



Construction Quarterly

Government Regulation

Concerns Among Contractors

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What Can You Do to Prepare?

With the election just around the corner, our clients are understandably thinking about the implications to the construction landscape.

While we acknowledge that the presidential election can kick off a slew of changes—such as new tax laws, investment opportunities, and trade policies, to changing interest rates, labor laws, and energy benchmarks—there is plenty to be done in preparation of potential shifts. The uncertainty may be difficult to manage, but your business can take steps to help you become more agile and resilient.

Election Outcomes: What to Expect

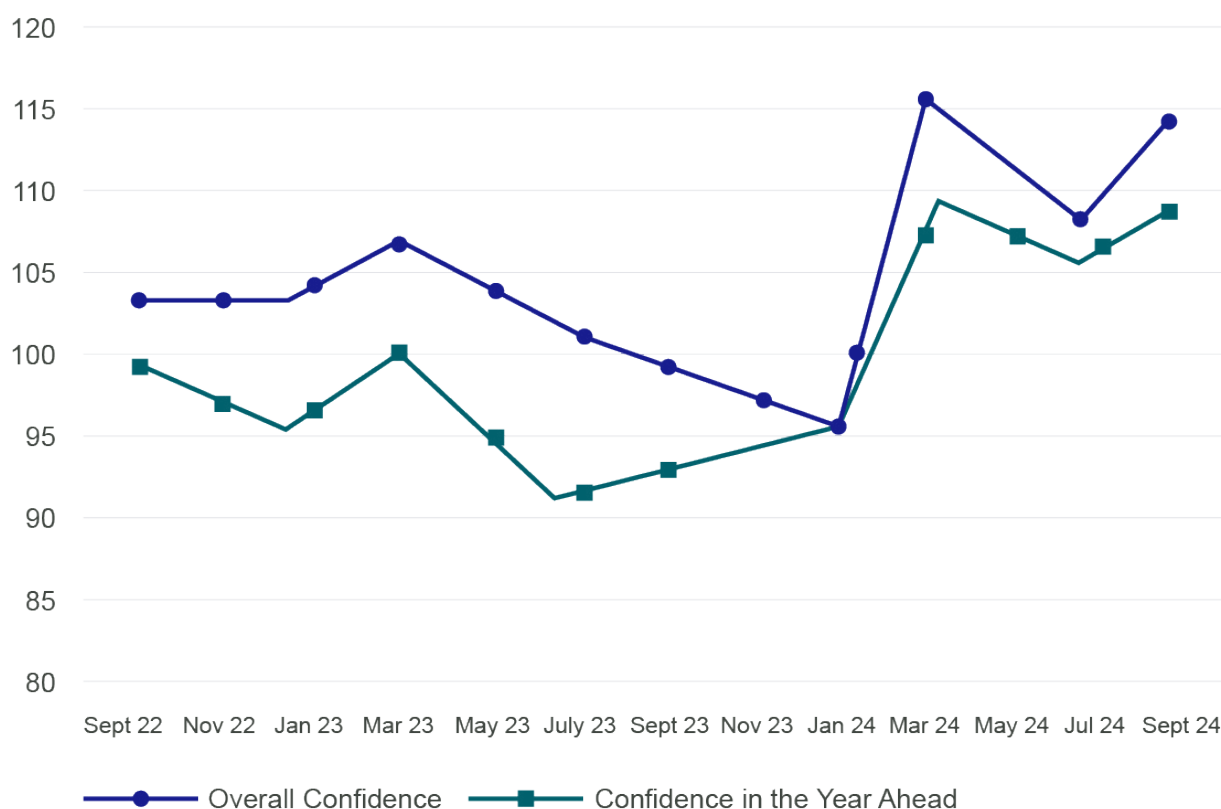
The incoming president will have a lot on their plate when they take office, especially when it comes to tax legislation. The Tax Cuts and Jobs Act (TCJA), which was enacted in 2017 and coined the most impactful tax bill in recent history, has many provisions that are

sunsetting in 2025. The new president and their cabinet will need to address these provisional sunsets and determine if new regulations should take their place.

In the most recent Construction Financial Management Association (CFMA) quarterly CONFINDEX report, leaders in the construction industry are confident.¹ Overall confidence has risen since last quarter (as pictured in the chart below), as has the outlook for the year ahead. But when it comes to the election, their survey comments tell a different story:

- “There is an overall ‘wait and see’ attitude when it comes to larger construction projects.”
- “We are watching the election with interest to see if that impacts voter confidence for public funded projects.”
- “I am waiting to see how the election shakes out.”

