

December 29, 2017 – VOLUME 14, ISSUE 12

What Does Tax Reform Mean for the Pressure Pipe Industry?

[The Tax Cuts and Jobs Act \(H.R. 1\)](#) is done. Although you may be bit tired of hearing about tax reform, it's important to understand how it might impact concrete pressure pipe manufacturers and construction activity in general.

ACPPA Tax Priorities vs. The Tax Cuts and Jobs Act	
ACPPA Tax Priority	Final conference agreement
Reduce top corporate tax rate to 25 percent.	Positive: Sets corporate tax rate at 21 percent beginning in 2018, repeals corporate alternative minimum tax, creates 20 percent deduction for pass-through businesses in asset intensive industries.
New funding and financing for long-term infrastructure investment.	Positive: Preserves private activity bonds Negative: Includes no new infrastructure revenue or financing tools and eliminates advance refunding and tax credit bonds.
Promote capital investment.	Positive: Provides 100 percent expensing for new and used tangible property put in service between Sept. 27, 2017 and Jan. 1, 2023. Sec. 179 changed to allow \$1 million in immediate expensing as long as total investment is less than \$2.5 million. Potentially Negative: Caps net interest deduction at 30 percent of earnings before interest, taxes, depreciation, and amortization for four years, and 30 percent of earnings before interest and taxes thereafter. Repeals like-kind exchanges for tangible assets (e.g., equipment).
Encourage manufacturing research and development.	Potentially Negative: Bill requires amortization of research and development expenses over five years beginning in 2022.
Maintain manufacturing deduction tax credit.	Potentially Negative: Repeals domestic production deduction (but impact is offset by lower corporate rate). Impact depends on how and if your company claimed this deduction.
Improve international tax rules.	Positive: Shifts to a territorial system. Enacts deemed repatriation of currently deferred foreign profits at a rate of 15.5 percent for liquid assets and 8.0 percent for non-liquid assets.
Allow current year advertising expensing.	Positive: No change to current law.
Maintain the deductibility for local lobbying expenses.	Negative: Repeals the deduction for local lobbying expenses.

ACPPA has been laying the foundation for tax reform for years. As far back as 2014, the association's board adopted a comprehensive tax agenda that articulated policies to support the growth of the concrete pressure pipe industry. The chart accompanying this article (left) indicates how ACPPA's priorities fared in the final bill. While some of what was in the legislation is contrary to what ACPPA would have liked to have seen, generally the outcome is pretty good.

Whether your company is organized as a C-corporation or pass-through, your tax rates will drop. The corporate alternative minimum tax was repealed. Through the end of 2022 you'll be able immediately expense most equipment purchases. Congress also improved the international tax situation,

moving to a territorial tax system and allowing U.S. multinationals to repatriate money held overseas at a 15.5 percent rate.

What Does the Tax Bill Mean for Infrastructure?

On the infrastructure front, the news isn't quite as positive. Congress preserved private activity bonds (the House bill would have eliminated them) but got rid of advance refunding and tax credit bonds, which are used by some municipalities to pay for infrastructure. Congress also missed a big opportunity to use tax reform to lay the foundation for a major infrastructure bill. The last time the gas tax was raised was in 1993 as part of another major tax and budget deal. Construction organizations, including ACPPA, had long urged Congress to use tax reform to create new revenues for infrastructure. Lawmakers chose not to. The construction and transportation communities are also frustrated that tax revenues from repatriation will not be applied to infrastructure as some had proposed. The tax bill also capped the state and local tax deduction at \$10,000 per individual. That may make it more difficult politically for states and localities to use taxes to pay for infrastructure improvements. Many in the infrastructure community are also concerned that the massive new debt associated with the tax bill will make lawmakers less welcoming to additional infrastructure spending.

What to learn more about what's in the H.R. 1 conference report?

