Week of 8-9-24

Congressional Overview
Congress is in recess until Sept. 9. Prior to the recess, the House failed to pass 12 full-year funding bills. That means lawmakers will have less than one month when they return to reach a funding solution before the next fiscal year begins on Oct. 1.

FCA International Supports Tax Relief for American Families and Workers Act
Earlier this year, the House passed H.R. 7024, the "Tax Relief for American Families and Workers Act," by a vote of 357-70, with 47 Republicans and 23 Democrats voting against it. The House passed the package with wide bipartisan support after months-long negotiations between House Ways and Means Chairman Jason Smith (R-MO) and Senate Finance Chairman Ron Wyden (D-OR). FCA International supported this legislation.

The Senate had a 48-44 vote on Aug. 1, which did not garner the 60 votes needed to start debate on the legislation. If passed, it would revive a trio of business tax breaks, including deductions for research and development expenses, and expand the child tax credit to make it more generous to low-income families. More specifically, the following provisions support small business activities related to research and development, interest, and capital expensing.

- **Research & Development:** The research and development tax credit allows businesses to deduct the cost of certain research and experimental expenses, such as researcher pay and facility costs. The 2017 Tax Cuts and Jobs Act required companies, beginning in tax year 2022, to deduct domestic R&D expenses over five years, or over 15 years for research conducted outside of the US, rather than in the year incurred.The measure would reverse the change and allow businesses to immediately deduct the cost of their domestic research or experimental expenses in the year paid or incurred for tax years 2022 through 2025. The requirements for foreign R&D expenses wouldn't be modified. Deductions would be allowed for software development expenses and would be prohibited for property acquisitions or oil and gas exploration.
- **Business Interest Expenses:** Prior to the 2017 tax law, businesses were allowed to deduct interest paid or accrued on a valid debt in a tax year. The overhaul limited the deduction to be 30% of a taxpayer's "adjusted taxable income" (ATI), with some exceptions. The measure would allow businesses to calculate their ATI without including deductions for depreciation, amortization, and depletion for tax years 2022 through 2025.
- **Bonus Depreciation:** Bonus depreciation previously allowed businesses to immediately deduct some of the costs of qualifying depreciable property, such as equipment, specialized tools, heavy machinery, etc. The 2017 tax law modified the 100% bonus depreciation rate to decrease by 20 percentage points annually beginning in 2023 until it phases out after 2026. The measure would restore the 100% bonus depreciation for certain property placed in service in 2023 through 2025, for property with a longer production period placed in service in 2023 through 2026.
- **Payments Reporting:** Under current law, businesses are required to report information on tax forms for payments of at least $600 executed by an independent contractor. The measure would generally increase the reporting threshold on 1099-NEC and 1099-MISC forms for such payments to at least $1,000 beginning in calendar year 2024. The reporting threshold would be adjusted for inflation beginning in 2025.

Senate Passes the Water Resources Development Act (WRDA)
Last week, the Senate passed the Thomas R. Carper Water Resources Development Act of 2024 (S. 4367) by unanimous consent. The legislation authorizes new levee, harbor, and ecosystem restoration projects and set policy at the Army Corps of Engineers. The bill, named for the retiring committee chairman, approves 13 new or

modified Corps projects and includes provisions to boost tribal authority over water resource projects and allows Western dams to store more water. On July 22nd, the House voted 359-13 to pass its version of WRDA (H.R. 8812). The Senate and House will now move to conference committee to resolve differences between the two bills.

FCA International unsuccessfully attempted to include H.R. 1740 in WRDA, which would ensure proper financial protections are in place for public-private- partnership (P3) water infrastructure projects receiving Water Infrastructure Finance and Innovation Act (WIFIA) assistance. This bill would have ensured essential payment and performance security protections continue to exist for all forms of financing where federal funds are being used.

FY 25 Appropriations Update

It's August, and we find ourselves in the same place as in past years, slowly rolling towards another continuing resolution (CR). This puts departments and agencies in slow-down mode, awaiting final actions on their funding for the coming fiscal year. When Congress returns in September there will only be 13 days when the House and Senate are both in session before they recess until after the November election.

A CR will need to be passed to keep the government funded until final negotiations can take place. A fight over the end date is expected, and one would assume that mid-December would be the logical choice. However, this is an election year, and some may want to push out that end date until March of 2025. The CR will probably also contain some supplemental funding for disaster relief.

U.S. Jobs Update

The U.S. added 114,000 jobs in July and the unemployment rate rose to 4.3 percent, per data released by the Labor Department. Economists expected the U.S. to add 175,000 jobs and keep the jobless rate steady at 4.1 percent, per consensus estimates. The Federal Reserve is leaving interest rates unchanged. The federal funds rate is in a range of 5.25% to 5.5%. The Fed's announcement, which was widely expected by investors, means the federal funds rate has been parked at that level since July 2023, when the central bank last raised rates.