Legislation in 2017
What to prepare for now

Presented by:
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NSCA
• NSCA is the leading not-for-profit association representing the commercial electronic systems industry.

• 35+ years experience as a technology expert and industry advocate.

• Subject matter expert on technology trends, codes and standards and effective use of new technology.
Agenda

* U.S. Department of Labor requirements – what will go away and what new requirements you can expect
* Five major exempt/non-exempt occupations to watch
* Corporate and pass-through tax implications that come with the new administration
* NAICS/SOC codes and workers’ compensation insurance compliance
* Legislation NSCA monitors – and why – as well as how we keep our members informed of potential changes.
The “Political Climate”

* We are already seeing a pro-business agenda at both the state and federal level
* Job creation rather than higher taxes to balance the budget
* Less spending on social priorities and more on military and infrastructure
* Lower and simplify the corporate tax laws (AMT will be gone)
* Repeal and replace the ACA, shrink several agencies, etc.
* Cap the entitlement programs and reduce waste
* Unravel many small business regulations that limit our economy from growing (add 1-replace 2)
The House of Representatives

241 - Largest GOP majority since 1929
The Senate

52 will still be a struggle on many issues
Labor issues that will impact integrators

• Davis-Bacon (prevailing wage challenged at all levels).
• NLRB will be overhauled and/or become less influential
• The white collar OT ruling has no chance of becoming law
• Exempt vs. non-exempt rulings won’t change and were never part of this for the most part
• Using the correct SOC and workers compensation class codes
• Labor costs that are outpacing (by far) the rate structure most NSCA members are charging customers
Repealing Davis-Bacon has support at the federal and state level.

Three active attempts to undermine or repeal the Davis-Bacon Act:

— U.S. Senator Jeff Flake (R-Ariz.) recently introduced the Transportation Investment Calibration to Equality (TIRE) Act, which would eliminate prevailing wage requirements under the Davis-Bacon Act on all federal highway construction contracts

— U.S. Senator Mike Lee (R-Utah) introduced a bill to repeal all prevailing wage requirements under the Davis-Bacon Act (S. 244)

— Representative Steve King (R-Iowa) re-introduced a companion bill in the House (H. 743), entitled the “Davis-Bacon Repeal Act”

Even if the Act is not repealed at the federal level, Republican-controlled state governments are moving swiftly to enact longstanding conservative priorities, including anti-union legislation (PLA’s and prevailing wage).
While the new O.T. ruling is being tossed out, we still need to be very careful with the following:

- Estimators
- Inside sales
- Project managers
- Designers
- Lead technicians

Admin: People who have authority to negotiate and bind the company on significant matters; People who provide consultation or expert advice to management; People involved in planning long-or short-term business objectives. OK, what does that mean?

Professional: Doctors, Lawyers, Theologians, Architects, Actors, Musicians, Composers, Conductors, Artists, Novelists.
Major Tax Proposals
The Trump tax plan

* Income tax: 3 brackets 12%, 25% and 33%. Standards deductions to $25k single, $50k joint
* Capital gains/dividends: repeal the 3.8% surtax. Tax dividends and capital gains at 20% max
* **Corporate income tax:** pass-through rates lowered to 15%, top corporate rate at 15% and repeal the AMT
* Estate tax: Abolish estate taxes completely
* Int’l business tax reform: repatriate earnings at 10%
* Alternative Minimum Tax: Abolish AMT
* Carried interest: tax as ordinary income
Major Tax Proposals

The GOP House plan

* Income tax: 3 brackets 12%, 25% and 33%. Standards deductions to $12k single, $24k joint. Increase child credit to $1,500. Eliminate all itemized deductions except charitable and mortgage interest

* Capital gains/dividends: tax capital gains and dividends as ordinary income and deduct/claim 50% leading to basic rates of 6%, 12.5% and 16.5%

* Corporate income tax: sole proprietorship and pass-through rates lowered to 25%, flat corporate rate at 20% and repeal the AMT

