



Today's Contractor

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Stimulus Package Includes Tax Breaks for Contractors

A sweeping \$787 billion stimulus package was signed into law by President Barack Obama on February 17. The American Recovery and Reinvestment Act of 2009 (ARRA) includes a number of provisions that affect builders, including new spending on infrastructure projects, as well as tax breaks aimed at homebuyers, small businesses, and individual and business investments in green technologies.

These are some of the most significant tax provisions affecting contractors:

Incentives for first-time homebuyers. The current \$7,500 credit for taxpayers buying their first homes is increased to \$8,000 for primary residences purchased between January 1, 2009 and November 30, 2009. Under the new legislation, the previous requirement that the credit be repaid is waived provided the home is not sold within 36 months. The credit starts to phase out for taxpayers with adjusted gross income (AGI) above \$75,000 for single filers and \$150,000 for joint filers.

Extension of green energy credits. The legislation extends through 2013 existing renewable energy production tax credits for solar, biomass, geothermal, and certain other alternative energy forms. The credit for producing electricity from wind is extended through 2012. The law creates a new tax credit of 30% for certain renewable energy investments, up to \$2,000 for solar or geothermal installations, \$4,000 for wind, and \$500 for each one-half kilowatt of fuel cell capacity. The investment tax credit, currently available for 2009 and 2010 only, must be claimed in lieu of the production credit.

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Making Work Pay credit. Under this provision, wage earners and the self-employed are permitted to claim a credit equal to the lesser of 6.2% of earned income, or up to \$400 a year for single filers or \$800 a year for joint filers in 2009 and 2010. The credit begins phasing out at an AGI of \$75,000 for single filers and \$150,000 for joint filers.

Expansion of the Work Opportunity Tax Credit (WOTC). The WOTC, which provides businesses that hire members of certain “targeted groups” with a credit of up to \$2,400 per employee, is broadened under ARRA to include unemployed veterans and “disconnected youth,” or young people between the ages of 16 and 25 who have not been regularly employed or in school over the previous six months. The new categories apply to individuals who are hired and begin work in 2009 or 2010.

Bonus depreciation. For qualifying property bought and placed in service in 2009, small businesses have the option of depreciating 50% of the adjusted basis of the property, in addition to the usual depreciation that may be claimed for year one. This is an extension of the bonus depreciation provision of the Economic Stimulus Act of 2008.

Credits in lieu of bonus depreciation. Companies that do not claim bonus depreciation are permitted under the new law to accelerate a portion of their AMT and research and development (R&D) credit carryovers for qualifying property placed in service in 2009. The amount of credit that may be accelerated is capped at the lesser of \$30 million, or a company’s historic accumulated AMT and R&D credits.

Extension of enhanced Section 179 expensing rules. In another extension of the 2008 stimulus legislation, the new law permits small businesses to expense up to \$250,000 of Section 179 property in 2009. The amount expensed is reduced only if purchases exceed \$800,000. If purchases exceed \$1,050,000, Section 179 expensing is not permitted.

Net operating loss carrybacks of up to five years. Businesses are generally permitted to

“carry back” net operating losses to the previous two tax years, which may generate a tax refund for a preceding year. Qualifying small businesses will be permitted under the new law to carry back 2008 losses for up to five years, instead of two. The normal carryback period of two years will apply to losses incurred in 2009.

Discharge of indebtedness. Under the new law, certain companies that buy back their debt at a discount in 2009 and 2010 only will be allowed to defer taxes until 2014 and then recognize the deferred debt in income ratably over the next five years.

Enhanced breaks on sales of small business stock. Under the new law, investors will be permitted to exclude 75% of the gain from the sale of certain small business stock that has been held for more than five years, up from 50% previously. To qualify, the stock must be purchased after the date of enactment and before January 1, 2011.

Relief for the unemployed. For 2009 only, the new law allows recipients to exclude from taxable income the first \$2,400 in unemployment benefits. ARRA also extends the Emergency Unemployment Compensation program until December 31, 2009. The program provides up to 33 weeks of benefits to unemployed workers. Under the legislation, weekly benefit payments will rise by \$25 per week.

ARRA subsidizes the cost of health care coverage provided under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), which allows individuals to remain enrolled in their company health plan for a period of time after leaving a job. Workers who are involuntarily separated from employment between September 1, 2008 and January 1, 2010 are given the option of paying just 35% of the cost of COBRA coverage for up to nine months. The former employer will be required to pay the remaining 65%, but will be reimbursed by the government through a payroll tax credit.

For more information on how to make the most of these provisions, consult your tax professional.

Fall Prevention on the Job

Construction sites are among the most dangerous places to work. Between one-third to one-half of fatalities among construction workers are due to falls, mainly from roofs, ladders, and scaffolds. Falls can also occur on the ground, when workers slip or trip while moving around the site. Even when these falls are not fatal, disabling injuries, whether temporary or permanent, can result. For employers, these accidents can be personally and financially devastating, leading to higher insurance premiums, fines, and expensive lawsuits.

