

## TAX BILL WILL IGNITE THE U.S. ECONOMY *By Craig Brightup*



On Dec. 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act (H.R. 1). As a result, America now has a revamped tax code for the first time since 1986 that dramatically cuts rates for C corporations and “pass-through” firms organized as S corporations, partnerships, LLCs and sole proprietorships.

The tax rate for C corporations (the corporate tax rate) has been cut from 35 to 21 percent, while pass-through firms get a 20 percent deduction from individual rates below \$315,000 joint income. Many roofing contractors use the pass-through structure and pay their business taxes through individual returns, so it also helps that the top individual rate has also been lowered to 37 percent (down from 39). These provisions are in effect this year, along with enhanced IRC Sec. 179 expensing to facilitate business investment.

The Sec. 179 expensing provision (deduction) is intended to primarily help small businesses purchase needed equipment and write-off the full amount on their taxes for the current year. Qualifying 179 property generally includes business equipment, computers and certain vehicles, and virtually all construction equipment and machinery purchases are allowed. Non-residential roofs are also now included.

The new limit on the total amount of Sec. 179 property a business can purchase each year before a phase-out begins is \$2.5 million (up from \$2 million), and the annual limit for the deduction itself has been raised to \$1 million (up from \$500,000). Also, the \$1 million annual deduction and \$2.5 million maximum business investment limits are now permanent and indexed for inflation each year starting in 2019.

H.R. 1 also fixes our international system by ending double taxation for overseas operations, making it easier for American businesses to bring home foreign earnings, and ends the corporate Alternative Minimum Tax (AMT),

too. For roofing contractors that are family businesses, the new tax code doubles the estate tax exemption so that estates of up to \$11 million (or \$22 million for couples) are now exempt from taxation. And though the AMT continues to cover individuals, the exemption and phase-out amounts have been sharply increased.

Finally, H.R. 1 zeroes-out the Affordable Care Act (“Obamacare”) penalties tied to the individual health care mandate, which will essentially repeal the mandate in 2019. In addition, it allows oil and gas exploration in 2,000 federal acres of the Arctic National Wildlife Refuge.

All of these and other provisions in the Tax Cuts and Jobs Growth Act will ignite America’s 2018 economy to levels not seen for years, sparking more roofing activity. In addition, tax cuts coupled with regulatory cuts will drive sustained growth in all sectors.

As such, the revitalized economy will also make labor shortages more acute for all sectors. However, this consequence of growth could generate a realistic assessment of workforce needs in Washington, D.C., and the roofing industry must be ready to seize the opportunity if and when it comes in 2018.

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At the time of publication, Keith Lowe, vice president of sales for IKO, said he was still awaiting final annual numbers but anticipated last year was stronger than 2016 primarily due to storm activity, and demand in the reroof and remodeling categories.

“The housing and remodeling market continued its steady recovery, resulting in higher consumer confidence,” Lowe said. “This has led to more consumer dollars spent on reroof, and we anticipate this being the trend for the foreseeable future.”

The survey showed that steep-slope asphalt sales still account for more than half of all residential sales revenue (55

percent). No other product accounted for more than the 11 percent achieved by metal roofing, and coatings appeared toward the bottom of the list at just 2 percent.

However, two-thirds of respondents indicated an increase of coatings sales in residential roofing last year, closely behind only metal roofing.

When asked which product sales they’d expect to increase in 2018, more than half of residential roofing contractors said steep-slope asphalt (60 percent) and metal (56 percent). Not far behind was coatings (48 percent), a full 18 percent higher than results from last year. The significant jump in interest and potential

sales are proving that coatings aren’t just having an impact on the commercial side of the roofing industry.

“I see it as a move to better longevity of a roof system as well as energy efficiency on the whole,” said Henderson.

Ralph Vasami, acting executive vice president of the Asphalt Roofing Manufacturers Association, said growth in residential coatings is logical given that the majority of homeowners are budget conscious and that they can meet surface-reflection requirements in some areas. Yet, they need to approach with caution.

“It’s imperative that homeowners and building owners ensure that any roof coating they wish to apply is approved