* Business Tax credits/dep: write off entire cost of eq. in 1st year, deduct interest expense against income. Net operating losses may be carried forward, keep R&D, while eliminating other special-interest credits

* Estate tax: Abolish estate tax and generation-skipping tax

* Int’l business tax reform: Consumption based (VAT). Exports out not subject to US tax, imports in taxed regardless of production location

* Alternative Minimum Tax: Abolish AMT
The joint commission on taxation reviews every new proposal in the house and senate to show a 10 year impact on the deficit. Stark contrast in GOP vs. Dem approach ($2T plus)

- We need 3% real growth (currently around 1%) to outpace existing entitlement programs. Aging population is big concern. Entitlements currently $1 to $3.50 income to spending ratio

- GOP/Trump believes a good tax plan drives growth/jobs (job growth impact vs. the loss in tax revenue). A 25% (+/-) tax rate would currently score us at revenue neutral

- Under $50MM is referred to as “budget dust”
Labor predictions from experts

* A very low unemployment rate will drive up our labor costs
* A strong effort to rebuild our manufacturing base will produce high tech jobs that will drive up our labor costs
* Repeal (easy) and replacing ACA (difficult) will influence the HC and Pharma markets and may drive up our labor costs
* The recent DOL (OT) ruling will be overturned and less DOL regulations to drive small business success leaving it neutral
* Dodd-Frank will be overturned making borrowing easier
* The NLRB will be dismantled...
Tax predictions from experts

* Multinational and US corporations who have recently or purposely moved offshore will be “incentivized” to restructure and pay US taxes again.
* It should be a favorable climate for investors (with the exception of multinationals)
* Expect less overseas assembling of products where the raw materials originate in the U.S.
* Expect a simplified tax code and shift taxes to the partnership level rather than partner level
Great news - Both Pres. Trump and congressional Dems support an infrastructure plan.

- $75 billion for schools
- $210 billion for roads and bridges
- $10 billion for aging water and sewer systems
- $180 billion for expanded rail and bus lines
- $70 billion for deeper ports and upgraded airports
- $100 billion for an updated electrical grid
- $10 billion for VA hospitals
- $20 billion for broadband installations
- $200 billion for unspecified “vital infrastructure projects”
- $10 billion for an infrastructure bank

Infrastructure plan worth $550 billion to $1 trillion for projects across the country that meet the following criteria:

- A national security or public safety “emergency”
- “Shovel-ready,” with at least 30 percent of initial design and engineering work complete
- Direct job creator
- Project with the potential for increased U.S. manufacturing
What this all means for NSCA members

* For those of you excited for immediate change... this will take more time than you might expect or want
* For those of you scared or angry with the political scene; change requires debate and we have a good system of checks and balances
* We have a very favorable business outlook when factoring in our projections with this new expectation
* We will face challenges attracting new talent and it will likely get worse as we compete for skilled labor...
What this all means for NSCA members

* Owners need to be more mindful than ever of our corporate status to anticipate the best tax rates (or selling a company)
* Keep an eye on the DOL and the new OT law. That will be difficult to take back in its entirety
* Expect fewer regulations, but greater confusion
* Watch for individual states and cities to challenge federal laws, sanctions, and the pro-business regulations
* Watch interest rates, wage increases, higher costs on imported products
NSCA - Your Voice!
The 2017 legislative agenda

* Labor issues (primarily seeking clarity)
* Taxation (lower corporate taxes and clarity on taxing labor)
* Insurance (we have some big changes coming on cyber insurance, E&O, network liability, etc.)
* Regulations (hopefully all good news and simple provisions)
* Codes and standards (driving these to make them in our favor)
* Licensure (providing clarity and influencing lawmakers)
* [https://www.nsca.org/2017-nsca-legislative-agenda/](https://www.nsca.org/2017-nsca-legislative-agenda/)
Questions?

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