

# ACEC Pennsylvania Infrastructure Conference: *Federal Update*

Matt Reiffer  
Vice President and Advocacy Counsel

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# Agenda

- One Big Beautiful Bill
  - Tax policy wins
  - Energy and infrastructure provisions
- Transportation
- Water and Environment
- Appropriations
- Federal Agencies Procurement

# One Big Beautiful Bill – Tax Provisions

- R&D deductibility permanently restored.
  - Firms with less than \$31 million in gross receipts can amend their 2022-2024 returns for retroactive relief.
  - Firms with more than \$31 million in gross receipts can speed up unused deductions from 2022-2024 on their 2025 or 2025 and 2026 returns.
- Interest deductibility permanently restored to earnings before interest, taxes, depreciation and amortization (EBITDA).
- Permanent full expensing for certain capital investments.

# OBBB – Tax Provisions

- Section 199A permanently extended at 20%.
- Corporate rate retained at 21%.
- SALT cap increased from \$10,000 to \$40,000 (with annual adjustments) through 2029. The phaseout threshold for the increased SALT cap begins at incomes over \$500,000.
- Section 127 employer-provided education/student loan benefit permanently extended, and the \$5,250 limit is indexed for inflation going forward.

# OBBB – Energy

- Tax incentive for wind and solar available for projects that begin construction within one year of the bill's enactment.
- Executive Order/Treasury Guidance:
  - Companies must prove they commenced construction by doing “physical work of a significant nature.”
  - Once under construction, will still have four years to come online while receiving credits.
  - Interior directed to review regulations and policies for any preferential treatment of wind and solar and report to the President.
  - Wind and solar projects on federal lands/waters require approval by Interior Secretary.

# OBBB – Energy

- Preserves tax incentive for clean hydrogen projects that commence construction by January 1, 2028.
- Tax incentives for advanced nuclear, geothermal, hydropower are preserved through 2032. Carbon capture tax preserved to 2033.
- Section 179D phased out but retained for projects that begin construction by June 30, 2026.
- Directs Energy Department & Federal Energy Regulatory Commission to coordinate and expediate permitting of transmission lines.
- Applies "One Federal Decision" framework to infrastructure like pipelines by setting 2-year target for environmental reviews under NEPA.

# OBBB – Infrastructure

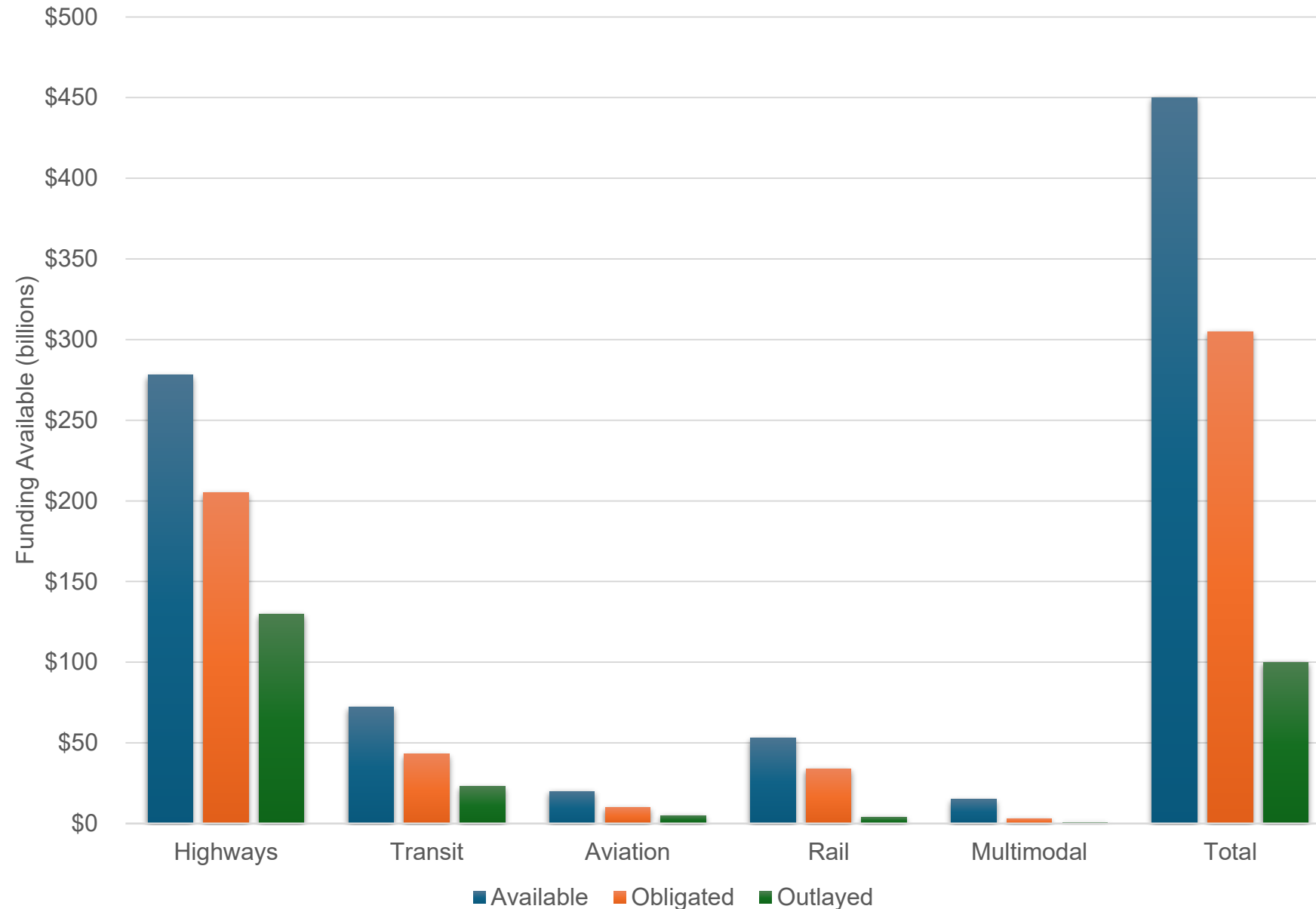
- Provides \$12.5 billion for air traffic control facilities and equipment.
- Rescinds unobligated funding from the FHWA Low Carbon Transportation Materials grant program.
- Rescinds unobligated funding from the FHWA Neighborhood Access and Equity grant program.
- Drops the new user fees for EVs and hybrid vehicles for additional revenue into the Highway Trust Fund (could be revisited in surface transportation reauthorization).
- Rescinds all unobligated IRA funds for EPA programs.

