Wyden Unveils Plan to Simplify Asset Cost Recovery

Sen. Ron Wyden (D-Ore.), the senior Democrat on the Senate Finance Committee, unveiled a proposal on April 26 aimed at simplifying the tax treatment of business assets. Generally speaking, Wyden’s plan would replace more than 100 depreciation schedules with six “pools,” expand tax-free reinvestment rules, simplify accounting rules and increase first-year deductions and attempt to eliminate biases between investments in different industries. Here’s our deep dig:

The heart of Wyden’s tax reform proposal is a plan to replace the Modified Accelerated Cost Recovery System (MACRS) and the Alternative Depreciation System (ADS) with an “Accelerated Mass Asset Cost Recovery and Reinvestment System” (A-MACRRS) based on six asset pools.

The balance of each pool would be the value of assets placed in service in a given year minus proceeds from the disposition of assets in the pool. The pool balance would also include the remaining basis from assets in each pool category acquired prior to the adoption of the new system. A company’s annual depreciation deduction would be calculated at the end of each year by multiplying the value of the pool by the appropriate declining balance percentage associated with the pool.

Construction equipment, which currently has a five-year MACRS recovery period, would be in Pool Two, the balance of which declines at 34 percent per year. Table Two illustrates how a single $100,000 machine would be depreciated under the new system. Note that this example assumes no bonus depreciation, which expires at the end of 2019. As illustrated, 56 percent of the value would be written off in the first two years versus 40 percent under MACRS. However, it would take longer to recover the full value of the asset.

The new system is designed with simplicity, uniformity and predictability in mind. The distinction between MACRS and ADS property would be eliminated. Additionally, under current law, many taxpayers must calculate depreciation separately for various purposes (including for earnings and profits and for alternative minimum tax). The proposed A-MACRRS system would require only one calculation.

| Comparison of Current MACRS Recovery Periods to Wyden Asset Pools and Depreciation Rates |
|---------------------------------|-----------------|-----------------|
| Current Asset Class Assignment  | Wyden Pooling Proposal | A-MACRRS Pool and Rate |
| MACRS Class Life (years)        | Pool 1 – 49%     | Pool 2 – 34%    |
| Recovery Period (years)         | Pool 3 – 25%     | Pool 4 – 18%    |
| 4 or less                       | Pool 5 – 11%     | Pool 6 – 8%     |
| 5 to 9                          | 3                | 5               |
| 10 to 15                        | 7                | 10              |
| 16 to 19                        | 15               | 20              |

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The proposal seeks to reduce complexity for companies with large fleets by applying and simplifying mass- or general-asset accounting for all the company’s assets. Wyden would also eliminate the half-year and mid-quarter conventions to simplify calculations about how much of an asset’s price can be deducted in the first year. And it embraces and makes permanent the concept of bonus depreciation and permanently increases first year depreciation deductions by between five and 20 percent depending on the asset category.

Another advantage of the Wyden plan is that like-kind exchange (LKE) is effectively built into the pooling concept and even expanded somewhat (note that, unlike other recent tax reform proposals, Wyden’s plan does not repeal or replace LKE). As long as assets are in the same pool, they could effectively be swapped for one another, thus expanding the type of asset into which proceeds from a sale could be invested without tax consequences. For companies with current LKE deferrals, the value of each pool would be decreased by the proceeds from dispositions in the various asset categories (in other words, booked gain would go against the depreciation of future equipment purchases).

Those who have been watching the tax reform debate play out over several years may recognize the pooling concept from the business tax reform plan then-Senate Finance Chairman Max Baucus (D-Mont.) proposed in late 2013. However, there are significant differences and improvements. Specifically:

- **The goals are different.** Baucus proposed a large number of tax code changes that would have raised taxes on pass-through companies to raise revenue for corporate tax reform and to lower corporate rates. The Wyden plan is crafted to be net revenue neutral through at least 2026. In other words, the goal is to simplify the code, not raise tax revenue.

- **The Wyden plan is highly-focused.** Unlike the Baucus plan - which called for sweeping business tax reform - the Wyden plan deals only with asset cost recovery. Baucus proposed a host of business tax changes to pay down corporate tax rates; Wyden’s proposal does not address tax rates or touch those other parts of the code.