A helpful snapshot from the Tax Foundation is [here](#). The text of the entire bill, along with the Joint Committee on Taxation's description and tables detailing revenues impacts is available [here](#) (the full document is more than 1100 pages, so be prepared for a big download).

ACPPA Leads Effort to Save PABs

ACPPA played an important role in at least one aspect of the tax debate: preserving private activity bonds. For years, ACPPA has led coalition efforts to expand their use and the value of the groundwork we laid can't be ignored. Earlier this month [ACPPA drafted and coordinated a letter](#) to House Speaker Paul Ryan, Senate Majority Leader Mitch McConnell, and other conferees in support of tax-exempt bonds signed by 12 of the nation's leading concrete industry organizations including the Portland Cement Association and the National Ready Mixed Concrete Association. Although ACPPA was by no means the only organization working to protect PABs, we're proud of the role we played.

What Are Others Saying?

Although there's ambivalence about the bill in some circles and [public opinion has been strongly against it](#), the response to H.R. 1 from the business community has generally been positive. Even [the National Association of Home Builders](#), which opposed the House bill because of reductions in mortgage interest benefits, came around and voiced support for the H.R. 1 conference report. Here's how some of the other major business, manufacturing and construction organizations have responded to the tax bill:

- Jay Timmons, President & CEO, National Association of Manufacturers: "When this bill becomes law, manufacturers in America will be more competitive than they have been in decades. This is a win for the American economy, and it puts the world on notice: America is even better prepared to compete and win for every job and opportunity. Manufacturers do wish that some elements of the bill had been more pro-growth, and the NAM will continue working with Congress to improve on this foundation in the years to come."

- Tom Donohue, President & CEO, U.S. Chamber of Commerce: “Today, Congress achieved what many said was impossible – overhauling our country’s broken, outdated tax code and updating it with bold reforms for lasting growth.”
- Steve Sandherr, CEO, Associated General Contractors of America: “Congress passed comprehensive tax reform legislation that will lower rates, spur economic growth and impact construction businesses for years to come ... That stated, there is still much work to be done in our nation’s capital in the new year. Though Congress missed an opportunity to address the long-term solvency of the Highway Trust Fund via tax reform, we remain focused on ensuring that this administration keeps its promise to rebuild the nation’s infrastructure.”

What Will the Impact Be?

Republican congressional leaders and the White House would have us believe that bill’s impact will be universally positive. Only time will tell if they’re right. Critics have said that given the relative strength of the economy, this was the wrong time to enact a big tax cut and that tax incentives such as 100 percent expensing should have been left in the economic medicine cabinet to be used to help pull us out of a future downturn. There are also concerns that the bill could overstimulate an already strong economy and lead to inflation. Others have suggested that more than \$1 billion in federal government borrowing could drive up interest rates.

H.R. 1 has also been criticized because, with a few exceptions (e.g., changing the way multinationals are taxed), the tax reform bill didn’t do much actual reforming. In its original conceit, the end result was supposed to be a much simpler tax code and long-term certainty. Although it did a bit of weeding of the code (primarily to find new revenue), the final tax bill maintains many of the pre-existing credits and deductions (which isn’t necessarily bad), so things aren’t likely to be much simpler.

The new law is also likely to create significant near and long-term uncertainty. It will take time for tax professionals and accountants to come to terms with the new law and for the Internal Revenue Service to issue new rules and guidance. In the longer term, the fact that many of the personal and business deductions expire at various points in the future means a return to the way things were several years ago when tax provisions had to be renewed on an annual basis (sometimes at the end of the year). That created considerable confusion and made it difficult to plan. In that respect, H.R. 1 will keep tax lobbyists employed for years to come.

The bottom-line is that intelligent people disagree about what the impact of the tax cuts will be. As all the changes become clearer, we look forward to hearing from ACPPA members about what’s working, what isn’t, and how the tax code can be further improved. 

Next Up: Infrastructure?

