



# Annual Construction Update

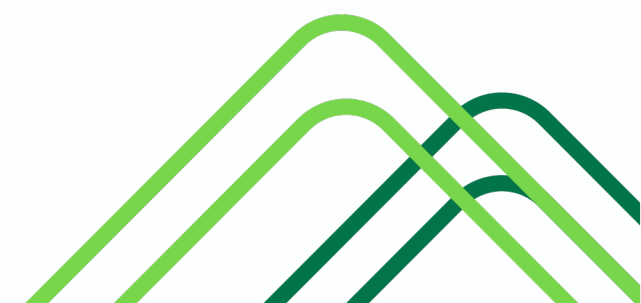
May 6, 2026



# Welcome! Introductions

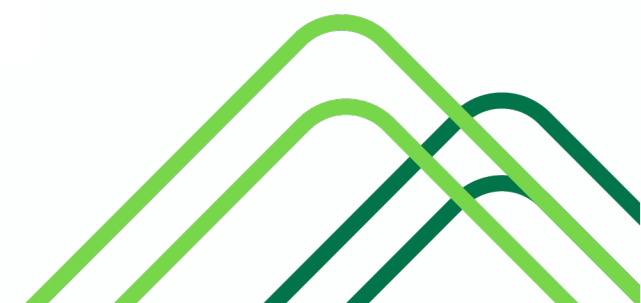


**John Gallo**  
Managing Director  
UHY LLP



# Agenda

- 8:30 AM** Registration
- 9:00 AM** Opening Commentary  
*John Gallo, National Construction Practice Partner, UHY*
- 9:15 AM** Economic indicators, the newly appointed treasurer, how AI impacts the construction labor market  
*John Moore, PhD, CPA, Professor, Finance & Economics Department, Walsh College*
- 10:00 AM** AI and the Effects on the Construction Industry  
*Cory McNeley, Managing Director, UHY*
- 10:45 AM** Break
- 11:00 AM** Tax update  
*Liyana Aryan, Senior Tax Accountant, UHY*
- 11:45 AM** Strengthen Your Hiring & Workforce Strategy  
*Jason Epstein & Adam Cosola, Co-Founders, CTC Talent Partners*
- 12:30 PM** Networking Luncheon
- 1:30 PM** Event Concludes



## Today's Speakers



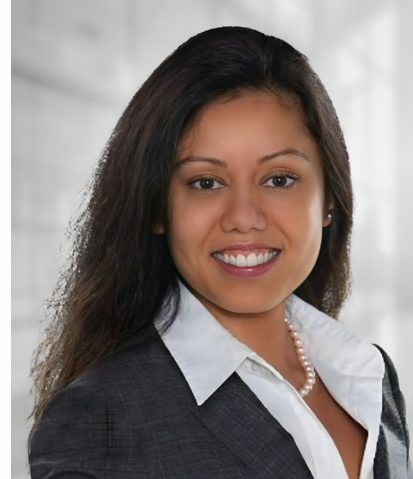
**John Moore**

PhD, CPA, Professor, Finance &  
Economics Department  
Walsh College



**Cory McNeley**

Managing Director  
UHY



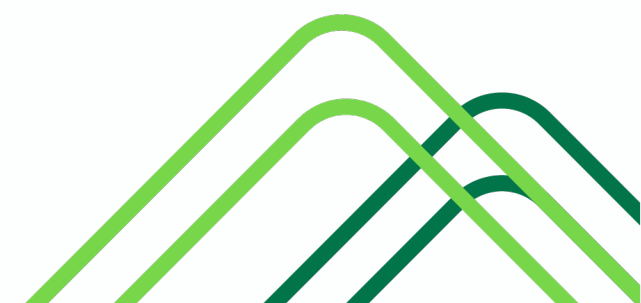
**Liyana Aryan**

Senior Tax Accountant  
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**Jason Epstein & Adam Cosola**

Co-Founders  
CTC Talent Partners



# Economic Forecast 2026

Living with Disruption

# A Quick Introduction

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John A. Moore, PhD, CPA

Professor, Finance &  
Economics

Walsh College



# Framing the Discussion

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- We will conclude with a “traditional” forecast
- BUT, it makes sense to discuss big things that are happening around us
- A few key points to emphasize ...
  - The nature of construction and real estate is changing slowly
  - The world around us, importantly our customers and national politics, is changing much faster!
  - We need to be keenly aware of this as we plan for the future!

