

# NLBMDA Issues Briefing Webinar



2019 Spring Meeting & Legislative Conference  
April 1-3, 2019  
The Wink Hotel  
Washington, D.C.



# Introductions



**Jonathan Paine**  
NLBMDA  
President & CEO



**Kirk Ives**  
NRLA  
Director, Legislative &  
Regulatory Affairs



# Industry Priorities



# Industry Priorities

- **Qualified Improvement Property Fix**
- **Health Insurance Tax Delay**
- **Affordable Housing Credit Improvement Act**
- **Renewal of the U.S. – Canada Softwood Lumber Agreement**



# Qualified Improvement Property Fix



## Qualified Improvement Property Fix

**ISSUE: Correct an error in the Tax Cuts and Jobs Act (Public Law No: 115-97) that excludes interior improvements (qualified improvement property) from 100 percent bonus depreciation**



# Qualified Improvement Property Fix

## Background

- **Tax Cuts and Jobs Act (TCJA) allows businesses to immediately deduct the full cost of some investments under 100 percent bonus depreciation**
- **However, due to a drafting error qualified improvement property (QIP) is excluded and faces a higher tax burden**



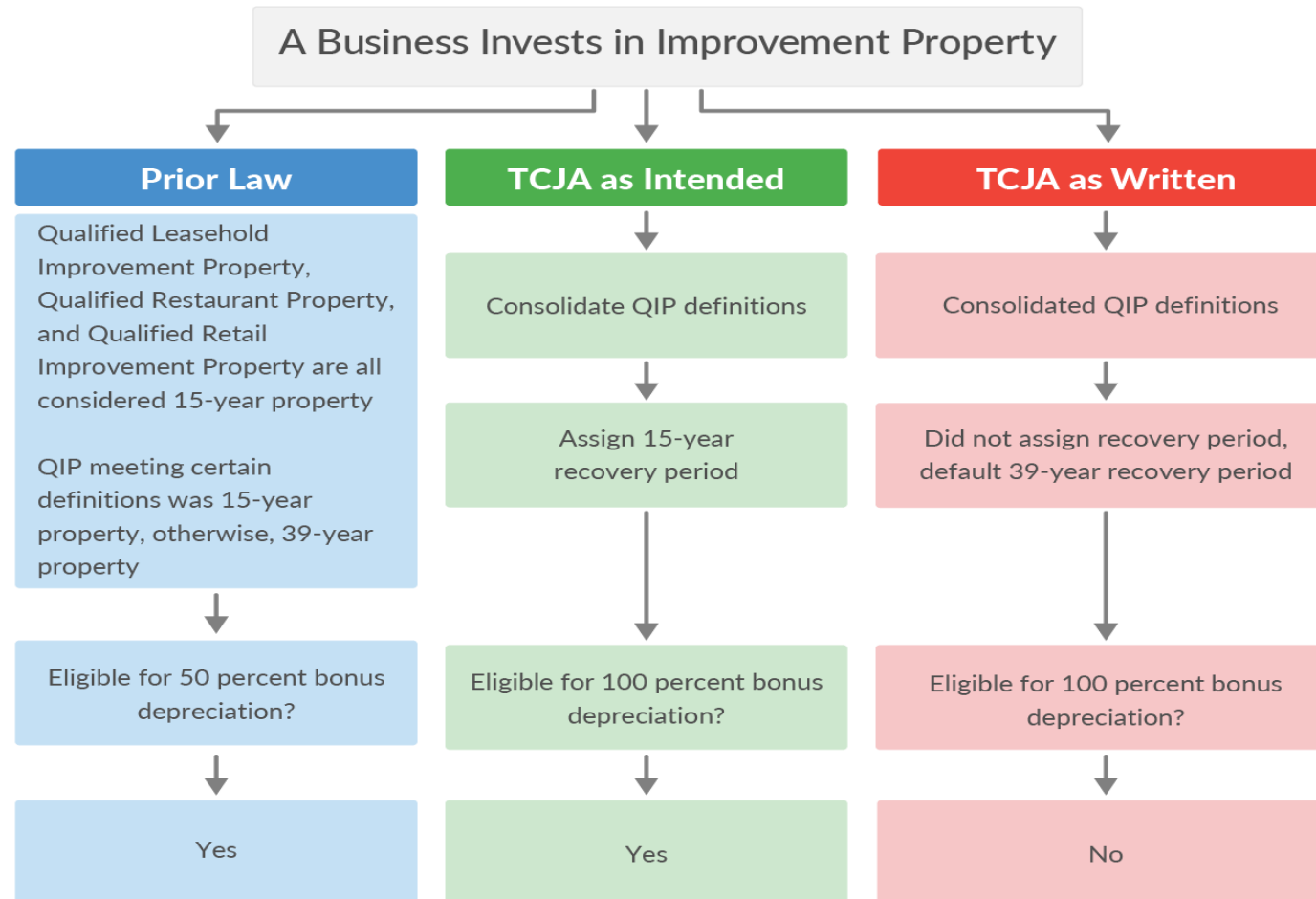
# Qualified Improvement Property Fix

## What is QIP?

- **Interior improvements made in buildings that are nonresidential property**
- **Applies to items such as lighting, shelves, exit signs, and flooring**



# Bonus Depreciation for QIP





# Qualified Improvement Property Fix

## More Restrictive Cost Recovery

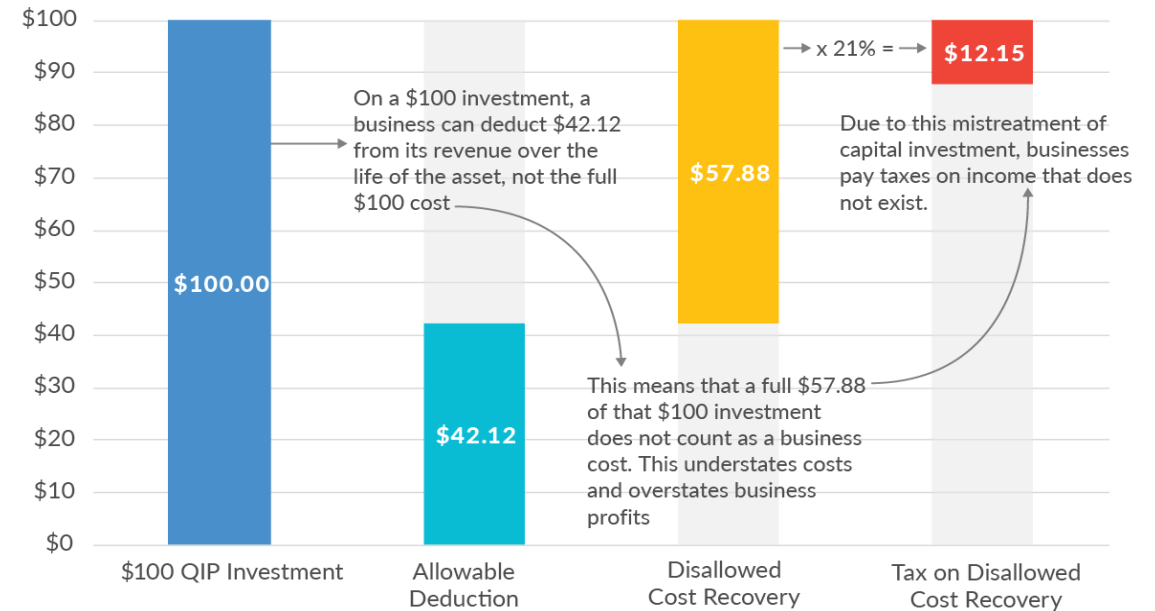
Depreciation Allowances for a \$100 Investment			
	Prior Law	Intent of the TCJA	Current Law
	<i>15-year asset eligible for 50% bonus depreciation</i>	<i>15-year asset eligible for 100% bonus depreciation</i>	<i>39-year asset ineligible for bonus depreciation</i>
<b>0% inflation</b>	\$89.06	\$100.00	\$55.06
<b>2% inflation</b>	\$84.38	\$100.00	\$42.12