With the tax bill done, ACPPA and other infrastructure advocacy organizations are working to make sure the next priority for the Congress and the White House is making good on President Trump’s campaign promises to enact a big infrastructure package.

President Trump tweeted on Dec. 22, “At some point, and for the good of the country, I predict we will start working with the Democrats in a Bipartisan fashion. Infrastructure would be a perfect place to start. After having foolishly spent \$7 trillion in the Middle East, it is time to start rebuilding our country!”

We know conversations between the administration and transportation leaders are already taking place and we’re expecting to see more detail about the how address the nation’s \$1 trillion plus infrastructure deficit.

ACPPA will be making a splash in early 2018 with the release of a new study prepared for the association by public policy researchers at the College of William and Mary.

The report, which is in the final drafting stages, provides a comprehensive overview of various types of water infrastructure financing, interviews with watch system owners around the country about what works and what doesn’t when it comes to paying for infrastructure, and data demonstrating both the economic and public health benefits of investing in drinking water.

Look for further information in your email inbox in mid-January. 

Pressure Pipe Post

ACPPA's Monthly Source for Industry News

December 2017

To keep members aware of the activities of government and standards organizations, we regularly sweep public databases and publications for the industry-specific terms indicated below. We then provide our members with links to documents identified in the search. Please note that in some cases the URLs may link to subscription-only databases. The purpose of this service is to identify emerging threats and trends as well as opportunities for collective action by ACPPA.

NEWS RESULTS

Fly Ash/Coal Ash

[Virginia] Critics Counter Coal Ash Assessment

12/26/2017 <http://www.energycentral.com/news/critics-counter-coal-ash-assessment>

An environmental group, a state lawmaker and companies looking to help Dominion Energy clean up millions of tons of coal ash sitting in unlined pits at four Virginia sites say they've found major flaws in the report on contamination at the ash ponds and options for closing them that the utility released earlier this month.

[West Virginia] South Charleston Council Votes to Go Ahead with Bond Deal for Fly Ash Pond

12/21/2017 https://www.wvgazette.com/news/kanawha_county/south-charleston-council-votes-to-go-ahead-with-bond-deal/article_d1298ce4-4d0d-52b8-bbc6-9b4d623af84d.html

South Charleston City Council passed an ordinance that will authorize the financing of bonds to acquire real estate for commercial and economic development.

Letter: Should the State Approve Wheelabrator's Request to Deposit More Ash at its Saugus Landfill?

12/15/2017 <http://www.bostonglobe.com/metro/regionals/north/2017/12/15/should-state-approve-wheelabrator-request-deposit-more-ash-its-saugus-landfill/lg6dMfbedTWeujEUMTqv1H/story.html>

For the past 40 years, Wheelabrator Saugus has been an integral part of the region's environmental infrastructure, an important economic partner to surrounding communities, and a good corporate citizen.

Alternatives for Removal of Coal Ash are Feasible

12/14/2017 <http://www.4-traders.com/DOMINION-ENERGY-INC-12255/news/Principi-Alternatives-for-removal-of-coal-ash-are-feasible-25670167/>

Just in time for the holidays, the people of Prince William County received a gift from the Virginia General Assembly, in the form of an 800-page report analyzing the options for Dominion Energy's disposal of the hazardous coal ash stored in ponds at the Possum Point facility in Dumfries.

More Coal Pollution for Metro Area?

12/12/2017 <https://urbanmilwaukee.com/2017/12/12/more-coal-pollution-for-metro-area/>

When We Energies announced the closing of its Pleasant Prairie coal-fired power plant in southeastern Wisconsin last week, residents and clean power activists applauded. But the news has also caused anxiety as some fear it means We Energies will increase production at a pair of coal-fired power plants about 15 miles away.

Effectiveness Study for Fly Ash Cement Improved Marine Clay

12/05/2017 <http://www.highbeam.com/doc/1G1-516446877.html>

The disposal of fly ash poses increasingly difficult problems for many urbanized regions. A viable solution to the problem is reclamation of fly ash for civil engineering applications.

