September 2024

New Government Relations Position

NAED is pleased to announce the hiring of Bud DeFlaviis, who will serve as the association's first full-time Government Affairs staffer. Mr. DeFlaviis brings nearly 17 years of experience to the position. Following his time on Capitol Hill, where he served as a Press Secretary, Bud worked for a trade association focused on hydrogen and fuel cell technology at two different points in his career. He also has experience with the built environment as he led a small non-profit focused on advancing the benefits of high-performing, green buildings. In addition to working for two multi-client firms, Bud also has experience lobbying for a conservative-leaning climate change organization, as well as a non-profit policy dedicated to serving people with intellectual and developmental disabilities.

Looking ahead at the agenda for next year, taxes, workforce and labor, supply chains, and energy policy are likely to take top billing. NAED is also seeking to be more visible with lawmakers in DC and in their home districts and states. This includes establishing an internal Government Relations committee, facilitating visits to distributors with lawmakers, and reconstituting our PAC. Palmer Schoening, who brings 10 years of institutional knowledge on the industry's policy issues, will work closely with Bud on advocacy and political communications in Washington, DC. If you haven't spoken to Bud yet, please reach out to him at bud@naed.org, or call 202-306-0069.

Tax Policy – Tax writers need to hear from you!

Earlier this year, the House Ways and Means Committee – the committee charged with crafting tax policy – created 10 "Tax Teams" to study key tax provisions from the 2017 Tax Cuts and Jobs Act (TCJA). Many provisions in the TCJA expire in 2025 and Republicans are examining legislative solutions to not only avoid increases to taxpayers but provide businesses the certainty to help them grow. In addition to field hearings, their strategy includes receiving testimony from the broader sector of the economy, which provides NAED with an opportunity to lend its support and experience with many TCJA provisions that we have found helpful. NAED will be lending our voice to this effort by supporting the TCJA tax relief that helped so many members, but also maintaining the alternative energy credits passed in the Inflation Reduction Act (IRA), which encourage adoption of electrification technologies across multiple sectors.

If your company would like to provide testimony, or want assistance crafting your comments, we encourage you to visit this site. Submissions are due by October 15. If you have questions, reach out to Bud DeFlaviis at bud@naed.org or 202-306-0069.

Tax Policy - EY Report & S Corporation Deductions

Last month, The S-Corporation Association, with the help of EY, released a study on the economic impact of the 199A deduction for businesses organized as S Corporations. The findings were significant. EY found that the 20% deduction for these pass-through businesses supports the following:

- The Section 199A deduction for small and family business supports 2.6 million jobs.
- Allowing 199A to sunset puts all those jobs at risk, resulting in less employment, lower wages, and a smaller economy.
- Congress has an opportunity to make these provisions permanent by passing the Main Street Tax Certainty Act (H.R. 4721 / S. 1706).

NAED continues to support this provision, which levels the playing field for so many of our small and family-owned businesses.

EV Incentives Face Additional Scrutiny

The House of Representatives recently passed a bill to tighten restrictions on Chinese companies from benefiting from federal electric vehicle (EV) incentives. Seven Democrats and most Republicans supported the bill, but it is unlikely to advance in the Senate. The White House also opposes the bill. Specifically, the legislation aims to broaden the definition of "foreign entities of concern," preventing Chinese suppliers from accessing tax credits under the Inflation Reduction Act (IRA).

Republicans argue that the Biden Administration's current rules are too lenient, allowing automakers to continue relying on Chinese suppliers, which they see as a national security risk. The White House and

Democrats argue the bill is unnecessary, citing strong existing rules to protect the U.S. auto industry. They claim the new restrictions would raise EV prices and hinder efforts to shift supply chains away from China.

While the bill is unlikely to advance this year, it indicates how Republican lawmakers may modify some incentives that were initiated by the IRA.

Non-Compete Regulation

As we reported in May, the Federal Trade Commission (FTC) issued a final rule to ban all new noncompete agreements and make current agreements non-enforceable, in a move the Administration claims protects workers wishing to change jobs, but was largely opposed by the business community. Last month, a Texas court set aside the pending FTC ban, effectively striking down the ruling in Ryan LLC v. Federal Trade Commission. As it stands now, NAED member businesses may continue to enforce their non-compete agreements in line with state law but should consult their attorneys on a case-by-case basis.

The Administration claims the rationale behind the action is to increase wages, allowing workers to change jobs or start new businesses more easily. The FTC estimates that the final rule banning noncompete agreements will lead to new business formation growing by 2.7% per year, resulting in more than 8,500 additional new businesses being created each year. The FTC is currently considering appealing the ruling.

Climate

A group of bipartisan representatives recently endorsed the Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency (PROVE IT) Act.

The bill mandates a study of the carbon intensity of nearly two dozen industrial products including steel, plastics, and aluminum. The aim is to demonstrate that America has a competitive advantage when manufacturing these products compared to other industrialized nations like China and India.

While some speculate the study could be a precursor to implementing a carbon tax, the survey can also be used to counter European border tariffs which are going into effect in 2026, and will be levied against American imports and be based on the carbon intensity of these goods.