CONFINDEX Confidence Index



CFMA CONFINDEX Q3 2024 Results—<https://cfma.org/articles/a-collective-sigh-of-relief>

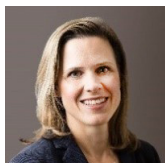
¹ “A Collective Sigh of Relief – Many Challenges in the Rearview,” cfma.org, September 2024.



Do we agree with these survey respondents that a “wait and see” approach is the best path forward?

Not exactly. Sarah Windham, a tax partner at Forvis Mazars, states, “as we begin to wrap up 2024 and head into 2025 with the expectation of a tax bill, don’t wait to plan. Start considering the timing of projects and profit and how that may impact taxes if rates were to increase in 2026 and beyond. Also, don’t forget to be certain you have considered any estate planning needs with the potential drop in the exemption.”

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Sarah Windham
Partner

The construction industry is always managing some sort of unknown. Even when a president is firmly in office and has a clear-cut plan for the economy, there is uncertainty. And that’s why we’re encouraging our clients to be proactive with their operations now (possibly improving where they can and in whatever capacity the current laws allow) rather than waiting until the next president makes a change.

This can be achieved by focusing on operational excellence, the continued improvement in business operations, goals, and philosophies. Pursuing operational excellence by simplifying operations and cleaning up processes may help you manage whatever emerges from the White House next year.

In addition, we know our industry has what it takes

to adapt; we saw it in 2020. Some of the COVID-era solutions were stop-gap measures, but some changes, like implementing flexible or work-from-home arrangements or adopting smart technologies, were process modifications that boosted productivity.

What other beneficial changes can you make now, before the new president takes office? Kathryn Schneider, a consulting director at Forvis Mazars notes, “the current economic environment is challenging, and proactive steps to improve operations – whether through cost management, technology investments, or process efficiencies – can provide a critical edge. By acting now, companies position themselves to weather any future uncertainty, rather than react to it.

One immediate area to possibly address is cash flow management. By optimizing cash flow processes, via implementing automated billing workflows or improving project forecasting, construction professionals can help to ensure that their companies maintain liquidity and operational flexibility. These improvements not only safeguard the business in the short term, but they also help to build resilience for whatever shifts may come post-election.”

States Want Their Piece of the Pie

The presidential election isn’t the only change coming down the pike. Many local governments are electing new leaders into office as well. What will those leaders change, and how will those changes affect your business?

State and local taxes (SALT) are becoming a much larger topic of concern among our clients, and with good reason. States are working harder to claim taxpayers’ dollars, which means that the SALT arena is becoming more complex with each passing year.

Consider sales/use tax for a moment.

Sales and use taxes affect nearly every single one of our clients in one way or another, but many struggle to understand how they work. SALT concerns become especially apparent when our clients begin operating in a new state. To help them think through some of these SALT issues, questions we might have them consider include:

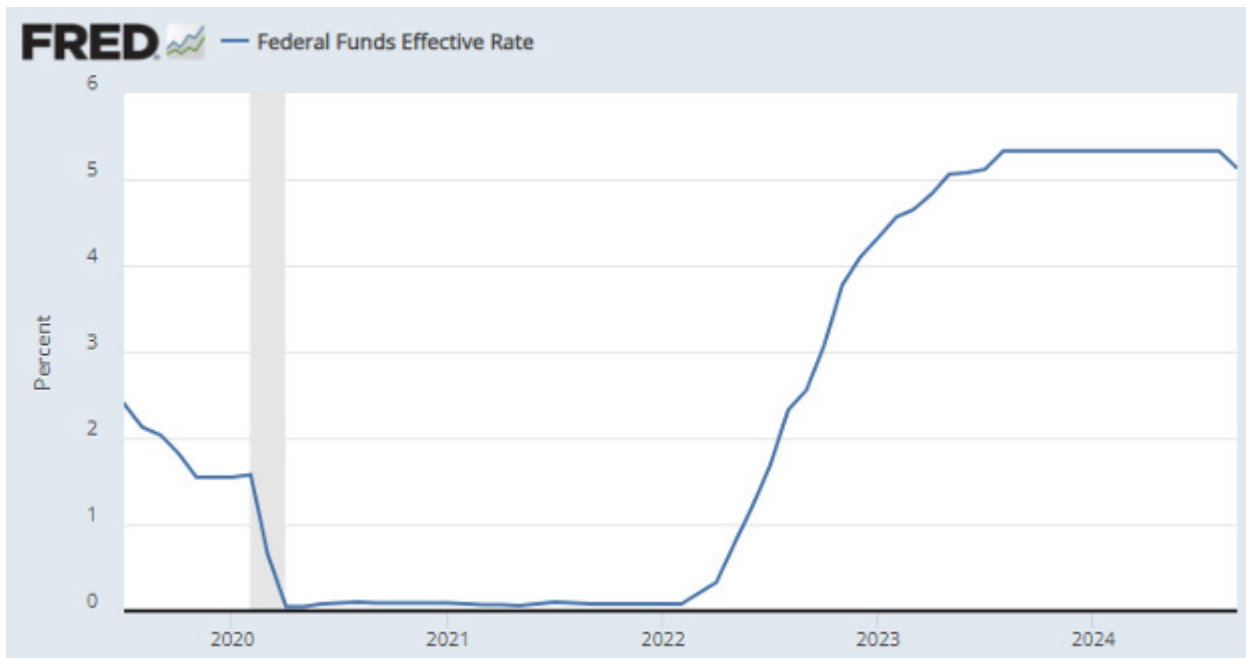
- Do you know when sales tax applies and when use tax applies?
- Do you understand how this state's tax laws differ from the laws in your home state?
- Have you registered in and created tax accounts with that new state?
- Are there non-tax filing responsibilities that you're unaware of, like business registrations, licenses, permits, annual reports, environmental affidavits, or insurance paperwork?
- Have you built tax rate differences into your bid?
- Are your job cost estimates taking all new tax liabilities into account?
- Have you modified or updated older bids for tax rate changes?
- Are there city, county, or other locality tax laws you need to be aware of?