- **Wyden’s plan has more pools and the annual depreciation percentages are much higher.** Under Baucus, pooled assets would have been depreciated at rates of 38, 18, 12 or five percent. Construction equipment would have been depreciated at an 18 percent rate, thereby reducing the current first year write-off under MACRS. In contrast, the annual percentage for construction equipment under Wyden is 34 percent, almost twice that of the Baucus plan and the first and second deductions are greater than under MACRS.
Outreach and engagement. While there was limited engagement with outside organizations in crafting the Baucus plan, Wyden’s staff has been reaching out for months to the business community for input and guidance in crafting the proposal.

While Wyden’s plan has merit, it has some potential drawbacks as well. Perhaps most notably, the declining balance depreciation method would extend cost recovery periods and reduce the depreciation deduction (on a percentage basis) after year two, potentially affecting company cash flow. Additionally, although the goal is to simplify the process of calculating depreciation, companies would still have to track individual assets for other purposes.


Wyden’s plan is unlikely to be enacted into law in the current legislative environment. Lawmakers are too distracted by the elections to focus on something with such broad economic impact. However, Wyden’s proposal is important: Senate control hangs in the balance and Democrats have a better than even shot at winning control of the chamber in November. If that happens, Wyden will be the next Finance Committee chairman and his plan will likely form the basis of any Senate Democratic tax reform plan. With that in mind, the business community would do well to take notice, analyze the impact and provide feedback.

Now that the plan has officially hit the streets, it’s up to ACPPA members to share their thoughts with the association. ACPPA’s tax policy statement says tax reform legislation should “encourage capital investment, not punish it”. So what do you think of the Wyden plan? Would pooling work for pipe manufacturers? Would it make asset accounting easier? Is it worth trading more first year depreciation for longer cost recovery periods? Let us know.

Emergency Funding Streams Key to Senate Water Bill

On April 26, Sens. Jim Inhofe (R-Okla.) and Barbara Boxer (D-Calif.) introduced the Water Resources Development Act of 2016 (WRDA; S. 2848), a multi-billion dollar bill to primarily fund programs overseen by the Army Corps of Engineers. However, the legislation also includes provisions designed to channel additional money to drinking water and sewer projects.

Generally speaking, the bill is a broad blueprint for investing in the nation’s ports, waterways and aquatic ecosystems. In addition to supporting commerce and public health, WRDA aims to increase local participation by expanding the role of community partners in implementation of water resource projects. It also provides funding through existing programs to assist with crisis management.

On the drinking water front, the legislation provides $100 million in emergency assistance funding for the drinking water state revolving fund (SRF) program. Communities whose public water supplies are in declared states of emergency – specifically those addressing lead or other contaminants – may receive loans from SRF resources. In addition to emergency funding, the bill highlights the economic impact of SRF
investment. According to data from the Water Environment Federation and the WaterReuse Association, federal water infrastructure funds will generate more than 500,000 jobs and $102 billion in economic output over the next five years.

WRDA also dedicates $70 million in credit subsidies under the Water Infrastructure Finance Innovations Authority (WIFIA), through which the Environmental Protection Agency (EPA) may secure loans for infrastructure projects. The WIFIA program was established in 2014 as a pilot program to attract private and non-federal investments to water infrastructure projects. Based on credit risk projections from the Office of Management and Budget (OMB), the funds could subsidize up to $4.2 billion in additional water infrastructure investment.

The emergency funding vehicles in the bill have drawn considerable attention in light of the ongoing drinking water crisis in Flint, Michigan. The measures came from language Sen. Inhofe co-authored with Sen. Debbie Stabenow (D-Mich.) and introduced in February 2016 as an amendment to the Energy Policy Modernization Act (S. 2012). Sen. Mike Lee (R-Utah) prevented the amendment from receiving floor consideration, placing a hold on what he claimed was a federal takeover of local water projects.

Considering the large-scale importance of WRDA programs, which include 26 approved projects for the Army Corps of Engineers in 17 states, the SRF and WIFIA loan programs for emergency projects face better odds as part of the larger bill on both sides of Capitol Hill.

