

# CONSTRUCTION INSIDER

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our deteriorating infrastructure sends a different message. "Our roads are falling apart and each day we delay, the further we fall behind," said Mike Nystrom, Executive Vice-President Michigan Infrastructure & Transportation Association. "In the end, we need to do something real and we need to do something now."

Legislators need to act quickly to find a solution, or risk further deterioration of the state's infrastructure. Many lobbyist groups have vowed to continue working with lawmakers to design a new strategy, and with time of the essence, some suggestions have been made that the Michigan legislature continue with a special summer session in order to find a solution.

The development of Proposal 1 took several years, and Governor Snyder and Michigan lawmakers have been brought back to square one to create a long-term plan to produce funding. However, the discussions have already begun, and it is likely that additional one-time road funding will be sought for the next state budget, which is in negotiations now and should be finalized by early June.

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## NEW SOLUTION SOUGHT AFTER PROPOSAL 1 SOUNDLY DEFEATED

Proposal 1, designed to address the poor road conditions in the state of Michigan, was soundly rejected on Tuesday, May 5th. The proposal would have increased the state sales tax from 6% to 7%, taken the sales tax off fuel sales, and raised fuel taxes – resulting in close to \$1.3 billion for roads. When fully implemented, the plan would have also generated about \$200 million a year more for schools; \$116 million for transit and rail; sent \$111 million more to local

governments; and given a \$260-million tax break to low- and moderate-income families through restoration of the Earned Income Tax Credit.

Despite the 80% to 20% rejection of Proposal 1, a state record, the question remains; what can be done about road conditions? Michigan has worked to promote itself as a state that is open for business and tourism, but many groups and organizations believe that

*The next level  
of service*

## NEW SOLUTION SOUGHT AFTER PROPOSAL 1 SOUNDLY DEFEATED, CONTINUED



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House Speaker Kevin Cotter, R-Mt Pleasant, said he will propose a new long-term road funding plan “in days, not weeks.” He added “Our take away from this [Proposal 1 defeat] is, first, fix the roads. And secondly, fix just the roads.” Cotter indicated that a new plan could be heavily dependent on existing revenue, and suggested an area for review could be restricted funds for economic development programs.

Democrats in the state legislature are in favor of a new proposal to increase road funding through increasing the share of transportation revenue coming from wealthy households and businesses, while excluding middle-class households. Some suggestions have also been made, from the Democratic side to halve Michigan’s weight limit on trucks, which are the highest in the nation.

Other organizations, publications and individuals are weighing in with recommendations. Ideas range from a continuation and elaboration on the 1 percent sales tax increase solution, to increasing the fuel tax.

Since the May 5th vote, new developments on the issue to create funding for Michigan roads continue to take place, with many more on deck for the coming days and weeks.

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## GETTING DETROIT'S RECOVERY ON TRACK



The city of Detroit has experienced substantial adversity in the twenty first century. A recession rocked the auto industry, governmental corruption and more recently bankruptcy. However, it appears the dust is finally settling, and the revitalization of downtown Detroit is in full swing, with plans of a new hockey arena, the promise of a refurbished entertainment district and business' once again on the rise. Since more people are expected to be heading downtown, the city officials and private investors needed to find a way to ease access from downtown to the surrounding metropolitan areas. This problem first arose when the Super Bowl came to Detroit back in 2006, the solution would be to have a street railway system that will stretch 3.3 miles, and will ultimately be known as the M-1 Rail.

The idea of the rail was first brought to the table in 2007 and many thought the plan would never get off the ground, but after years of negotiations and financing efforts, the plan was approved and construction began last summer. The financing for the project was difficult and timely but after all negotiations, the M-1 rail ended with a private/public financing agreement that had 24 different parties including hospitals, private businesses,

government agencies, and various foundations. Total contributions are expected to reach \$179.4 million, but not all proceeds will be used for construction as \$24 million has been set aside for operating the machine and performing maintenance in the future.

Stacy & Witbeck Inc. won the bid to construct the rail in July of 2013 and has been working with various companies and contractors to construct the project. Initial construction began on July 28, 2014; it is expected to take about 27 months with the cost being around \$140 million. The construction will help out many Detroit based construction companies as nearly 30 percent of the construction and road work for the project are expected to be handled by companies located in Detroit, or are disadvantaged business enterprises (DBE). "That amounts to nearly \$40 million in contracts awarded to Detroit-based and certified women, minority and DBE businesses. M-1 RAIL's inclusion percentage is twice the national average when compared to similar projects' (M-1rail.com). The rail is expected to help not only construction companies in Detroit, but all surrounding businesses as it will make accessing different parts of the city much easier for both residents and tourists.