Infrastructure Investment**[New Jersey] Spotswood Seeks to Fund Water Repairs Through Loan Program**

12/19/2017 http://www.centraljersey.com/news/spotswood-seeks-to-fund-water-repairs-through-loan-program/article_ceceef81-48e7-593d-baa9-0c75d4da71c0.html

Aiming to finance water system and infrastructure improvements, the Borough Council approved a resolution to apply for a USDA loan/grant program.

[Michigan] On the Politics of Infrastructure

12/16/2017 <http://www.craigslist.com/article/20171217/news/647871/candice-miller-on-the-politics-of-infrastructure>

The year 2017 may be remembered as the year suburban Detroit's aging underground infrastructure burst open for a long-overdue public inspection.

[Connecticut] Regional Water Authority Approves \$15 Million to Repair Water System Leak in North Branford

12/06/2017 <http://www.greenwichtime.com/metro/article/Regional-Water-Authority-approves-15-million-to-12411780.php>

Members of the governing board of the South Central Connecticut Regional Water Authority Wednesday night unanimously approved a \$15 million fix of the tunnel and pipe system that brings water from the utility's largest reservoir to a treatment facility in North Branford.

[Minnesota] Small Towns Face a 'Crisis' of Aging Water, Sewer Pipes

12/05/2017 <https://www.mprnews.org/story/2017/12/05/small-towns-face-crisis-of-aging-water-sewer-pipes?>

To get the water and sewer pipes up to date in Little Falls, Minn., it'd take about \$7 million a year — money the city does not have.

Materials

What's New in Construction Material?

12/21/2017 http://www.focusonaggregates.com/news/industry_insider.cfm?nws_id=11747&headline=What's%20New%20in%20Construction%20Material

Construction materials have been evolving for generations—growing stronger, lighter and more durable while delivering less environmental impact. So what's under development these days? Here are a few materials we're watching.

Is Concrete a Sustainable Building Material?

12/11/2017 <http://www.publicnow.com/view/235435DB4697E5E21419E51BD83696927A7D7DD9>

When we think about concrete, environmental sustainability is not always the first thing that comes to mind. But this popular building material actually provides a number of significant environmental benefits.

A New Approach for Application of Silica Fume in Concrete: Wet Granulation

12/05/2017 <https://www.highbeam.com/doc/1G1-516446830.html>

Silica fume as partial replacement in concrete for cement increases the durability of reinforced concrete and reduces cement usage. However, the low bulk density and high specific surface area of silica fume offer challenges in its application and transport.

Water Systems

Acton, Massachusetts, Uses Relining to Rehabilitate its Water Distribution System

12/21/2017 <https://trenchlesstechnology.com/acton-mass-relining-rehab-water-lines/>

Just 21 miles west of Boston and close to the heart of Middlesex County lies the town of Acton, Massachusetts. Named the 11th “Best Place to Live” among small towns in the United States by Money Magazine in 2015, this small town is doing big things.

[Michigan] On the Need to Evaluate Our Water System

12/16/2017 <http://www.crainsdetroit.com/article/20171217/news/647886/sue-mccormick-on-the-need-to-evaluate-our-water-system>

The lack of a second water main line for a dozen communities serving some 300,000 Oakland County residents and businesses along the 14 Mile Road corridor came into full view this fall during a multi-day interruption of service that limited business and hospital operations and closed schools.

[New York] Clarence Residents Without Water for Several Days

12/15/2017 <http://www.wgrz.com/article/news/local/clarence-residents-without-water-for-several-days/71-499773566>

A series of water main breaks over the past few days shut down service to about 35 homes in the town of Clarence. Residents reached out to Channel 2, concerned this was going on for far too long.