# Our Agenda

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1. Describing and Defining Disruption
2. Geopolitics
3. Policy
4. Technology
5. Labor and Demographics
6. The Latest Economic Data
7. Conclusions

# Describing and Defining Disruption

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## Principles and Realities

# An “Ideal World”?

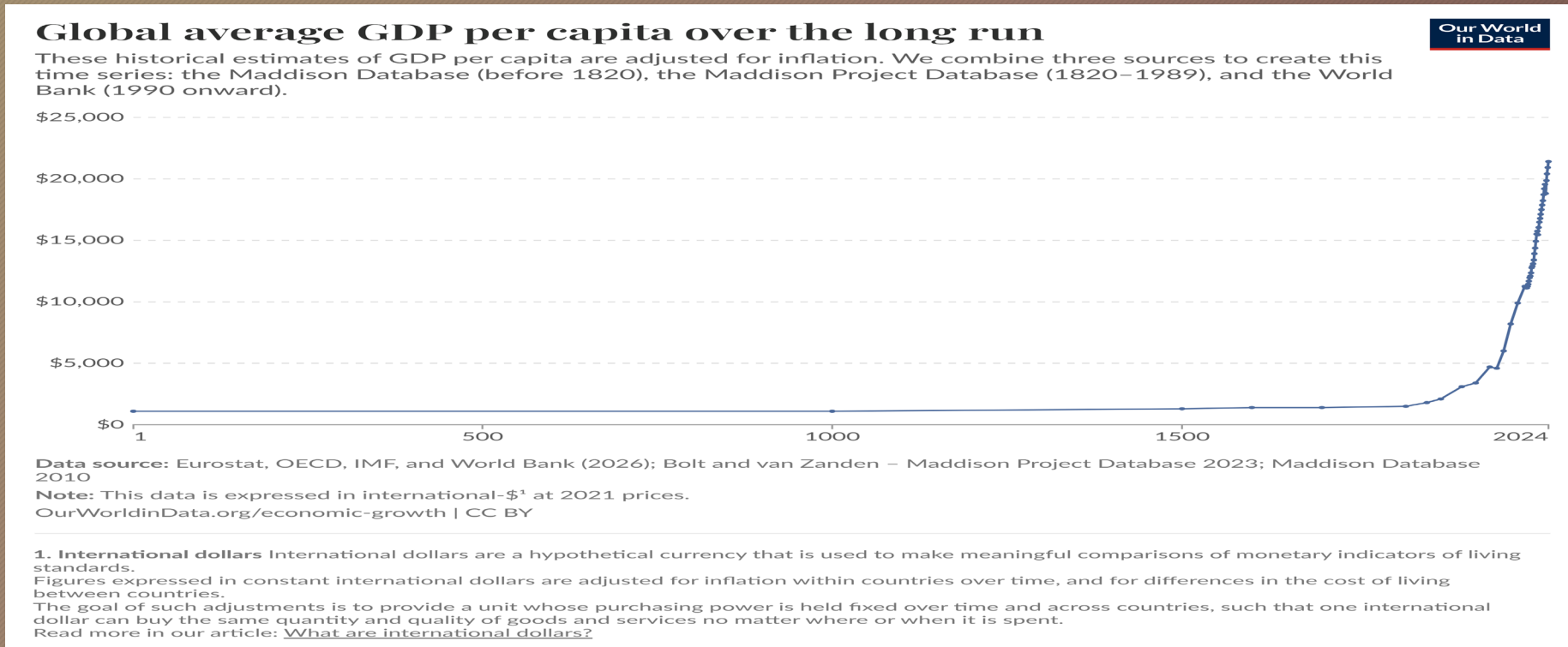
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- Predictable products and demographics ... little change
- Predictable competition ... little innovation
- Geo-political stability ... peace and prosperity
- Policy stability ... consistency

