

Chairman, ABC National Tax Advisory Group
Shavell & Company, P.A.,



Top IRS Officials Meet with ABC to Discuss Tax Issues

To further elevate the lines of communication between the IRS and the Construction Industry, key IRS personnel met with ABC's Tax Advisory Group at the Group's quarterly meeting in Washington D.C. on June 5, 2006.

Keith Jones, Industry Director for Construction in the Large and Mid-Size Business Division of the Internal Revenue Service, and Jeanne Wierman, Construction Technical Advisor of the IRS, participated in

the meeting. Jones explained that the IRS continues to be interested in understanding the concerns of the Industry and emphasized common ground with contractors empathizing that "your complexity is our complexity."

Jones and Wierman track emerging tax issues impacting the Construction Industry.

Carin Nereseian, Director of ABC's National Government Affairs Department in Arlington, VA stated "ABC has a long and proud track record of working closely with the IRS on issues affecting the Industry. The dialogue with IRS continues to be strong with several initiatives underway and more to follow."

Among those initiatives is an IRS request that ABC supply comments on the IRS Construction Industry Guide, which is being updated later this year. Wierman, who is the Service's top Technical Advisor on Construction Industry issues, is responsible for the Guide's update. The IRS Construction Industry Guide is a key resource for IRS personnel who are charged with auditing contractors. Also, the Guide supplies guidance for the Industry to understand IRS policies on contractor-specific tax issues. A copy of the current Guide can be downloaded from the IRS web-site at www.irs.gov.

As to key issues discussed, Jones and Wierman shared results of a task force review of

the Look-Back Method and ABC was supportive of their recommendations, which included legislative and regulatory proposals. The Look-Back Method is required under the Tax Code to adjust for the estimates used when reporting under the percentage-of-completion method. ABC expressed its continuing desire to see that the Look-Back Method be made elective so that more contractors are not required to prepare the burdensome calculations currently required.

ABC's National Tax Advisory Group shared with the IRS its key Agenda items including:

1. Increasing the small contractor exception threshold, which is not indexed and has been set at \$10 million since 1986. This would enable more contractors to report income under methods other than the percentage-of-completion method; and
2. Eliminating the Alternative Minimum Tax (AMT) adjustment for long-term contracts to ensure that construction contractors obtain the full benefit of the small contractor exception. Without this additional law change the entire benefit of the small contractor threshold change cannot be fully realized.

ABC believes these two changes would have a positive impact on over 95% of ABC's contractor members.

The meeting was another step forward advancing the important objective of elevating the lines of communication between the IRS and the Construction Industry. We will keep you posted of additional developments as ABC continues to advocate for its members on key tax issues.



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Rich Shavell, CPA, CCIFP is President of Shavell & Company, P.A. CPAs and Consultants in Boca Raton and Stuart, FL. Rich has been an advocate for contractors over the last twenty years presenting comments before the IRS on proposed regulations and testifying before the House and Senate on behalf of ABC. Currently, Rich serves as Chair of ABC's National Tax Advisory Group. Locally he serves on our Chapter's Legislative Committee and Rich is the 2005 winner of the South FL Business Journal's Excellence in Accounting Award in Construction. For more information visit www.shavell.net or call (561) 997-7242.