After introduction, WRDA received quick bipartisan approval from the Senate Environment and Public Works Committee (EPW). The legislation now awaits floor consideration by the full Senate.

Explore WRDA:

Three Page Summary  Section by Section Review  Full Text

Congress Again Targets Reclamation’s Buried Metallic Water Pipe Policy

Congress is once again attempting to subvert the determination of the Bureau of Reclamation (“Reclamation”) regarding buried metallic pipe, as both the House and Senate FY 2017 Energy & Water Appropriations bills (H. Rept. 114-532; S. Rept. 114-236) contain report language essentially making
Technical Memorandum ("TM") 8140-CC-2004-1 ("Corrosion Considerations for Buried Metallic Water Pipe") ineffective.

The language in the bills is similar – though not identical – to prior years; the proposals essentially render the TM non-binding and unable to serve as the basis to deny funding or approval of a project or to disqualify any material from use in highly corrosive soils. In effect, Congress is using its “power of the purse” to force Reclamation to ignore a memo based on sound technical and scientific data, as well as time-tested water resources engineering methodology and experience, to tilt the playing field in ductile iron pipe’s favor.

Both the House and Senate FY 2017 Energy & Water Appropriations bills have received committee approval and floor consideration could happen in the near future. ACPPA is working with its partners in the 21st Century Pipe Coalition, an alliance of companies and associations formed to ensure fair competition between pipe products based on facts, not politics.

Stay tuned to Actionline as the story unfolds.

**Asked and Answered: U.S. Technical Skills Gap Has Real Economic Costs**

*By Brian P. McGuire, President & CEO, Associated Equipment Distributors*

2.4 billion. No matter what you’re counting, that’s a big number. When it’s an amount of money – dollars taken away from American businesses and out of the pockets of their employees – that’s a crisis.

Each year, the U.S. heavy equipment distribution industry loses at least $2.4 billion in revenue and economic activity as a result of dealers’ inability to find and retain technically skilled workers, primarily for service technician jobs. The figure, which is based on an estimated nine percent of earnings forgone by equipment dealers represented by Associated Equipment Distributors (AED), was included in a report released this year by The AED Foundation.

What is going on?

The AED Foundation, established in 1991 and directed by AED members, focuses on professional education and workforce development issues specific to the equipment distribution industry. Through accreditation of diesel equipment programs, continuing education resources for working professionals, recruitment resources and skills assessments, the foundation has long been our members go-to resource for growing talent.
For their part, AED’s members have been outspoken about how badly they’re being hurt by the workforce shortage and the need for more focus on the issue by businesses, schools and governments. Respondents to the association’s most-recent business outlook survey rated “finding new talent” as the most significant challenge impacting their businesses – ahead of taxes, Obamacare and regulatory burdens. It’s a big deal.

We’d heard lots of anecdotes, but we needed a tool to illustrate just how big this problem is. By putting numbers behind what we already knew to be true, our government affairs team and the association’s nationwide network of grassroots leaders could go to work calling for policy changes to bolster the technical workforce. To get us there, the AED Foundation commissioned a team of public policy researchers from the College of William and Mary to analyze the industry’s technician shortage based on a summer 2015 survey of North American equipment dealers.

When the team delivered its report in January, the findings were stark: The equipment distribution industry is suffering badly from the mismatch between the capabilities needed to fill technical roles and the skill possessed by prospective employees.

In addition to the $2.4 billion dollars left on the table every year, the research team found that equipment distributors have a job opening rate three times the national average and vacancies stay open for extended periods. In some areas of the country, jobs are sitting unfilled for more than 150 days. That’s five months’ worth of work undone, nearly half a year of business potential unrealized.

The problem isn’t confined to dealers. Much of that unrealized potential comes in the form of unmet customer demand. A dollar lost for an AED member sends ripples up and down the supply chain. Companies that use equipment suffer when dealers don’t have the human capital they need to keep your machinery and that used by utility contractors running. Put simply, we’re all in this together.

Why is this happening?

Respondents to AED’s survey were pretty clear that a lack of “hard skills” is the most significant challenge they face in trying to hire for technical positions. Without training and resources to develop practical competencies, American students are simply unprepared to handle the machines that build and maintain the nation’s infrastructure.