In recent years, many of our clients expanded geographically in order to follow customers or larger infrastructure projects that would fill out their backlog of work. While this can be great for business growth, it's important to know how those state and local jurisdiction tax laws work. You may feel like you have a good grasp of your home state's tax laws, but other jurisdictions can look completely different.

And that's okay.

Operating in new states and taxing jurisdictions may add complexity to your financials and to your tax returns, but that doesn't mean it's not worth pursuing. You can always reach out to your Forvis Mazars advisor for help. Our team can perform a nexus study to see where you have tax exposure, and they can help you create plans and processes to comply with jurisdiction tax laws. Forvis Mazars also recently launched [SALT Explorer](#), a streamlined platform for sales and use tax estimation.





<https://fred.stlouisfed.org/series/FEDFUNDS>

Interest Rates Affect Much More Than Borrowing Rates

Interest rates have switched from both extremes these past four years. The Fed tanked interest rates in response to the coronavirus outbreak, dropping down to a range of 0–0.25% in March 2020. Two years later, the Fed began to raise interest rates yet again, adding 475 basis points from March 2022 to March 2023. Interest rates leveled off again in July 2023 and stayed at a whopping 5.25-5.5% until this September, when the [Fed announced a 50-point drop](#) in the Federal Funds rate.²

What does this interest rate drop signal?

- **First, it signals that inflation is under control.**
The Federal Open Market Committee has a long-held goal to keep inflation at 2%.³ It believes that a 2% inflation rate is optimal for stabilizing prices and maximizing employment, and economists believe that it will reach this objective sometime in 2025.⁴
- **Second, it signals that lower borrowing costs are on the horizon.**
Although it may take some time for those changes to be reflected in commercial loans, contractors know that a lower federal funds rate will lead to lower costs of borrowing, and they can work those estimates into their bids.

- **Third, it improves consumer confidence.**
Contractors may find that they have more projects to choose from as consumers are more comfortable taking on the risk of new investments.

Strategizing During Periods of Uncertainty

When the dust finally settles from this year's election, we will have more data to inform our decisions. Still, strategic planning should be a priority even when things are uncertain. During our strategic planning workshops, we like to encourage our clients to take the following three steps.

Self-reflect.

Identify both what you do well and what you need to work on. You can't choose a path forward unless you know where you are.

Identify projects that will deliver the highest value.

Allocate resources to areas of your business that matter most. A great way to do this is to address your largest pain points, whether that's job cost estimation, job safety, or contract refinement. Addressing topics that are most draining on business resources will help you deliver the highest value at the lowest cost.

² Federal Reserve Issues FOMC Statement," [federalreserve.gov](https://www.federalreserve.gov), September 18, 2024.

³ "Why Does the Federal Reserve Aim for Inflation of 2 Percent Over the Long Run?," [federalreserve.gov](https://www.federalreserve.gov), 2024.