**Bottom line - little in the way of change**

# Real GDP per capita since the year 0

11



# The Reality ...

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- We are situated in the midst of deep innovation and growth
- An environment that promotes innovation and opportunity
- An environment that comes with uncertainty and threats
- An environment that demands keen strategy and stoic resilience

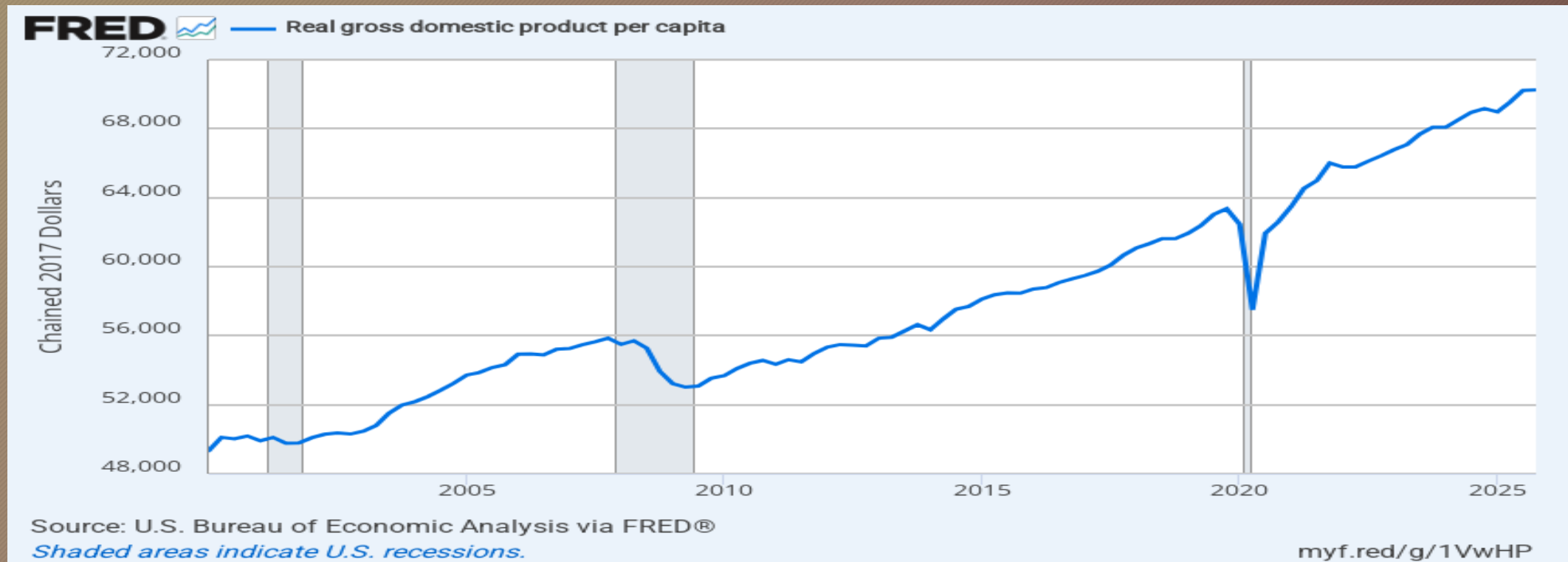
# So, what's going on?

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- War with Iran
- Tariffs
- Russia and Ukraine
- The Federal Debt
- Technology (including AI)

# United States Real GDP per Capita

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# Joseph Schumpeter

15

The opening up of new markets...  
incessantly destroying the old one,  
incessantly creating a new one.

This process of Creative  
Destruction is the essential fact  
about capitalism.

