

Smart Tax Policy

Keeping Building Materials Affordable & Supporting Housing Growth

Federal tax policy plays a crucial role in controlling the cost of building materials and ensuring that suppliers, contractors, and homeowners can access affordable products. With rising housing costs a major concern, Congress must support tax policies that keep small and family-owned LBM businesses competitive while promoting investment in supply chain efficiency.

Bonus Depreciation (Full Expensing) – H.R. 7024

Ensuring Tax Incentives for Business Growth

Bonus depreciation allows businesses to immediately deduct a greater portion of capital investments, such as forklifts, delivery trucks, and warehouse upgrades, rather than spreading deductions over multiple years. This provision encourages reinvestment in infrastructure, reduces financing burdens, and helps businesses manage operational costs effectively.

However, without legislative action, full bonus depreciation will continue to phase down, limiting the ability of LBM suppliers to invest in efficiency-improving equipment. By restoring full expensing, businesses can reinvest in modern infrastructure, stabilize material costs, and strengthen the construction supply chain.

Why It Matters:

- Reduces costs for suppliers, keeping building materials affordable for builders and homeowners.
- Encourages investment in new equipment and technology, improving supply chain efficiency.
- Helps businesses absorb inflationary pressures instead of passing costs to consumers.

ABMA's Call to Action: Congress must restore full bonus depreciation to support reinvestment, keep supply chains competitive, and prevent unnecessary cost increases in the housing industry.

Sec. 199A Deduction for Pass-Through Businesses

Protecting Small Business Tax Fairness

Many LBM businesses operate as S-Corporations, partnerships, or sole proprietorships, meaning they are taxed at individual rates rather than as large corporations. The Sec. 199A deduction provides these businesses with a 20% tax reduction, ensuring they remain competitive against big-box competitors.

Without congressional action, this critical tax provision will expire at the end of 2025, leading to substantial tax increases for small businesses. This could result in higher prices for building materials, job losses, and reduced reinvestment in workforce development and infrastructure.

Why It Matters:

- A tax increase on LBM businesses would lead to higher costs for homebuilders and contractors.

- Small businesses would face additional financial strain, reducing their ability to reinvest in growth.
- Losing Sec. 199A could put 2.6 million jobs at risk in industries tied to construction and material supply.

ABMA's Call to Action: Congress must make Sec. 199A permanent to protect small businesses, ensure tax fairness, and maintain the affordability of building materials.

Estate Tax Reform & Preservation of Stepped-Up Basis

Ensuring the Future of Family-Owned LBM Businesses

Family-owned LBM businesses are a cornerstone of the construction supply chain. However, without stepped-up basis, heirs who inherit these businesses could face massive capital gains taxes based on the original purchase price of assets—rather than their value at the time of inheritance. This could force many families to sell their businesses rather than continue operating them.

Additionally, the current estate tax exemption is set to drop dramatically after 2025, placing more small and mid-sized businesses at risk of unaffordable tax burdens. If not addressed, this could lead to increased industry consolidation, reducing competition and driving up material prices.

Why It Matters:

- Protects multi-generational businesses from being forced to sell due to excessive tax burdens.
- Prevents further industry consolidation, ensuring a diverse and competitive supplier network.
- Supports the long-term stability of the construction materials supply chain.

ABMA's Call to Action: Congress must preserve stepped-up basis and maintain estate tax relief to protect family-owned suppliers and prevent unnecessary supply chain disruptions.

Keeping Housing Affordable Through Smart Tax Policy

The cost of building materials directly impacts housing affordability. ABMA urges policymakers to support tax policies that:

- **Lower construction costs** by preventing tax hikes on suppliers.
- **Encourage investment in supply chains** to reduce inefficiencies and delays.
- **Ensure tax fairness** so family-owned businesses remain competitive.
- **Prevent supply chain disruptions** that could drive up material prices.

By addressing these key tax priorities, Congress can help keep homebuilding costs under control and ensure that small businesses continue to thrive in the housing industry.

Contact:

Francis Palasieski

Director of Government Affairs

American Building Materials Alliance (ABMA)

Direct Line: 518-880-6376 | Email: fpalasieski@abmalliance.org



info@abmalliance.org



585 N. Greenbush Rd., Rensselaer, NY 12144



abmalliance.org