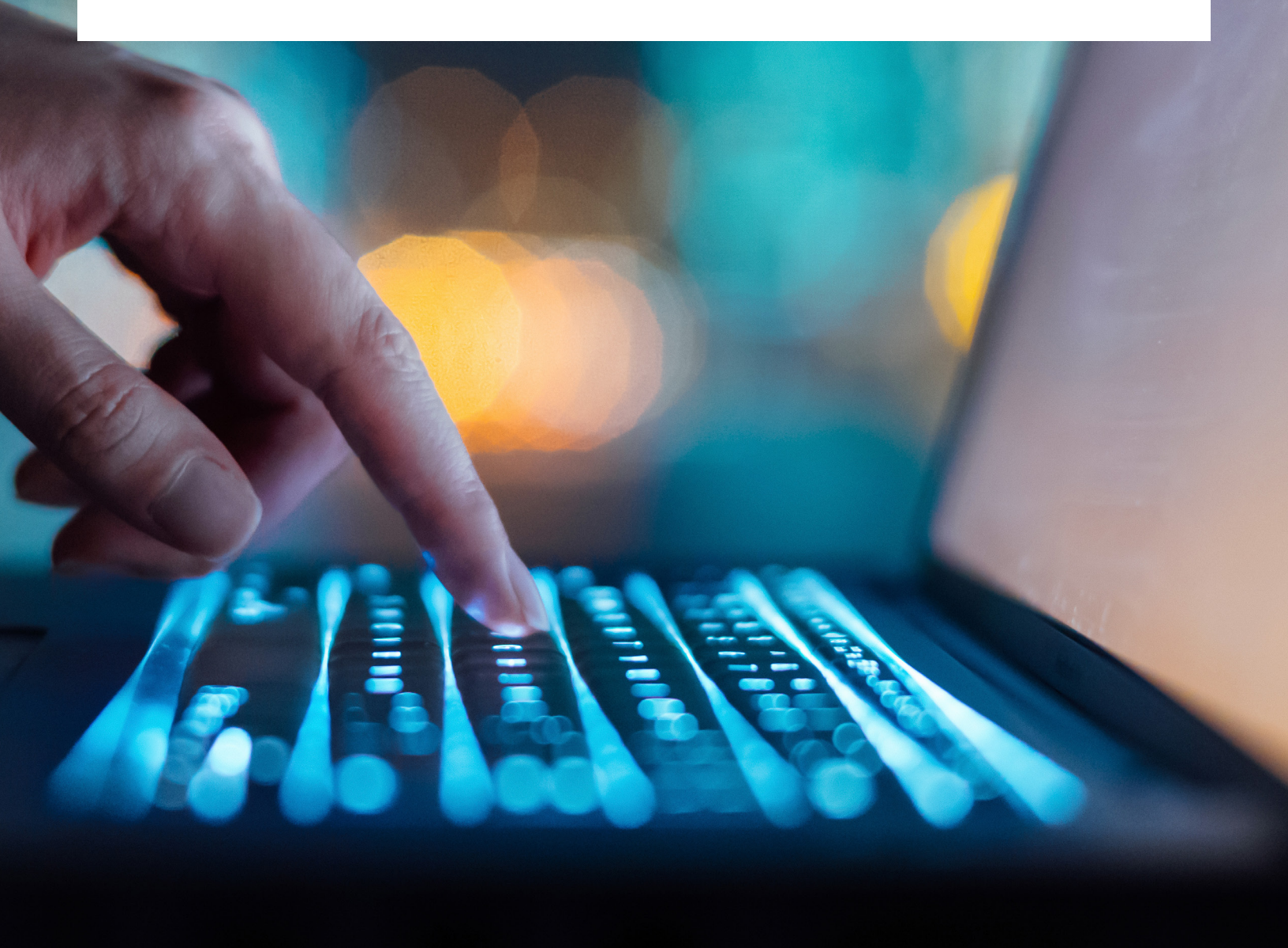
⁴ "US Inflation Hits Fed's 2% Goal Early 2025 in Economists Survey," [bloomberg.com](https://www.bloomberg.com), September 27, 2024.

Align people, processes, and technology.

Use the resources you have at your disposal, and make sure your hiring decisions and business partnerships are in alignment with your strategic goals. A few resources from Forvis Mazars that may help include:

- [SALT Explorer](#) – A digital platform that helps estimate project tax liabilities in multiple jurisdictions.
- [Washington National Tax Office](#) – Our Washington National Tax Office (WNTOT) provides the latest updates and insights into how national developments may impact your taxes.
- [Construction Technology Services](#) – A Forvis Mazars consulting practice that helps assess, implement, and leverage new technology for construction businesses.
- [Insights & Automation](#) – Our tailored approach to technology consulting can help you turn business challenges into opportunities. By leveraging business intelligence (BI) and robotic process automation (RPA) technologies, you can transform the way you work, streamline processes, and empower growth.
- [ESOP Planning Services](#) – Forvis Mazars can help construction businesses tap into the benefits of ESOPs, in more areas than just succession planning.
- [Transaction Advisory](#) – Whether you are considering buying or selling a business, gain valuable insight before committing your capital, energy, and reputation.

Pending changes following election results may be stressful, but taking time to build uncertainty into your business strategy and prioritizing flexibility can help set you up for success – no matter the outcome.



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