It’s hard to understand why, with the financial and social pressures put on today’s students, we could have such a problem. In ever-increasing numbers, high school graduates are pursuing four-year bachelor’s degrees and piling mountains of loan debt onto their backs. When they graduate, they’re unprepared for the jobs the economy has to offer and good jobs in our industries that lead to rewarding careers go unfilled.

What’s the solution?

In addition to federal and state-level case studies, the William & Mary study authors offered a basic roadmap towards building sound workforce policies. By strengthening community-based partnerships and aligning training programs to the needs of employers, we can begin to build robust pipelines of talent and get those jobs filled.
Congress has already laid that foundation, now it's time to build on it. In 2014, the Workforce Innovation and Opportunity Act (WIOA) became law. The first legislative reform of the public workforce system in 15 years, WIOA provides resources administered by the states to help prepare workers for available jobs by responding to the needs of employers.

Even in a contentious Congress split down party lines, a large bipartisan majority was able to move WIOA to the president’s desk. As Washington, D.C. now gets wrapped up in presidential politics and lawmakers seek bills that could actually pass, the Carl D. Perkins Career and Technical Education Act (Perkins) sits long-overdue for attention. The primary mechanism for federal investment in career and technical education, Perkins has not been fully reauthorized in nearly a decade.

Lawmakers must prioritize technical education and utilize Perkins as a tool to further empower states to support needed skills. To do that, Congress can follow its own blueprint and align the local workforce board structures, accountability measures and industry sector partnerships codified in WIOA with the programmatic structure of Perkins.

Moving the needle on Capitol Hill in the current political environment will require lots of organizations simultaneously raising the issue with as many members of Congress as possible. We’re grateful that ACPPA is joining AED in calling for congressional action on workforce issues.

What can you do to help move the ball forward? Glad you asked:


2. Talk to your local industry colleagues about this problem and discuss ways that you can collectively tackle the issue (e.g., by getting more engaged with local schools, starting scholarship and externship programs, and talking to local government officials).

3. Learn more about the state-level board structures taking shape under WIOA and begin to explore how you and the businesses you work with can get involved. Visit www.doleta.gov/wioa.

4. Investigate the workforce investment structures in each state. To find key contacts and learn about employment and training resources — and how to engage them — visit www.servicelocator.org/contactspartners.

We’ve only scratched the surface, but the skills gap is cutting a deep hole into all of our markets. We have the tools to fix the problem and it’s time to get them in the right hands.

ACPPA thanks Brian McGuire for sharing his insights and AED Foundation resources. The views expressed in this article do not necessarily reflect the positions of ACPPA.
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**

**Coal and Fly Ash**

**EPA Motions Court for Weighty Changes to Final Coal Ash Rule**
A recent motion filed by the Environmental Protection Agency (EPA) asking a federal court to remand parts of its final coal combustion residuals (CCR) rule could have major new consequences for the power sector if upheld, an expert has said.

**Locking Away Coal Combustion Wastewater Problem with Paste Technology**
Many power producers are looking for ways to meet the U.S. Environmental Protection Agency (EPA) federal regulations for Coal Combustion Residuals (CCRs) and Effluent Limitations Guidelines (ELGs). One of the thorniest problems involves handling the water produced by many ash-management processes — particularly the wastewater from the flue gas desulfurization (FGD) process.

**Potential Value of Coal Ash for CSX, Entrepreneurs Looms in Landfill Fights in SE Georgia**
Hauling coal ash to landfills as proposed in southeast Georgia offers CSX Corp. the opportunity to offset declines in coal transport, and presents opportunities for entrepreneurs who can unlock value in the residue of burnt coal, according to the railroad and a Virginia-based think tank.

**Oxygen Key to Containing Coal Ash Contamination**
04/14/2016 [http://www.energy-daily.com/reports/Oxygen_key_to_containing_coal_ash_contamination_999.html](http://www.energy-daily.com/reports/Oxygen_key_to_containing_coal_ash_contamination_999.html)
As energy companies decide what to do with aging coal ash disposal facilities in North Carolina and across the nation, they may be overlooking a fundamental but potentially critical variable - oxygen.
Concrete Producers Look to Import Fly Ash
04/06/2016

Even with 157 million tons of ash in ponds and landfills across North Carolina, the concrete industry says it can't secure enough to meet demand.

