is increased from $10,000 to $40,000 (with annual adjustments) through 2029. The phaseout threshold for the increased SALT cap begins at incomes over $500,000.
- The Section 127 provision that allows employers to assist employees with educational expenses and student loan repayment is permanently extended, and the $5,250 limit is indexed for inflation going forward.

<u>Improved through the legislative process</u>

- The bill drops a proposed excise tax on wind and solar projects. It also allows projects that begin construction within one year of the bill's enactment to receive the full production tax credit. The initial version of the bill would have restricted the tax credit for projects placed in service by the end of 2027.
- Tax incentives for advanced nuclear, geothermal, and hydropower technologies are preserved through 2032.

- The tax incentive for clean hydrogen projects that commence construction by January 1, 2028, was reinstated after a previous version would have eliminated the credit by the end of 2025.
- The carbon capture tax credit remains available for projects that begin construction within one year of the bill's enactment. After that one-year window, credits phase down until 2032. Earlier versions had the tax credit phased out by 2029.
- Provides more clarity on Foreign Entity of Concerns restrictions for supply chains.

Challenges

- Rescinds unobligated funding from the FHWA Low Carbon Transportation Materials grant program.
- Rescinds unobligated funding from the FHWA Neighborhood Access and Equity grant program.
- Drops the new user fees for EVs and hybrid vehicles for additional revenue into the Highway Trust Fund that had been approved by the House. House T&I Committee Chairman Sam Graves (R-MO) may seek to reintroduce this provision as part of the next surface transportation reauthorization bill.
- Rescinds all unobligated IRA funds for EPA programs.
- The Section 179D energy-efficient commercial buildings tax deduction is eliminated for property where construction commences after June 30, 2026.