AED
Associated Equipment Distributors

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Simplify the Tax Code to Encourage Capital Investment and Growth

Tax code uncertainty is wreaking havoc on the construction equipment industry and holding the economy back from a full recovery. Tax reform should remain a top priority for Congress and the administration.

AED members perceive that tax uncertainty and federal fiscal problems are dragging down the economy. Ninety-six percent of AED members agree or strongly agree that "the uncertainty surrounding the tax code is undermining the nation's economic vitality." Equipment distributors also understand the situation is complicated and are open to a comprehensive solution to our tax and budget issues.

Congress must act to restore certainty to the tax code and pursue tax policies that will create jobs and spur economic growth.

- As Congress pursues comprehensive tax reform, it must ensure pass-through entities, which make up two-thirds of AED members, aren't left out or detrimentally impacted in order to lower only the corporate rate.

- Congress should make encouraging capital investment an overarching priority in tax reform. Among other things, that means permanently increasing Sec. 179 expensing levels and reinstating bonus depreciation, continuing to allow Sec. 1031 like-exchanges, ensuring the continued deductibility of business interest, and preventing the artificial extension of cost recovery periods for capital assets.

- For the capital-intensive, family business-dominated equipment industry, the estate tax is particularly problematic. While lawmakers provided some relief in Jan. 2013 by setting the tax at a top rate of 40 percent on estates of more than $5.25 million, AED members annually spend an estimated $31.82 million on estate tax-related insurance premiums. Additionally, over the past three years, AED members have paid lawyers and accountants an estimated $6.69 million to design plans to protect their companies. AED therefore believes the only real solution is permanent estate tax repeal.

- The last-in, first-out (LIFO) accounting method is used by a large number of dealers in the inventory-intensive equipment industry to match the cost of goods sold with the cost of the replacement inventory the company must purchase in order to remain in business. Repealing LIFO would subject dealers to retroactive taxation on their LIFO reserves, punish them for using an accounting method that has been widely-accepted for decades, and eliminate a valuable tool that helps businesses mitigate the impact of inflation. Congress should reject proposals to eliminate LIFO.

- The rental income earned by some distributors is now subject to a provision in the Affordable Care Act that imposes a 3.8 percent tax on passive income. Congress and the Treasury Department should hold the equipment industry harmless from this unintended consequence of the ACA and ensure income from equipment rental will not be categorized as passive income.