# Greater Tax Burden

	Prior Law	Current Law
	15-year asset eligible for 50% bonus depreciation, 35 percent corporate tax rate	39-year asset ineligible for bonus depreciation, 21 percent corporate tax rate
QIP Investment	\$100.00	\$100.00
Allowable Deduction	\$84.38	\$42.12
Disallowed Cost Recovery	\$15.62	\$57.88
Tax on Disallowed Cost Recovery	\$5.47	\$12.15

## Depreciation Requires Businesses to Pay Taxes on Income That Doesn't Exist

Assumes half-year convention, 3.5% real discount rate, 2% inflation rate, and 21% corporate tax rate.



Source: Author's calculations.



# Qualified Improvement Property Fix

## Legislation

- **Restoring Investment in Improvements Act (S. 803)**
  - Introduced by Sens. Pat Toomey (R-PA) and Doug Jones (D-AL) on March 14
- **House introduction expected the week of March 25**
  - Led by Reps. Jimmy Panetta (D-CA), George Holding (R-NC), Steve Horsford (D-NV), and Jackie Walorski (R-IN)



# Qualified Improvement Property Fix

## The Ask

- **House & Senate: Cosponsor and approve legislation to allow tax parity for qualified improvement property**



# Health Insurance Tax Relief



# Health Insurance Tax Relief

**ISSUE: Included as part of the Affordable Care Act (ACA), the health insurance tax (HIT) is charged to insurance companies but passed on to employers and employees in the form of higher premiums**



# Health Insurance Tax Relief

## Background

- **Suspended for 2019**
- **The HIT is expected to be \$16 billion in 2020 unless Congress takes action**
  - **Small Group Market: \$479 increase in premiums per family**
  - **Large Group Market: \$458 increase in premiums per family**





# Health Insurance Tax Relief

## Disproportionately Hurts Small & Medium Businesses

- **Smaller companies are less likely to self-insure**
- **Companies offering self-insured plans by size of business**
  - **Small Businesses – 17%**
  - **Medium Businesses – 29%**
  - **Large Businesses – 79%**



# Health Insurance Tax Relief

## Cost of Employer Provided Health Care

- **Average Annual Premiums for Single Coverage**
  - Total: \$6,896
  - Employer Cost: \$5,710 (83%)
- **Average Annual Premiums for Family Coverage**
  - Total: \$19,616
  - Employer Cost: \$14,069 (72%)



# Health Insurance Tax Relief

## Legislation

- **Health Insurance Tax Relief Act ([H.R. 1398](#), [S. 172](#))**
  - **Suspends the HIT for 2020 and 2021**
  - **Introduced in House by Reps. Bera (D-CA), Gottheimer (D-NJ), Marchant (R-TX), and Walorski (R-IN); has 17 cosponsors**
  - **Introduced in Senate by Sens. Barrasso (R-WY), Gardner (R-CO), Jones (D-AL), and Sinema (D-AZ); has 22 cosponsors**



# Health Insurance Tax Relief

## The Ask

- **House & Senate: Cosponsor and approve the Health Insurance Tax Relief Act to suspend the HIT for the next two years and reduce the health care burden for employers**



# Affordable Housing Credit Improvement Act



# Affordable Housing Credit Improvement Act

**ISSUE: Address the nation's shortage of affordable housing by protecting and strengthening the Low-Income Housing Tax Credit (LIHTC)**



# Affordable Housing Credit Improvement Act

## Background

- **LIHTC was created in 1986**
- **Has financed development for over 3 million units, providing affordable housing to 7.2 million low-income families**



# Affordable Housing Credit Improvement Act

## Background

- **LIHTC is the largest source of new affordable housing in the U.S.**
- **2 million LIHTC units in use**
- **Approximately 100,000 new units come online annually because of LIHTC**





