Power and Communications Contractors Association
Position Paper: Section 179 Capital Investment Incentives
November 2015

The Power & Communication Contractors Association (PCCA) represents contractors, manufacturers, and suppliers that build and repair America's power and communications infrastructure, including electric transmission and distribution lines and substations and broadband, telephone, and cable television systems. PCCA members also engage in directional drilling, local area and premises wiring, water and sewer utilities, and gas and oil pipelines. PCCA supports proactive tax policy that incentivizes American construction companies to invest in the equipment and manpower needed to perform the work they are engaged in. Increasing "Section 179" expensing limits and providing bonus depreciation is sound tax policy that spurs significant capital investment in construction equipment, which leads to job creation in the construction sector and supporting industries.

Section 179 Expensing and Bonus Depreciation

Section 179 of the federal tax code allows businesses to deduct the full purchase price of qualified equipment purchased or financed during a given tax year from its gross income. The provision was created as an incentive to encourage businesses to buy equipment and invest in themselves. The Sec. 179 provision does come with limits. Caps to the total amount written off ($25,000 for 2015) and limits to the total amount of the equipment purchased ($200,000 in 2015) hamper these incentives from reaching their full potential.

Bonus depreciation is useful to very large businesses spending more than the Sec. 179 Spending Cap (currently $200,000) on new capital equipment. The main difference is that both new and used equipment qualifies for the Sec. 179 deduction while bonus depreciation covers new equipment only.

In past years, higher Sec. 179 levels and bonus depreciation have improved cash flow, encouraged the adoption of newer, more efficient technology, and created thousands of jobs by allowing construction firms to write off a significant share of the cost of new equipment. Higher Sec. 179 levels have helped PCCA-member companies grow and compete by expensing a greater portion of their new and used equipment purchases. Unfortunately, the 50 percent depreciation bonus expired on January 1, 2015, and Sec. 179 expensing levels fell from $500,000 with a $2 million phase-out cap to $25,000 with a $200,000 limit.

PCCA members work on critical power, broadband, and other infrastructure projects every day, funded in part by resources provided by federal programs such as the Rural Utilities Service Electric and Telecom Programs and the Federal Communications Commission's Universal Service Fund and Connect America Fund. As Congress and these agencies contemplate ways to deploy more infrastructure by stretching federal dollars as far as possible, incentives to spur capital investment in the equipment needed to do the work should be a priority. Reinstating the 50 percent bonus depreciation and higher Sec. 179 expensing levels would go a long way to attract capital investment while the industry continues to build and repair electric power systems and connect all Americans to high-speed broadband networks.