



Legislation in 2017

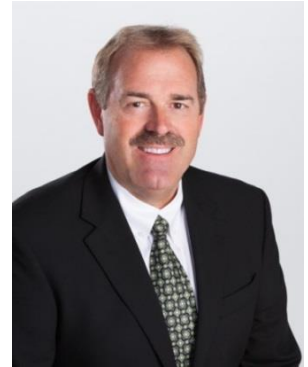
What to prepare for now

Presented by:
Chuck Wilson - Executive Director
NSCA

Chuck Wilson

Executive Director, 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.



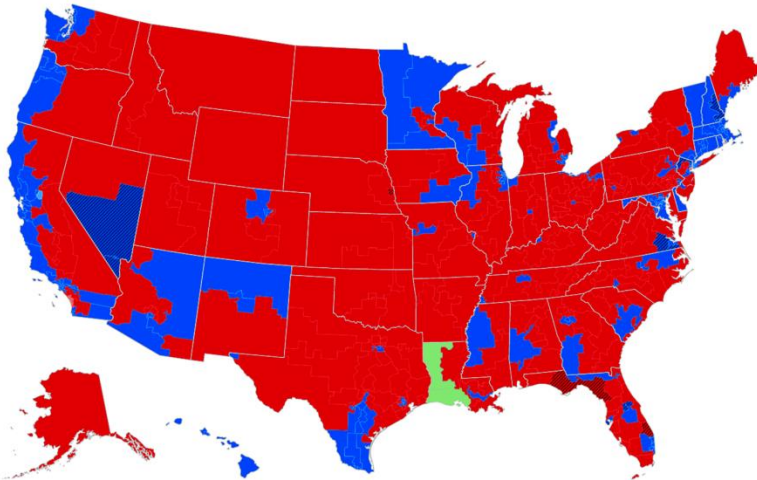
Agenda

- * 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)

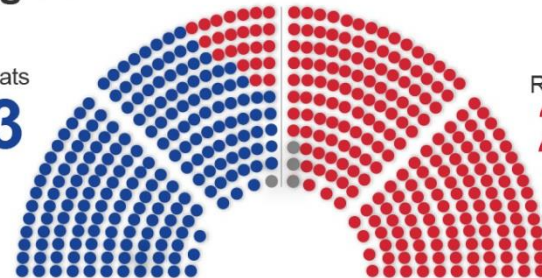
The House of Representatives



115th Congress

Democrats
193

Republicans
238

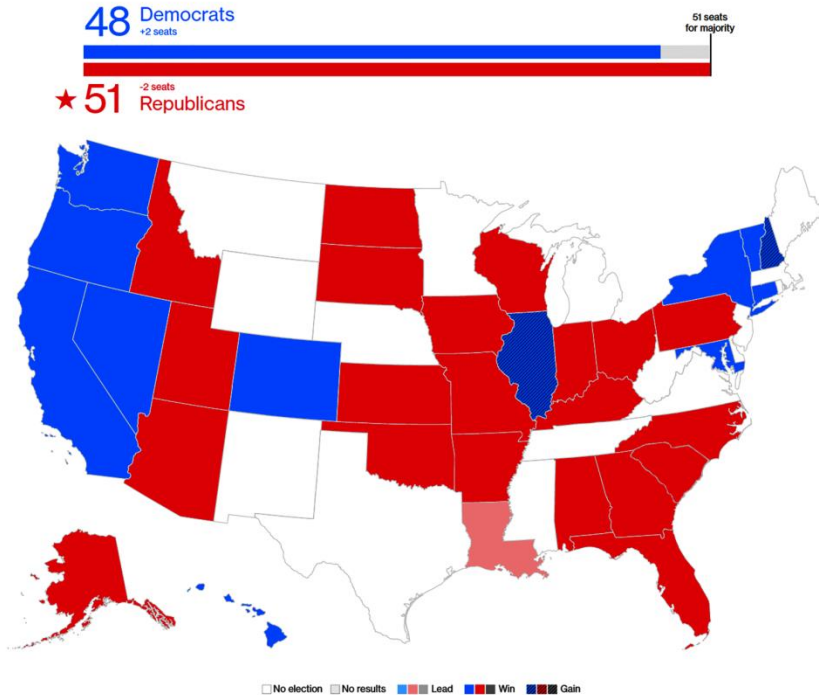


Notes: Two seats shown in gray represent California races that have not been called, and two represent districts in Louisiana where runoffs will be held on Dec. 10.
Source: Bloomberg Government

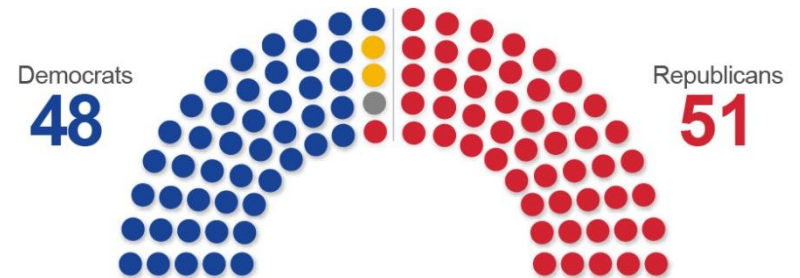
Bloomberg GOVERNMENT

241 - Largest GOP majority since 1929

The Senate



115th Congress



Notes: Louisiana, shown in gray, will hold a runoff Dec. 10 between a Republican and a Democrat. Independents, shown in yellow, caucus with the Democrats and are included in the Democratic tally.
Source: Bloomberg Government data

Bloomberg GOVERNMENT

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 wont 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).

Which common job misclassifications impact systems integrators?

- * 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

How this gets resolved

tax scoring

- * 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 (\$2Trillion plus)
- * We need 3% real growth (currently around 1%) to outpace existing entitlement programs. Aging population is big concern. Entitlement s 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

- * Multinationals 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
- \$110 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 it's 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/>

Questions?

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