*Capitalism, Socialism , and Democracy (1942)*



# Disruption ... summary

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- We live in a world of accelerating disruption
- There is a lot of “noise” going on ...
- Yet, long-term markers remain positive ...
- The way to frame today’s discussion ...

## What is the impact of economic activity on Construction and Real Estate?

- Short-term (about 30 months ... to the 2028 elections) ... **Focused**
- Intermediate-term (30 months to 10 years) ... **Considered**
- Long-term (after 10 years) ... **Some comments**

# Geopolitics

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## A Changing Paradigm

# Shattering the Illusion

18

- “The End of History” (1992) ... Francis Fukuyama ... with the end of the Cold War, liberalism was ascendant for good

The “Pax Americana” did not last for long ...

- Gulf War (1990-1991)
- Afghanistan (2001-2021)
- Iraq (2003-2011)
- Iran (2025-present)

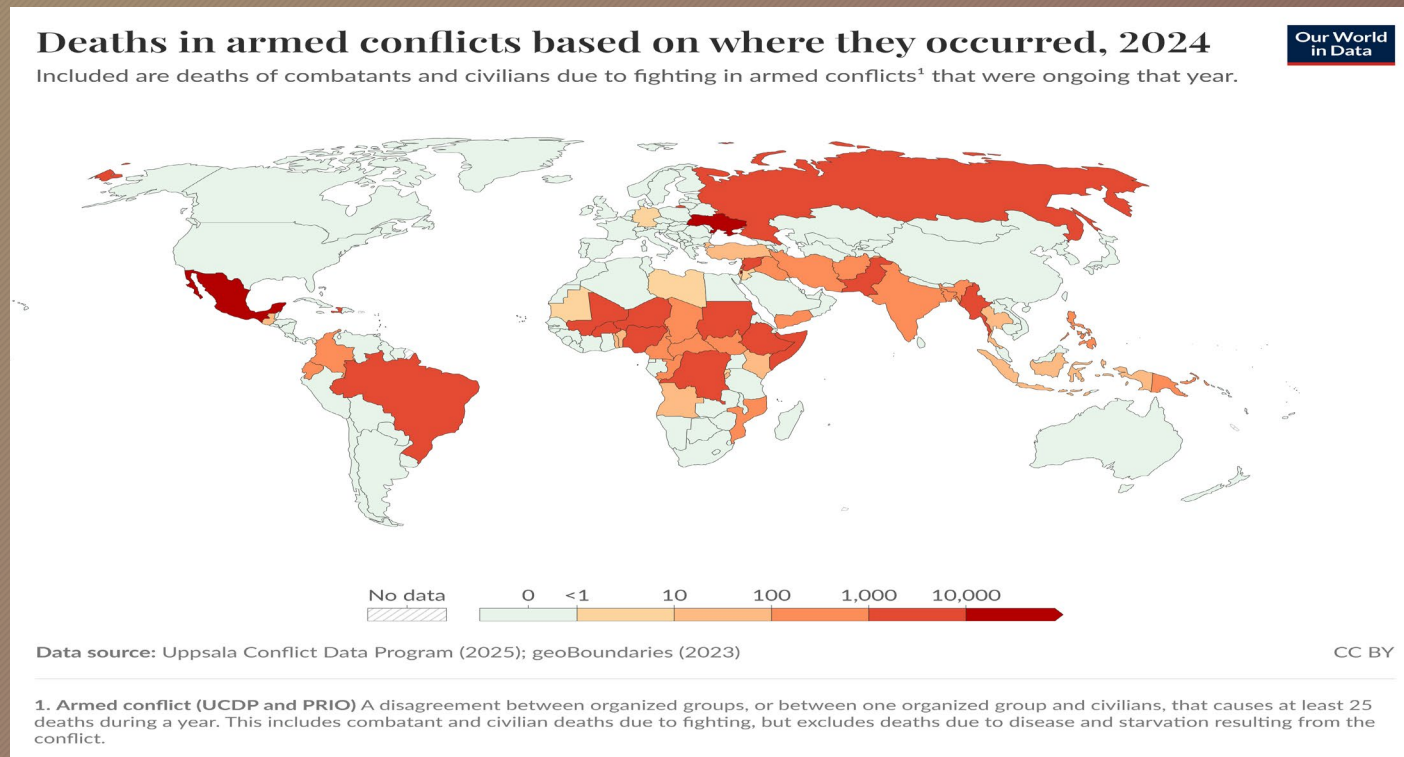
# Significant changes since 1989

19

- The post-World War II era was characterized for a half century by the Cold War
- The fall of the Soviet Union in 1989 ushered in a brief “Pax Americana” ... the United States as hegemon
- The rise of BRICS, China and India
- The decline of Europe and Russia

# Recent Wartime Deaths

20



# What to do about Iran?

21

- Political
  - Domestic discomfort (Consumer sentiment)
  - International confusion ... who are American friends versus foes?
- Financial
  - Oil costs are up
  - Markets appear little impacted
  - High costs of the war
- Military
  - A clear military victory
  - Issue is time ... that will determine the “peace” and resolution

# Geopolitics ... summary

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- Why does this matter to Economics?
- Nation States are in political, economic and military competition.
- This impacts economies because geopolitical rivalries tap into “national capacity”
- National capacity is the ability for a nation-state to tap into national resources to support goals and objectives
- Gaining resources ...
  - Taxes
  - Borrowings

# Policy

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**Decisions and Consequences**