Because the consequences of even a single fall can be very serious, contractors must have in place a rigorous program for fall prevention. A good starting point is the Occupational Safety and Health Administration's (OSHA) fall protection standard, which includes systems and procedures designed to prevent workers from falling off, onto, or through working levels, as well as to protect employees from being struck by falling objects. Failure to adhere to these standards can result in penalties.

Under OSHA, employers are required to protect workers from fall hazards and falling objects whenever an employee is six feet or more above ground level. Protection must also be provided for workers who are exposed to the hazard of falling into dangerous equipment. These protective systems may

take the form of guard rails, toe boards, coverings for floor openings, and safety nets to catch falling workers and objects. In some cases, workers will need to use personal fall arrest and restraint systems, which may consist of an anchorage, connectors, and a full body harness.

Workers do not have to fall from great heights to be seriously injured. Climbing or standing on ladders can be hazardous when done improperly. Many ladder-related accidents are the result of dangerous working practices, such as improper placement, standing on the top step of a ladder, leaning over, or carrying a heavy or unbalanced load.

Falls can also occur on the ground. While falls can occur on level surfaces, they are usually caused by tripping over equipment or debris, or by slipping on loose soil, mud, or ice. To minimize the risk of trips and slips, keep the worksite as clean as possible at all times, removing any debris or unnecessary equipment or materials as quickly as possible.

Such safety measures are, of course, only effective when properly and consistently enforced. No workers should be allowed to enter the site without first receiving safety training. OSHA and a number of industry associations provide safety videos in English and Spanish that illustrate risks and outline proper procedures. To learn more, visit www.osha.gov.

Up on the Green Roof

Especially in parts of the country where the sun shines brightly and temperatures are high, "green" roofs can offer an environmentally friendly, durable, and cost-efficient alternative to conventional roof surfaces, providing a longer roof lifespan, greater acoustic insulation, lower heating and cooling costs, and reduced storm water runoff.

While green roofing was first applied to nonresidential buildings, homeowners are showing increasing interest in green roofs. Designs for green roofs vary

greatly, with some involving vegetation grown on the roof's surface and others consisting of ecologically friendly tiles or reflective materials. Many green roofs are installed on buildings with flat surfaces, but techniques for creating sloped roofs have also been developed.

Because they trap significantly less heat than asphalt shingles, while providing additional insulation, roofs constructed of high-quality green materials can

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lower both air conditioning and heating bills. These roofs also last longer, as they are less prone to thermal degradation. For sloped roofs, tiles made of concrete, clay, or coated metal may serve as alternatives to shingles. These tiles, which come in different colors and styles, are installed over layers of water-proofing and insulation.

Owners of homes and buildings with flat roofs may use reflective coatings or even create a rooftop garden that can also serve as an attractive spot for sunbathing and relaxation. Some cities are offering incentives for installing plant-covered roofs because of the advantages these roofs offer, including a reduction in the “heat island effect” for the surrounding area, noise absorption, and improved air quality. The absorption of rainwater by the roof also prevents water from pooling at the base of the structure.

Planting vegetation on roofs can, however, present certain challenges. Gardens are generally heavier than traditional materials, and proper waterproofing, filters, cover boards, and drainage are required. In some cases, structural reinforcement may be necessary before a roof garden can be planted on an existing roof, though it may be possible to lighten the load by using alternative plant growth media, such as pumice or lava rock. Depending on the vegetation chosen, roof gardens will need varying degrees of maintenance. For watering, some rooftop gardens have rainwater collectors and irrigation systems.

As word of this alternative spreads, growing numbers of urban and suburban residents may be drawn to these ecologically friendly, durable, and cost-effective roofs that, in the long run, may well pay for themselves.

construction trend data

While residential building showed a slight gain in February, new construction starts for all categories fell 8% from the previous month. Total construction starts for the first two months of 2009 amounted to \$52.7 billion, down 45% from the same period of 2008.

The one positive month-on-month trend could be seen in residential construction, which grew 9% from January to February. However, nonbuilding construction and nonresidential building both fell 13% in February.

Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction, commented, “The housing correction has been joined by mounting weakness for nonresidential building, as well as some loss of momentum for public works. The

early 2009 erosion for public works should be reversed later this spring by the boost coming from the Federal stimulus bill, especially for transportation work.”

New construction starts by region for the first two months of 2009 were as follows: Midwest, down 9%; Northeast, down 16%; West, down 28%; South Central, down 13%, and South Atlantic, down 29%.

Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	2 Mos. 2009	2 Mos. 2008	% Change
Nonresidential Building	\$23,152	\$47,582	-51
Residential Building	12,950	28,485	-55
Nonbuilding Construction	<u>16,598</u>	<u>19,133</u>	-13
Total Construction	\$52,700	\$95,200	-45