[Indiana] USB Approves Main Street Phase I Water Line Work

12/14/2017 <http://wvut.org/2017/12/usb-approves-main-street-phase-i-water-line-work/>

More information is now available about the Utilities Services Board replacing a water line pipe as part of Phase 1 of the Main Street project.

[Kentucky] Historic Pictures Show Oak Street Pipe 125 Years Ago

12/13/2017 <http://www.whas11.com/news/history/historic-pictures-show-oak-street-pipe-125-years-ago/499265176>

About 30 homes near that water main break in Shelby Park are still without water Wednesday, as the company works to restore water and partially replace the pipe.

[California] Change Order Proposed for City's Wastewater Treatment Plant Project

12/13/2017 <http://www.theintelligencer.com/news/article/Change-order-proposed-for-city-s-wastewater-12428494.php>

As discussed at Tuesday's Public Services Committee meeting, Public Works staff recommended the approval of a change order to add extra supports to the I-beams supporting the air header piping.

Clean Water on Its Way to Vermont Homeowners with Tainted Wells

12/11/2017 <https://www.necn.com/news/new-england/Clean-Water-on-Its-Way-to-Vermont-Homeowners-With-Tainted-Wells-463487633.html>

State and local leaders celebrated progress made in piping clean water to some residents of Vermont's Bennington County, after their private wells were discovered to have been tainted with a potentially dangerous chemical.

[Wisconsin] City Receives \$625K Settlement from Sewer Pipe Rupture

12/11/2017 <http://www.weau.com/content/news/City-receives-625K-settlement-from-sewer-pipe-rupture-463477813.html>

The City of Eau Claire has received a settlement of more than \$600,000 after a sewer line ruptured in the Eau Claire River last year.

Workplace Safety**North Carolina Worker Dies in Construction Accident After Falling into Hole**

12/20/2017 <http://wncn.com/2017/12/20/nc-worker-dies-in-construction-accident-after-falling-into-hole/>

The worker fell into a hole that was "being dug to pour footers for a new fall protection system," Charlotte Pipe officials said.

[Georgia] Construction Worker Dies After Hit by Pipe on the Job

12/14/2017 <http://www.walb.com/story/37070835/coroner-construction-worker-dies-after-hit-by-pipe-on-the-job>

Morales was working in a ditch while another employee was lowering a large piece of PVC pipe.

REGULATORY RESULTS**Clean Water****Department of Justice | Notice | Notice of Lodging of Proposed Consent Decree Under the Clean Water Act**

12/27/2017 <https://www.gpo.gov/fdsys/pkg/FR-2017-12-27/pdf/2017-27816.pdf>

In a civil action filed on December 19, 2017, the United States, on behalf of the Environmental Protection Agency, and PADEP alleged that Lancaster violated its National Pollutant Discharge Elimination System (“NPDES”) permit and the Clean Water Act and Pennsylvania Clean Streams Law by failing to develop and implement an adequate Long Term Control Plan (“LTCP”), violating effluent limits, failing to comply with the Nine Minimum Control Requirements, and discharging sanitary sewer overflows. In the Complaint, the United States and PADEP sought injunctive relief and penalties.

LEGISLATIVE RESULTS**Water Supply****H.R. 4423 | Introduced by Johnson, Sam (R-Texas) | North Texas Water Supply Security Act of 2017**

12/13/2017 <https://www.congress.gov/bill/115th-congress/house-bill/4423>

To limit claims under Federal law seeking judicial review of any environmental impact statement, environmental review, or authorization for the Lower Bois d’Arc Creek Reservoir Project in Fannin County, Texas, and for other purposes.

S. 664 | Introduced by Hatch, Orrin (R-Utah) | Navajo Utah Water Rights Settlement Act of 2017

12/06/2017 <https://www.congress.gov/bill/115th-congress/senate-bill/664>

To approve the settlement of the water rights claims of the Navajo Nation in Utah, to authorize construction of projects in connection therewith, and for other purposes.