# Affordable Housing Credit Improvement Act

## Two Types of LIHTC

- **9% LIHTC**
  - **Cannot be combined with tax-exempt bonds**
  - **Cannot be combined with other federal subsidies**
  - **Subsidizes 70% of eligible costs**
  - **Limited pool of credits**
  - **Permanent minimum 9% credit rate floor**



# Affordable Housing Credit Improvement Act

## Two Types of LIHTC

- **4% LIHTC**
  - **Must be combined with tax-exempt bonds and other funding sources (50% test)**
  - **Used more for renovations than for new construction**
  - **Subsidizes 30% of eligible costs**
  - **Does not have a permanent credit rate floor of 4%**



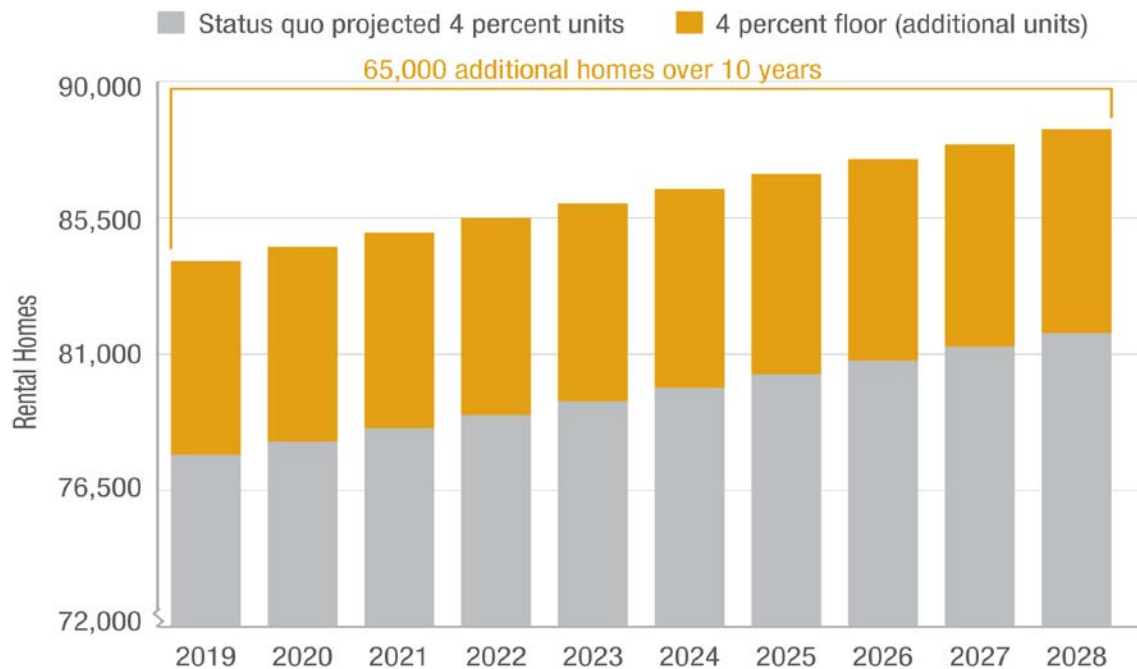
# Affordable Housing Credit Improvement Act

## Establishing a 4% LIHTC Rate Floor

- **Would finance an additional 65,000 rental units over the next 10 years**
- **Was included as part of the Affordable Housing Credit Improvement Act introduced in the last Congress**

# Establishing a 4% LIHTC Rate Floor

**Projected Increase in Affordable Rental Homes  
Due to Minimum 4 Percent Rate**



**Top 12 States Benefiting from the Minimum 4 Percent Floor**

Rank	State	4% Floor Additional Homes 2019-2028
1	California	17,787
2	New York	12,303
3	Texas	3,837
4	Washington	3,288
5	Florida	2,915
6	Massachusetts	2,748
7	Illinois	2,475
8	Georgia	1,946
9	Ohio	1,753
10	Minnesota	1,199
11	Colorado	1,199
12	Missouri	1,045





