



**July 14, 2022**

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
1236 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Chuck Schumer  
Majority Leader  
U.S. Senate  
322 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
2468 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
317 Russell Senate Office Building  
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader Schumer, Minority Leader McCarthy, and Minority Leader McConnell:

The National Demolition Association (NDA) represents nearly 500 U.S. and Canadian companies that offer standard demolition services as well as a full range of demolition-related services and products. NDA educates members on the latest advances in equipment and services, provides educational programs and tools to stay abreast of regulatory and safety matters and keeps regulators informed about issues in our industry. NDA also increases public awareness of the economic and societal benefits of demolition.

NDA writes today to express concern over recent reports that Congress is considering tax increases on small businesses as part of a new FY 2022 budget reconciliation bill. Specifically, NDA is troubled by proposals that would expand the 3.8% Net Investment Income Tax (NIIT) to include the incomes of S corporations and partnerships where the owners actively manage the business along with other proposals that would increase the taxes of small businesses.

NDA would like to reiterate its strong opposition to any tax increases on demolition contractors. Small businesses represent the backbone of the U.S. economy as they employ nearly half of all American workers and account for two-thirds of the net job creation over the past decade.<sup>1</sup> NDA believes any changes to our tax code should sustain the competitiveness of America's small businesses and ensure they can remain viable in the long-term.

### **Oppose Tax Increases on Pass-Through Entities**

The Tax Cuts and Jobs Act (TCJA) of 2017 created section 199A of the Internal Revenue Code which provides owners of sole proprietorships, partnerships, S corporations and some trusts and estates, a 20% deduction of income from a qualified trade or business.

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<sup>1</sup> Small Business Administration's Office of Advocacy, "Frequently Asked Questions", Oct. 2020, <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/11/05122043/Small-Business-FAQ-2020.pdf>.

With many demolition contractors organized as pass-through entities, section 199A has proved critical to the success and growth of the demolition industry. To this end, NDA strongly opposes any legislation that would rescind or reduce the existing deduction along with any increases to individual income tax rates which would serve as a tax increase on many pass-through businesses.

In addition, NDA opposes legislation that would expand the 3.8% Net Investment Income Tax (NIIT) to include the incomes of S corporations and partnerships in which individuals and families actively participate in their business. NDA also opposes proposals that would limit the ability of small businesses to fully deduct their losses during an economic downturn by expanding and extending the “excess business loss limitation,”

### **Oppose Increases to the Corporate Income Tax Rate**

NDA supported the reduction of the corporate income tax rate from 35% to 21% in the TCJA and opposes any increases to the existing rate. These changes have allowed American businesses to be more globally competitive and free up capital to expand their operations and hire more employees in the United States.

### **Oppose Increases to Estate and Capital Gains Taxes**

NDA opposes legislation that would repeal the current estate tax exemption set by the 2017 TCJA and eliminate “step-up in basis” of inherited assets for family businesses. NDA also opposes legislation that would raise the long-term capital gains tax rate to match the top marginal income tax rate.

Under existing law, family-owned businesses are protected from the imposition of capital gains taxes at death when passing down their business to the next generation. Eliminating the step-up in basis provision would cause cash flow constraints for family-owned small businesses and threaten the long-term viability of many demolition contractors around the country.

A recent study conducted by the Family Business Estate Tax Coalition estimated that 80,000 jobs would be lost in each of the first 10 years and gross domestic product would decrease by \$100 billion over 10 years if stepped-up basis were repealed.<sup>2</sup>

These concerns are widely shared by members in the U.S. Senate which voted 99-0 in support of a budget amendment authored by Senator John Thune (R-SD) that calls on Congress to protect the step-up in basis provision during the budget reconciliation process.

### **Oppose Vehicle Mileage Taxes**

NDA opposes any attempts to implement a mandatory vehicle miles-traveled tax (VMT) on American drivers. A vehicle mileage tax would impose burdensome costs on America’s small and mid-size employers and threaten job losses in the demolition industry.

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<sup>2</sup> Family Business Estate Tax Coalition, “Repealing step-up of basis on inherited assets: Macroeconomic impacts and effects on illustrative family businesses”, April 2020, [https://assets.nfib.com/nfibcom/FBETC\\_Stepped-Up\\_Basis\\_Report\\_2021.pdf](https://assets.nfib.com/nfibcom/FBETC_Stepped-Up_Basis_Report_2021.pdf).

## **Oppose Changes to Bonus Depreciation and Section 179 Expensing**

NDA opposes any changes to provisions in the TCJA which provide for accelerated and bonus depreciation of capital investments, as well as new and used equipment purchases. These incentives are critical to demolition contractors as they look to expand their business and hire more workers. Eliminating these incentives would slow job growth and have a negative impact across the U.S. economy.

### **Conclusion**

As the demolition industry continues to grapple with supply chain challenges, labor shortages, high gas prices, and inflation, now would be the wrong time to impose burdensome tax increases on America's job creators and small businesses. During this time of economic uncertainty, Congress should reject any budget reconciliation bill that raises taxes on demolition contractors.

Thank you for the opportunity to provide comment. Please contact NDA's Senior Legislative and Regulatory Coordinator Alex McIntyre at [amcintyre@demolitionassociation.com](mailto:amcintyre@demolitionassociation.com) with any further questions.

Sincerely,



Jeff Lambert  
Chief Executive Officer  
National Demolition Association

cc: Senator Joe Manchin  
Senator Kyrsten Sinema