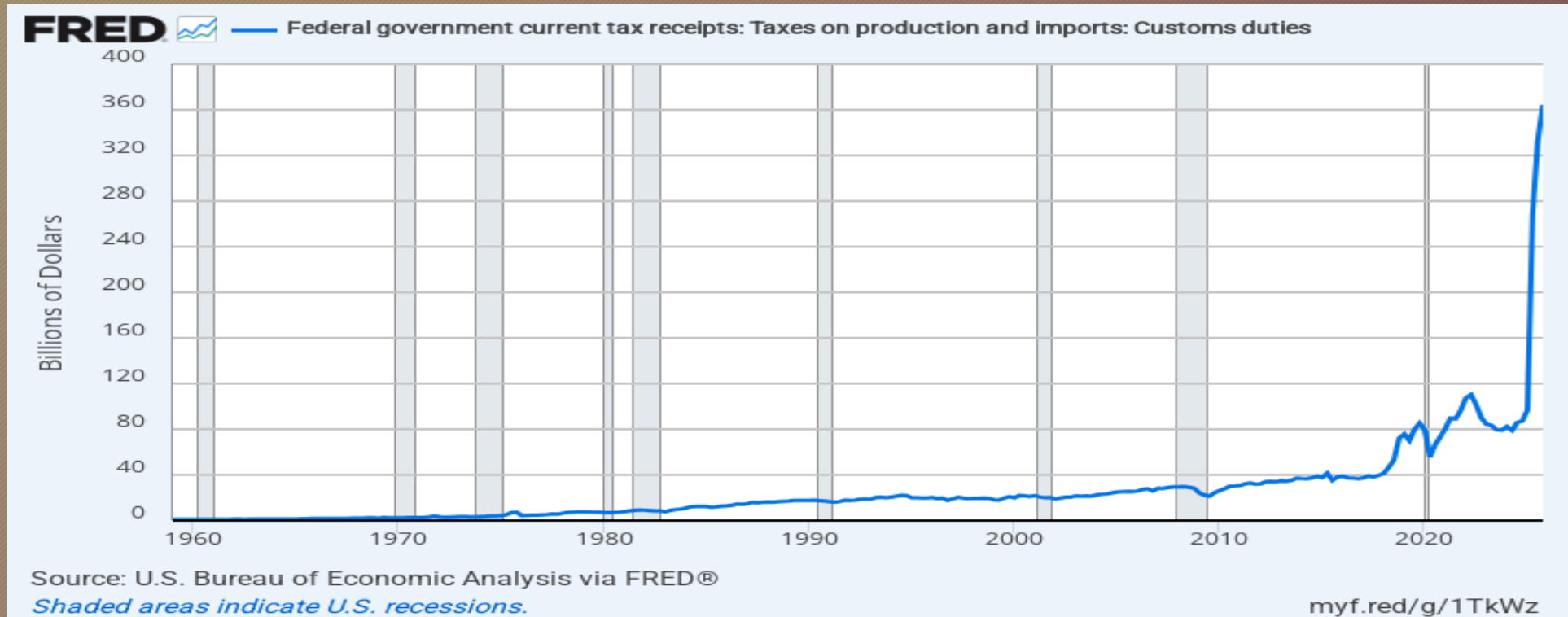
# Policies that impact us

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