Infrastructure

Michigan Avenue Project Prompts Safety Measures
04/27/2016

Work to replace underground infrastructure, repave the roadway, build new sidewalks and install new streetlights is scheduled to begin on Monday, May 2.

First Meeting of 21st Century Infrastructure Commission Conducted in Lansing Last Week
04/25/2016
http://www.legalnews.com/oakland/1423787/

The first meeting of the 21st Century Infrastructure Commission was held last Thursday to kick off efforts by Gov. Rick Snyder to identify long-term strategies to ensure Michigan's infrastructure is safe and efficient now and in the future.

Editorial: Infrastructure Matters
04/22/2016

Infrastructure matters to our country, our economy, our quality of life, our safety, and our communities. From roads, bridges, rails, ports, airports, pipes, the power grid, and broadband, infrastructure matters to the goods we ship and the companies that make and sell them. It matters to our daily commutes and our summer vacations, to drinking water from our faucets, to the lights in our homes, and ultimately to every aspect of our daily lives.

WaterSense Amendment Passes U.S. Senate as Part of Energy Bill
04/20/2016
http://www.spoke.com/press_releases/5717cc65b68968dc57002c4a

The legislation contains a series of amendments, including one authorizing the Environmental Protection Agency’s WaterSense program.

Canadian Engineers Developing Self-Healing Concrete Technology
04/12/2016

Scientists in the civil engineering department at the University of Victoria in British Columbia announced they might be close to a formula for self-healing concrete, the Canadian Press reported.
How Upgrades to N.J. City's 'Aging Infrastructure' will Affect Residents
More than two miles of aging gas pipes will be replaced by PSE&G as part of a statewide project to upgrade the utility company's underground infrastructure.

WEF, WateReuse Encourage Federal Role in Infrastructure Funding
Although WEF and WateReuse are still finalizing the analysis that will go into the committee's official record, the preliminary results revealed that, on average, for every 1 million of SRF dollars spent…there was a significant return to the national and local economies.

City Falling Behind on Street Flooding
Fort Lauderdale may soon become more notable for its water-drenched streets than its waterfront homes. Long ignored underground infrastructure has exceeded its life span, and a whack-a-mole approach to addressing this looming crisis is simply not enough.

Pipes and Pipelines

World's First “Green” Pipe Recognized by ASCE Innovation Award
04/26/2016  http://www.districtenergy.org/blog/2016/04/26/world%E2%80%99s-first-%E2%80%9Cgreen%E2%80%9D-pipe-recognized-by-asce-innovation-award/
QuakeWrap’s StifPipe® has received the 2016 American Society of Civil Engineers (ASCE) Innovation Award in the category of “Green Engineering”. The award recognizes this new pipe technology as the world’s first green and sustainable pipe. QuakeWrap is a member of the International District Energy Association (IDEA).

Pipeline Plan is Already Disturbing Residents
The thought of work crews replacing a pipeline at night under South Coast Highway had some South Laguna residents bristling at last week’s City Council meeting.
**Water and Sewer Systems**

**A Way out of Flint’s Water Quality Crisis**

Americans have reacted in horror and disbelief over reports that Flint, Michigan’s drinking water system is dangerously contaminated by lead, a potent neurotoxin. In their April 25 article, in The Hill, Sarah Ferris and Peter Sullivan correctly point out that the problems afflicting Flint’s decrepit underground water infrastructure threaten cities throughout the U.S.

**Speer Bros: We Didn’t Botch any Water Lines**

Before taking the stand, people representing a local construction company defended themselves, insisting they didn’t botch a $21 million pipeline project.

**Sewage Flow into Bay Stopped After 60 Years**

Untreated sewage from the downtown Pensacola Library has been flowing into Pensacola Bay since 1957. It was finally stopped on Wednesday, but it’s possible that many more toilets in the historic parts of the city may flush straight into stormwater drains, rather than the sewage system.

**City: Construction Likely Cause of Meeker Elementary Water Contamination**

Students at Meeker Elementary School are back to drinking bottled water as an extra precaution after routine water quality sampling on March 30 revealed the presence of total coliform in the school’s water supply.