# Surface Transportation

- Infrastructure agenda driven by need to reauthorize federal surface transportation programs before September 30, 2026.
- House and Senate committees of jurisdiction are holding hearings on IIJA and receiving input from stakeholders on priorities.
- ACEC engaging with U.S. DOT:
  - Met with Secretary Duffy during Annual Convention.
  - Chair John Rathke participated in industry roundtable on reauthorization priorities.
  - Steve Lefton (Kimley-Horn) appointed to exclusive U.S. DOT Advisory Committee.



# IIJA Spend Out Status



# Surface Transportation

## Key ACEC Priorities:

- Sustain long-term funding commitments.
- Encourage DOTs to utilize lump sum contracting for engineering services.
- Reinforce QBS with local governments.
- Improve grant administration process.

ACEC also closely monitoring legal challenges and potential regulatory and legislative changes to DBE program.

# Reauthorization Outlook

## **Advantages:**

- Commitment among congressional committee leaders to enact a bill on time.
- History of bipartisan support for sustained investment.
- Broad stakeholder coalition, including construction industry, labor, and the business community.

## **Threats:**

- Administration actions on disbursements and potential impoundments; Democratic lawmaker responses.
- Mid-term election year politics.
- Concerns about deficit spending / Highway Trust Fund shortfall.

## Highway Trust Fund - FY 2007-2024 (Actual), FY 2025-2034 (CBO Jan. 2025 Baseline)

Stacked columns are receipts by type – red line is outlays.

(General Fund transfers shown in the year the transferred funds are spent.)



# Water & Environment

## State Revolving Loan Funds

- President's Budget proposed an 88% cut to the SRFs.
- House Appropriations Committee bill cuts \$680 million (15%) below FY 2025; Senate bill maintains FY2025 funding levels.

## PFAS Regulations

- EPA proposes to continue to regulate PFOA, PFOS but roll back drinking water regs on other PFAS chemicals; delay compliance deadline. Draft regulation expected later this year.

# Appropriations Outlook

- 12 appropriations bills or a Continuing Resolution (CR) must be signed into law by September 30<sup>th</sup> to avoid a government shut down.
- House Status:
  - 9 bills have advanced out of the House Appropriations Committee. Only 3 (Defense, MilCon-VA, and Energy-Water) have passed the full House largely on party-line votes.
- Senate Status:
  - 8 bills have advanced out of the Senate Appropriations Committee, one “mini-bus” with MilCon, VA and Ag passed the full Senate.
- Process is more partisan this year, increasing the likelihood of a CR or government shut down at the end of September.

# Procurement Policy

## Procurement Policy Changes

- FAR review proposing streamlining of FAR Part 36 (QBS) – ACEC filed comments raising concerns.
- Ongoing consolidation of commodity goods/services through GSA.
- Buy American issue in House NDAA (DeJarlais amendment).

## Ongoing tariff challenges

- Retaliation – Province of Ontario, Canada blocking U.S. firms through new policy restricting procurements with U.S.-based A/E firms.
- Tariffs = rising inflation and materials pricing volatility.

# Questions?

**Matt Reiffer**

[mreiffer@acec.org](mailto:mreiffer@acec.org)

202-682-4308