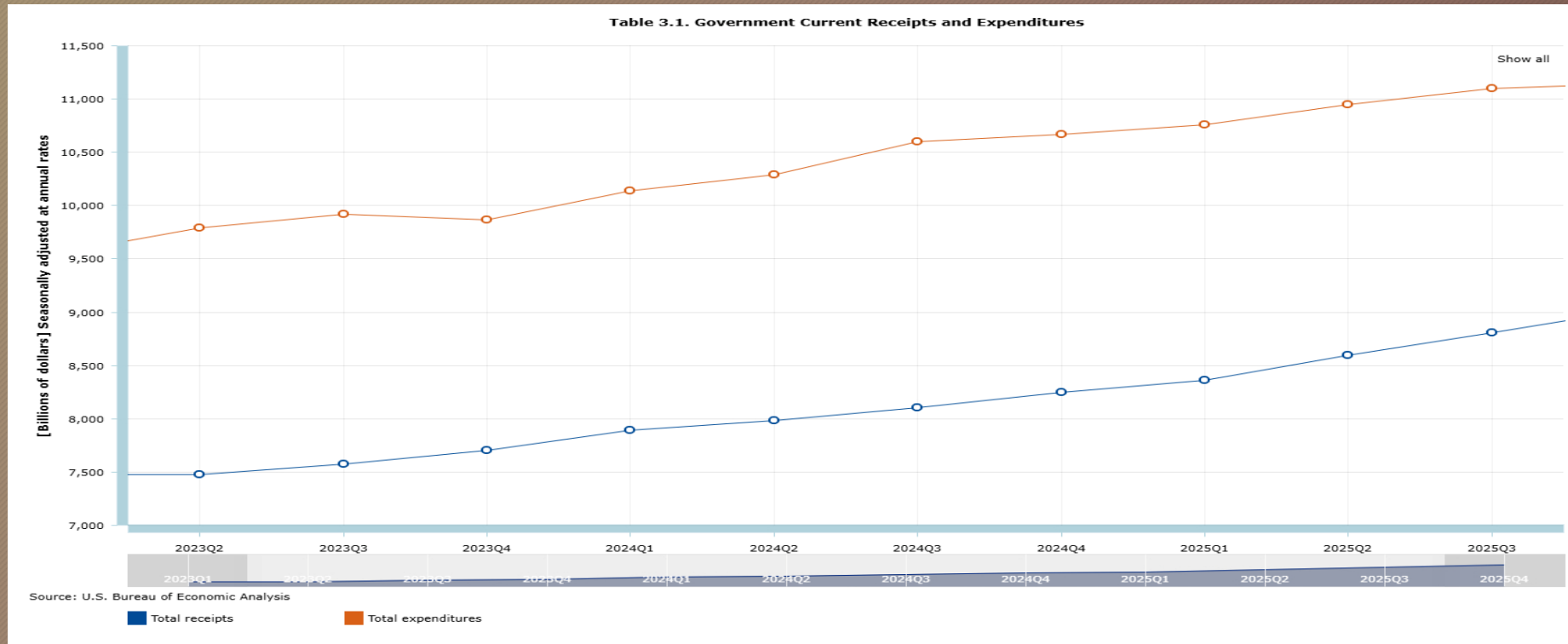
- Tariffs
- Federal income and spending
- The National Debt