**Congresswoman: Illinois City Should Replace Lead Water Lines**
04/15/2016  [http://www.suncommercial.com/news/article_87d2fa54-01db-11e6-afe7-9389df52b1c0.html](http://www.suncommercial.com/news/article_87d2fa54-01db-11e6-afe7-9389df52b1c0.html)

An Illinois congresswoman on Wednesday called on officials in one city to seek federal aid to replace lead service lines that have tainted its drinking water and contributed to high rates of childhood lead poisoning.
Detroit Hospital, Other Buildings Awaiting Water Quality Tests  
Patients and staff have been asked to drink and use bottled water Thursday after some construction with the M1 Rail created some water problems. Other big commercial buildings in Detroit’s New Center area in addition to Henry Ford Hospital have also been affected.

Michigan Contractor Helps Install Long-term Solution to Flint Water Crisis  
In the wake of the Flint water crisis, a huge spotlight has been turned on infrastructure in America, and specifically, the country’s miles-long network of aging underground water pipes. While there are new short-term efforts to bring fresh water into Flint, plans have been in the works for several years that should provide a long-term solution.

New Report Exposes Serious Gaps in Michigan Water & Sewer Infrastructure Investment  
A new report commissioned by the Michigan Infrastructure & Transportation Association found that Michigan and its communities are not keeping up with the multimillion-dollar investments needed to ensure clean drinking water and wastewater treatment for residents and businesses now and in the future.

Friday Harbor to Replace Asbestos Cement Water Pipes  
The six miles of asbestos concrete water transmission lines carrying potable water from Trout Lake to the Town of Friday Harbor are 60 years old. The standard useful life of this technology is considered to be about 50 years.

**REGULATORY RESULTS**

*Cement*

Department of Commerce | Notice| Nondestructive Evaluation Techniques for Assessing Alkali-Silica Reaction Degradation of Concrete Consortium  
The National Institute of Standards and Technology (NIST) is establishing the Non-destructive Evaluation Techniques for Assessing alkali-silica reaction (ASR) Degradation of Concrete Consortium (“Consortium”) and invites organizations to participate in this Consortium.
Fly Ash

Environmental Protection Agency | Tentative Denial of Petition | Hazardous Waste Management System; Tentative Denial of Petition To Revise the RCRA Corrosivity Hazardous Characteristic
The Environmental Protection Agency proposes federal Clean Water Act (CWA) water quality standards (WQS) that would apply to certain waters under the state of Maine’s jurisdiction.

HDPE Pipe

Department of Labor | Notice | Petitions for Modification of Application of Existing Mandatory Safety Standards
This notice is a summary of petitions for modification submitted to the Mine Safety and Health Administration (MSHA) by the parties listed.

Steel Pipe

Department of Commerce | Notice | Circular Welded Carbon-Quality Steel Pipe From Pakistan: Preliminary Affirmative Countervailing Duty Determination
The U.S. Department of Commerce preliminarily determines that countervailable subsidies are being provided to exporters/producers of circular welded carbon-quality steel pipe (circular welded pipe) from Pakistan.

Water Supply

Environmental Protection Agency | Proposed Rule | Proposal of Certain Federal Water Quality Standards Applicable to Maine
The Environmental Protection Agency is responding to a rulemaking petition (“the petition”) requesting revision of the Resource Conservation and Recovery Act (RCRA) corrosivity hazardous waste characteristic regulation.
LEGISLATIVE RESULTS

Water Infrastructure

A bill to provide for the conservation and development of water and related resources, to authorize the Secretary of the Army to construct various projects for improvements to rivers and harbors of the United States, and for other purposes.

To amend the Federal Water Pollution Control Act to update a program to provide assistance for the planning, design, and construction of treatment works to intercept, transport, control, or treat municipal combined sewer overflows and sanitary sewer overflows, and to require the Administrator of the Environmental Protection Agency to update certain guidance used to develop and determine the financial capability of communities to implement clean water infrastructure programs.

Water Supply

To amend the Safe Drinking Water Act to update and modernize the reporting requirements for contaminants, including lead, in drinking water.