Construction has been continuing for nearly a year now and has proved to be no easy task, explained Rip Rapson, who was quoted by Crain's Detroit Business said "It was the most complex set of moving parts I have ever seen, to create what in the end is relatively simple machinery". Workers discovered a track under Woodward belonging to the old rail car system that was taken out of service in 1956. After the old track was removed and a level base was prepared, workers had to undergo significant pre-pour preparation before any concrete was actually poured. M-1 workers have to continuously ensure that the track being installed is level, aligned and properly secured. Each piece of rail being input is roughly 80 feet long with a weight of around 3,000 pounds making the process extremely difficult. Once in place, aligned and level, concrete was poured in what project managers say is a "fast-curing, high-performance, reinforced concrete". Rail workers completed the first pour on October 18th, pouring nearly 900 cubic yards of concrete on Woodward Avenue. The momentum continued into the summer months with the construction schedule expecting to be busy with cleaning of construction zones, laying track in the Midtown neighborhood, and making preparations for the installation of a specialty track around Campus Martius Park.

As stated previously, the M-1 rail will run 3.3 miles and connect to the Detroit People Mover on Congress Street and stretch across 12 different stops ending at Grand Station on West Grand Boulevard. The M-1 rail is expected to serve an estimated 5,000 to 8,000 passengers per day and will cost riders \$1.50 for a one way ticket with an option of a monthly or yearly pass. The M-1 rail will be completed in 2016 and until then Detroit citizens are being urged to continuously stay updated on construction that may affect their daily commutes. Construction times and additional project information can be found at [www.M-1rail.com](http://www.M-1rail.com).

## 10 SURPRISING TAX DEDUCTIONS THE IRS ALLOWS



Another tax season has finally come to an end and as seen in prior years, some taxpayers got creative in an attempt to reduce their taxable income. Some of these claims teetered on the edge of legality, but the craftiness paid off.

Deductions permitted by the IRS:

1. **Body oil.** The Tax Court ruled that a professional bodybuilder could deduct the cost of body oil used in competitions to make his muscles glisten in the lights. Deductions for buffalo meat and vitamin supplements used to enhance strength and muscle development, however, were denied.
2. **Landscaping.** Sole Proprietors who regularly meet clients in their home office can deduct a portion of landscaping costs, including regular lawn care and driveway repairs.
3. **Cat food.** Owners of a junkyard were allowed to write off the cost of cat food used to attract wild cats. IRS lawyers conceded that the cat food was deductible since the cats made the junkyard safer for customers by eradicating snakes, mice and rats.
4. **Power of prayer.** If you are a Christian Scientist and don't believe in medical doctors, you can deduct the cost of visiting a Christian Scientist practitioner as a medical expense.
5. **Swimming pool.** A taxpayer with emphysema put in a pool after his doctor told him to develop an exercise regime. The Tax Court allowed him to deduct the cost of the pool (to the extent the cost exceeded the amount it added value to the property) as a medical expense. The cost of heating the pool, pool chemicals and a proportionate part of insuring the pool area were also treated as medical expenses.
6. **Clarinet lessons.** The cost of clarinet lessons for one child was allowed as a medical expense to help correct an overbite.
7. **More cat food.** A woman spent more than \$12,000 on food, vet bills and other miscellaneous items while fostering feral cats. The Tax Court ruled that she could claim a charitable deduction for her expenses.
8. **African safari.** Owners of a dairy business claimed that an African safari was business related because it focused on the activities of wild animals. The IRS allowed the claim.
9. **Loan to a deadbeat.** You know that \$500 you loaned your deadbeat friend who disappeared without paying you a penny? The IRS has been known to allow non-business bad debt deductions for such instances.
10. **Breast pump.** If you are breast-feeding your child, you can deduct the cost of a breast pump in your itemized deductions.

All though these inventive deductions may seem strange, let them be an inspiration to bring out some creativity for next season!

## CONSENSUS DOCS RELEASES UPDATED FEDERAL SUBCONTRACT TO HELP CONSTRUCTION FIRMS PERFORM FEDERAL WORK



A newly revised standard subcontract will serve as an essential tool for any general contractor working in the federal market. In 2012, this standard subcontract was updated with consideration from all segments of the industry to remain current and relevant in today's federal construction practice. Consensus DOCS is the company responsible for making the newly revised contract that is now being used by the federal government.

This will make it easier for general contractors and subcontractors to perform federal work by addressing recent changes in federal contracting, such as requirements for small business entities and new reporting of executive compensation requirements. These updates will be especially helpful to contractors that don't routinely perform federal government contracts, but now seek federal work in a construction market. It is designed to be more efficient for the contractors to comply with Federal Acquisition Regulations (FAR) by including a special exhibit listing all FAR regulations that apply to the contract. Another significant new revision is one that provides for attorney fees if the contractor withholds payments based on a Miller Act claim made in bad faith.

The new contract is more economic for the federal government to use by saving time and money while ensuring qualified contractors perform the work. This helps the federal officials to write effective contracts that keep the work on time and on budget.



*An essential tool for any general contractor working in the federal market.*



## CONSTRUCTION INDUSTRY INSIGHT

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As active members of various national, state and local construction associations, state housing councils and specialty trade groups, our team keeps alert to industry trends and opportunities. Our

professionals are leaders in the industry and take the steps necessary to ensure our client's future success by identifying and addressing new accounting requirements and regulations. You can depend on us to anticipate major industry issues that might impact your company and help you structure workable solutions.

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