# Tariff receipts

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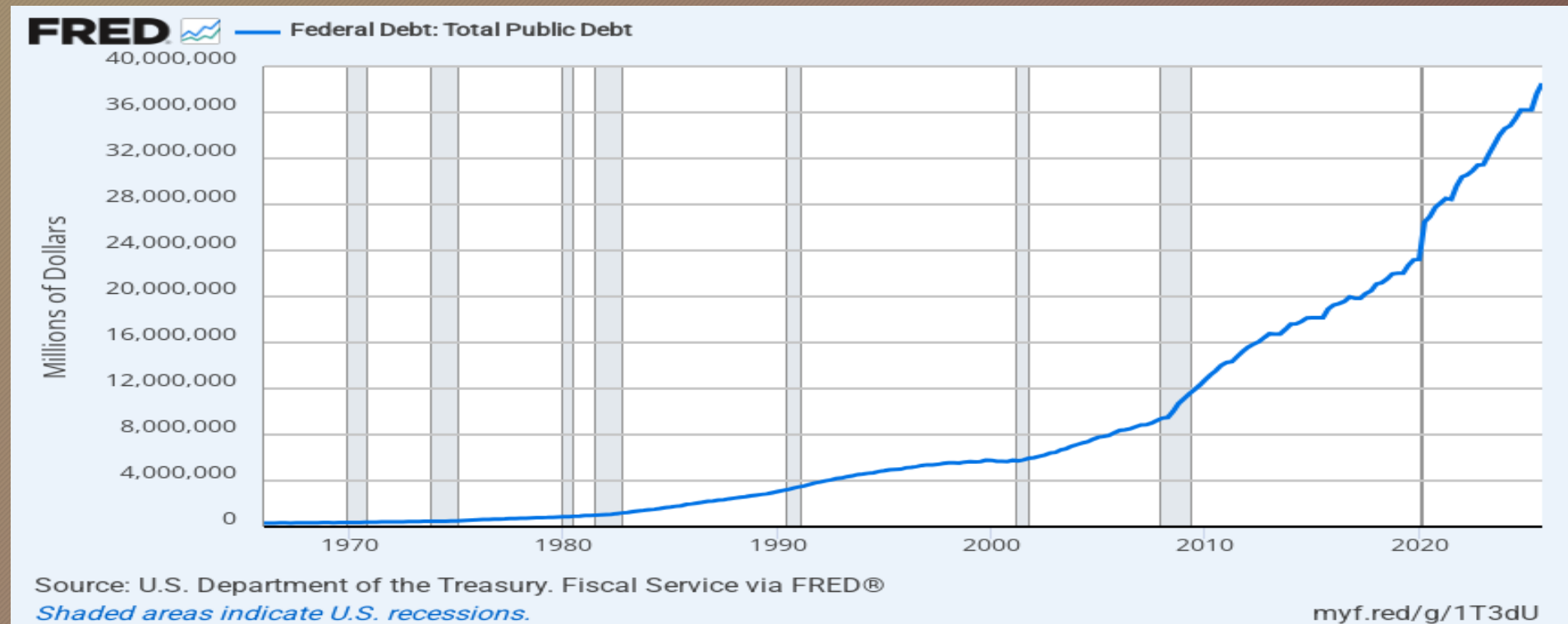


