



Quality Construction Alliance



These construction specialty trade associations represent construction contractors who bring this nation the highest quality, most cost-effective construction, while providing for a safe, carefully trained, highly skilled, well-paid workforce. Advocating public policy that assures taxpayers full value for their dollars going to public construction, they provide high quality work done on time and within budget at a competitive price.

Issues Overview

1) **Misclassification** – **Tighten laws to stop willful misclassification of employees as independent contractors.**

Loss of revenue to federal, state and local governments due to misclassification is huge—Social Security & Medicare taxes, Unemployment Insurance taxes, & income taxes. The practice siphons off money for vital government services and feeds more people into those government services. Employers who misclassify gain unfair competitive marketplace advantages saving as much as 30% on labor costs, including those mentioned already plus worker’s compensation premiums. Workers lose out on important workplace protections. It is a huge (and well-documented) problem in the construction industry.

Support or Oppose: No bill number yet but **support** legislation to eliminate the use of “common industry practice” as a safe harbor, to allow IRS to curtail the practice prospectively even if it was allowed previously, to allow IRS and Labor Department to communicate, and to allow individuals and third parties to challenge classifications.

2) **School Construction** – **Message:** **Fund school construction projects to modernize and renovate crumbling schools to create green, high performing schools to save energy and provide a learning environment conducive to good health and high achievement for students in addition to creating good high paying green jobs and saving energy in the long-term.**

\$14 Billion in funding would create 400,000 construction jobs (not highway and bridges). Schools are in desperate need of repair, have unhealthy air quality, waste millions in energy costs. It is estimated on average a schools wastes \$100,000 in energy costs each year.

Support or Oppose: Cosponsor H.R. 58, Green Schools Act, by Rep. Kirk which would provide up to \$10,000 in matching grants for green school construction and improvement projects. It would also reauthorize the Qualified Zone Academy bonds program, which is used to fund renovations and repairs at schools in low-income neighborhoods and require that all such funds be used for “green” improvements.

3) **Energy Issues** – **Enact energy efficiency and alternative energy tax incentives, green building programs, high efficiency infrastructure investments and federal procurement policy that includes greater energy efficiency and sustainability. It would be good energy policy, good economic policy, and good national security policy.**

Reduce the depreciation recovery period for energy efficient equipment for commercial and residential rental property; support R & D & implementation of solar & energy efficient retrofit; fund federal green building net-zero requirements, develop & enforce IAQ standards. Our firms lead the way in LEED building, designing & installing energy saving technology systems & related building management. Buildings use 40% of energy used in the U.S. and that can be greatly reduced.

Support or Oppose: No bill yet but **support** high energy standards in tax, procurement and energy bills coming forward.



Quality Construction Alliance



These construction specialty trade associations represent construction contractors who bring this nation the highest quality, most cost-effective construction, while providing for a safe, carefully trained, highly skilled, well-paid workforce. Advocating public policy that assures taxpayers full value for their dollars going to public construction, they provide high quality work done on time and within budget at a competitive price.

- 4) **3% Withholding -- Repeal the law enacted to require federal, state and local governments to withhold 3% from payments for goods and services due to tax evasion by some federal contractors.** (Section 511 of P.L. 109-22, Tax Increase Prevention and Reconciliation Act).

Government should aggressively close the tax gap increased by non-tax compliant government contractors but laws should not restrict the cash-flow of already tax-compliant contractors. Construction pre-tax profit margins rarely exceed 3% and the 3% withholding bears no relationship to taxable income. Studies show that administrative costs to governments are more than the law will secure in revenue. The one-time acceleration of tax receipts to the government is being re-calculated and is likely to be far less than the \$6 billion originally estimated. \$1B is expected from improved tax compliance 2012 – 2015. Even though the law applies only to prime contractors, they are very likely to “flow-down” the withholding to subcontractors who have no way to get their money back since IRS regulations will apply only to prime contractors.

Support or Oppose: Support 3% Repeal bill, H.R. 275 which had 283 bipartisan cosponsors last session or S. 292 by Senator Specter with 7 cosponsors.

- 5) **Pension Problems -- There is a serious funding problem for multiemployer pension plans and contributing contractors could go out of business or become non-competitive—without us there is no defined benefit pension plan for workers in the construction industry. If plans go to the PBGC, the federal government and the taxpayer would end up paying for the drastically reduced benefit levels.**

We contribute to multiemployer defined benefit pension plans—much different than single employer plans. These plans depend on investment income. Funding problems from the stock market problems in 1999, 2000 and 2001 were addressed by the Pension Protection Act. In 2008 the steep decline in the equity markets subverted PPA goals and Congress provided temporary help. Contractors are doing the right things but massive problems are beyond our control; we need the help when the issue comes up. Continued contribution increases will make us non-competitive or put us out of business. PBGC/taxpayers will end up with the bill in addition to massive reductions in retirement benefits for retired workers (less than \$13,000 for multi-plans).

Support or Oppose: No best solution yet and no bill yet but House Ways & Means and Education & Labor and Senate Finance, and Health, Education, Labor & Pension Committee members need to know this is a real and serious problem for employers.

- 6) **Healthcare – First, do no harm... to the employers providing good health care plans for employees now or to employees receiving this benefit.**

We know legislation for health care reform is going to be considered but no one knows in what form yet. We contribute to Health & Welfare Plans and provide top quality health care for our employees. There is massive cost-shifting going on and we want to see coverage expanded – that would lower costs for everyone while providing needed coverage for more people. It would be cheaper for taxpayers to build on the current employer-based system. Pooled reinsurance for catastrophic costs for employer sponsored plans would help our plans keep costs down. Don't tax employee benefits, we would just have to make that up in wage increases; we are already paying good wages, health and pension benefits. Those not providing health care should pick up their fair share.

Support or Oppose: No bill number yet. Keep the “good” employers in mind in any health plan coming forward.

For More Information Visit: www.qualityconstructionalliance.org