# Affordable Housing Credit Improvement Act

## Legislation

- **Expected to be introduced in April after the Legislative Conference**
- **Introduced in the House & Senate in the last Congress**



# Affordable Housing Credit Improvement Act

## Legislation


- **Strong bipartisan support in the last Congress**
- **House – 182 cosponsors (84 Rep, 99 Dem)**
- **Senate – 45 cosponsors (11 Rep, 34 Dem)**



# Affordable Housing Credit Improvement Act

## The Ask

- **House and Senate: Become an original cosponsor when the Affordable Housing Credit Improvement Act is reintroduced in April**
- **Support the inclusion of a 4% LIHTC rate floor**



# Renewal of the U.S. – Canada Softwood Lumber Agreement





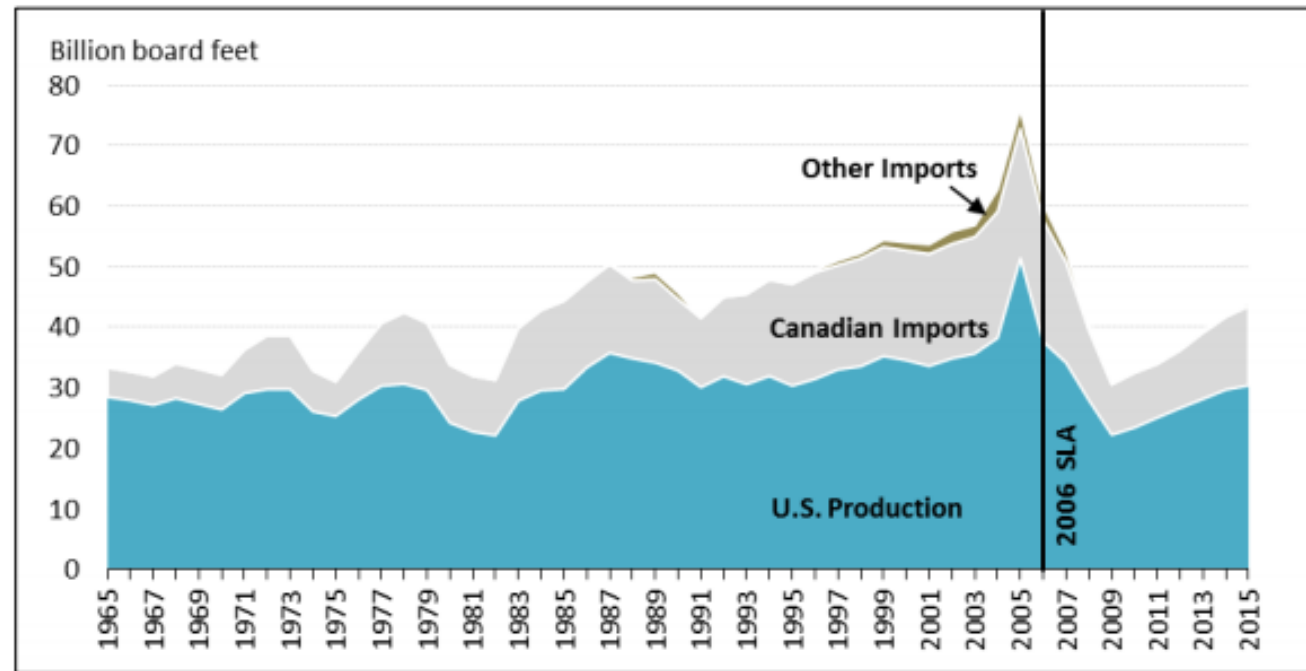
# Softwood Lumber Agreement

**ISSUE: Lack of a new softwood lumber agreement between the U.S. and Canada is disruptive to the building supply chain**

# Softwood Lumber Agreement

## Background

- **Canadian producers averaged 28% of U.S. market during 2006 SLA**
- **U.S. producers averaged 71% of U.S. market**

