



News Release

ABC HAILS PROPOSED IRS CONTRACTOR RULE

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WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today hailed an Aug. 1 proposed rule by the Internal Revenue Service (IRS) that reverses a long-standing agency position limiting how construction contractors can use the completed contract method (CCM) of accounting. Currently, contractors performing work on a housing project are being prevented by the IRS from using the more favorable CCM depending on whether the property owner is structured as a homebuilder or a developer. However, the IRS has proposed an amendment to the Income Tax Regulations (REG-120844-07. Rules for Home Construction Contracts), that would allow contractors to qualify for the home construction contract exception regardless of how the property owner is structured.

“This is a major victory for ABC and the construction industry. It is not often that the IRS reverses positions, but this is clearly what happened here,” said ABC Tax Advisory Group Chairman Richard Shavell of Shavell & Company, P.A., Boca Raton, Fla., a member of ABC’s Florida East Coast chapter. “There is still much to be done. As part of these proposed regulations, the IRS is asking for feedback on additional technical issues surrounding the completed contract method. ABC will continue its leadership role in this area ensuring our members’ interests are communicated to the IRS.”

Since the middle of 2005, ABC has been working with the Construction Financial Management Association (CFMA) on this specific issue. Jointly, ABC and CFMA were the two groups that requested the IRS consider this issue through the agency’s Industry Issue Resolution (IIR) program.

“I am proud of our entire ABC Tax Advisory Group who contributed data and participated in the IIR program,” said Shavell. “This is an excellent example of how ABC has, and can, constructively work with the IRS for the betterment of our members and the entire construction industry.”

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ABC is a national trade association representing nearly 25,000 merit shop construction and construction-related firms in 78 chapters across the United States. For more information, visit the ABC website at www.abc.org.