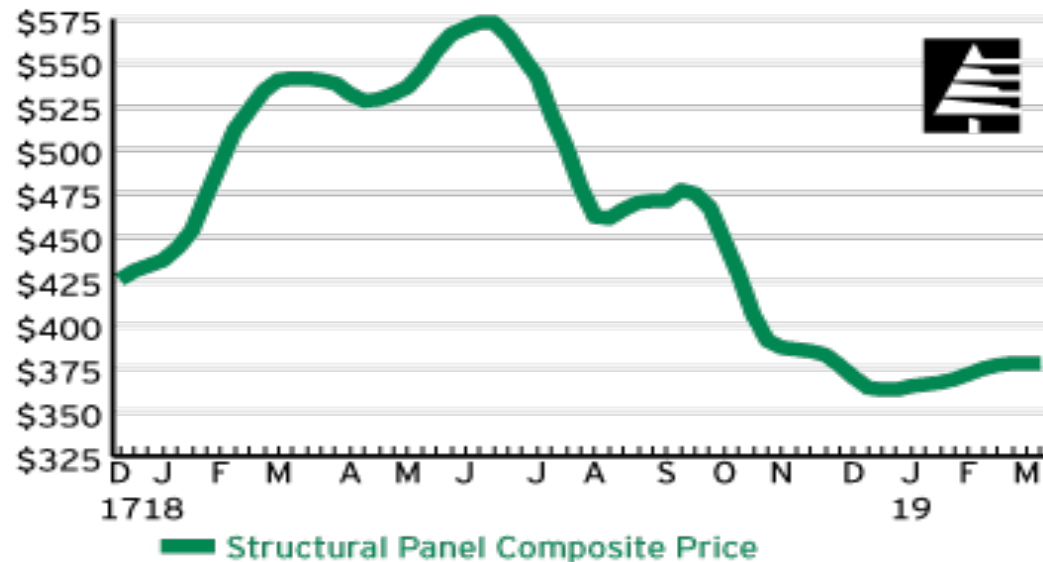


\* U.S. Lumber Consumption by Source

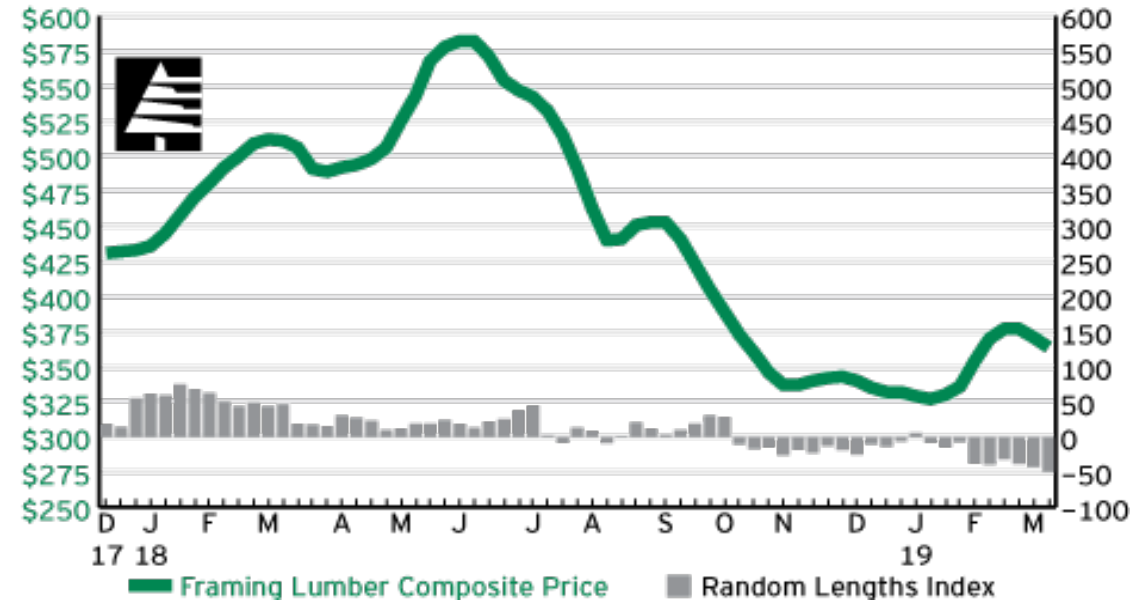
# Softwood Lumber Agreement

## Prices Have Been Volatile

- **Structural Panels**



- **Framing Lumber**





# Softwood Lumber Agreement

## Duties Placed on Canadian Imports

- **Nov. 2, 2017 - Commerce Department finalized countervailing duties (CVD) and antidumping duties (AD)**
- **Dec. 7, 2017 - Upheld by the U.S. International Trade Commission (ITC)**



# Softwood Lumber Agreement

## Duties Placed on Canadian Imports

- **March 16, 2018 – Duties placed on shakes and shingles; first time since 1991**
- **Sept. 12, 2018 – Commerce Department rejects duties exemption request for shakes and shingles**



# Softwood Lumber Agreement

## U.S. Softwood Lumber Production

- **U.S. production was 33.8 billion board feet (BBF) in 2017, and**
- **U.S. sawmills were at 87% capacity in 2017, but...**
- **U.S. consumption was 47.6 BBF in 2017**



# Softwood Lumber Agreement

## Current Duties

<b>Company</b>	<b>Countervailing Duties (CVD)</b>	<b>Antidumping Duties (AD)</b>	<b>Overall Duties</b>
<b>Canfor</b>	13.24%	8.89%	22.13%
<b>J.D. Irving</b>	3.34%	6.58%	9.92%
<b>Resolute</b>	14.70%	3.20%	17.90%
<b>Tolko</b>	14.85%	7.22%	22.07%
<b>West Fraser</b>	18.19%	5.57%	23.76%
<b>All Others</b>	14.25%	6.58%	20.83%

\* Softwood lumber from Newfoundland and Labrador, Nova Scotia, and Prince Edward Island are not subject to duties



# Softwood Lumber Agreement

## Canadian Response

- **Asked for NAFTA Dispute Settlement Panel Review (Nov. & Dec. 2017)**
- **Also requested WTO consultations (Nov. 2017)**
- **Five-member NAFTA panel announced to review the duties (Dec. 2018)**





# Softwood Lumber Agreement

## Congressional Support

- 171 House lawmakers signed a letter last year supporting a new agreement (June 2018)
- Similar letter from 12 senators (Sept. 2018)



# Softwood Lumber Agreement

## Action Requested

- **Update congressional offices about the trade dispute and need for a new agreement**
- **Possible congressional response later in the year**



# Lobbying 101



# Lobbying 101

- **“All Politics is Local.”**
- **Personalize Your Story**
  - How does an issue affect your business?
  - Lawmakers care about the opinions of constituents
- **Meeting tips**
  - Have someone lead the meeting
  - Designate someone to take notes



# Lobbying 101

- **Know Your Schedule**
  - Be on time
  - Leave time to walk to the next meeting
  - Refer to your map
- **Manage Your Time**
  - Meeting usually last 15-20 minutes
  - Prioritize the issues you are discussing
  - Short and sweet



# Lobbying 101

- **When It Comes to the Issues**
  - **Make the ask**
  - **Be firm but polite**
  - **It's okay to say I don't know**
- **Invite Them to the Reception**
  - **5 p.m. – 2043 Rayburn House Office Building**



# Lobbying 101

- **After the Meeting**
  - **Invite your lawmakers to visit your lumberyard**
  - **Keep in touch with staff locally and in D.C.**
  - **Provide feedback on your visits to the government affairs team**



# Closing Remarks





## LuDPAC Luncheon

- **Featured Speaker: Jake Sherman**
- **Senior Writer at Politico**
- **Monday, April 1 at 12 p.m.**
- **Purchase tickets now at [dealer.org](http://dealer.org)**





# Questions

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