# Federal Receipts and Expenditures



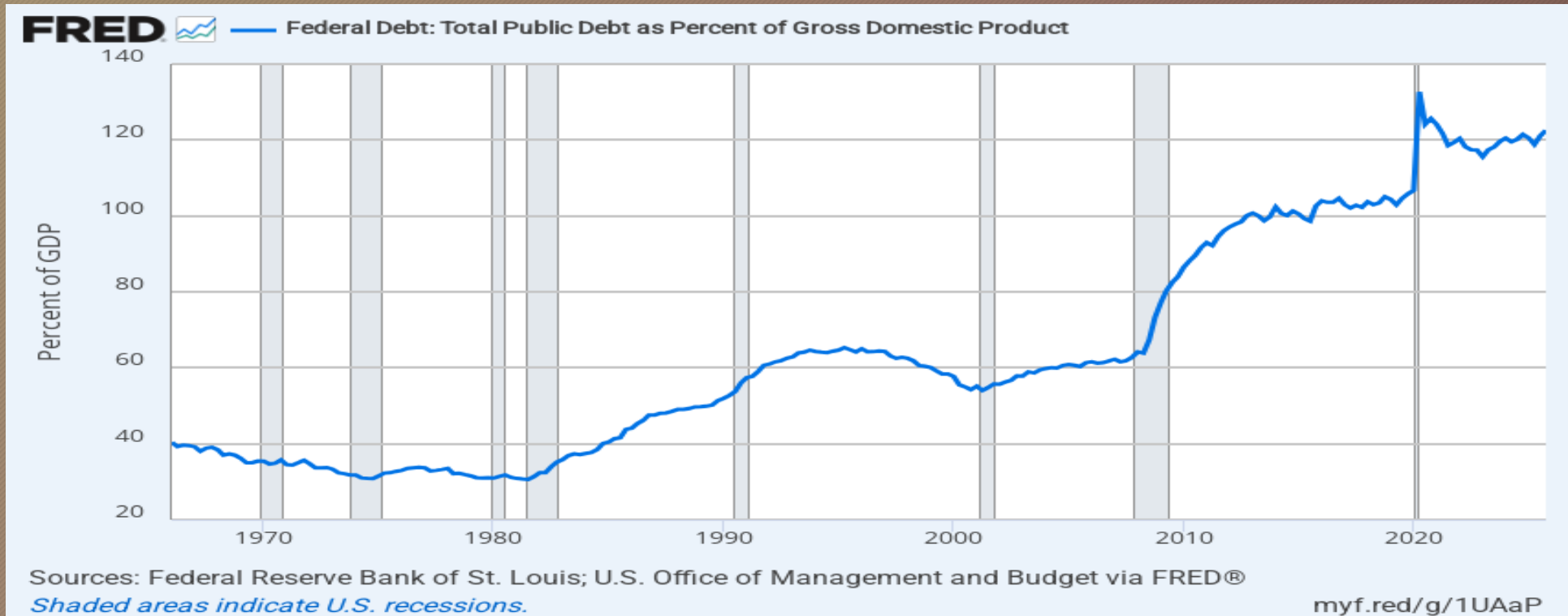
# The National Debt

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# Federal Debt to GDP

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# Policy ... summary

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- The Federal government has lost any pretense of discipline
- Perpetual deficit spending
- Rising national debt
- Costs of war
- Costs of social safety net
- Potential solutions ...
- Grow GDP faster
- Increase net flows
  - Increase taxes
  - Decrease expenditures
- Borrow
- Inflate

# Technology

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It's not just AI

# A story of Revolutions ...

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- **Industrial Revolution** - 1<sup>st</sup> phase (Waltham and Lowell)
- **Industrial Revolution** - 2<sup>nd</sup> phase (steel and mass production) (1875 to 2025)
- **Information Revolution** - 1<sup>st</sup> phase (ENIAC) ... 1945
- **Information Revolution** - 2<sup>nd</sup> phase (PCs and eventually Artificial Intelligence) (1975 to 2025)

# The Second Stage of the Information Revolution

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- Mainframe computers a staple of corporate America by 1975
- Commercial introduction of the mini computer in the early 1980s
- “Computerization” to present
- Culminates in artificial intelligence

# Technology Milestones

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- 1975 Altair 8800 microcomputer
- 1981 MS-DOS operating system software
- 1985 Microsoft Windows
- 1989 World Wide Web
- 1995 Amazon (e-commerce)
- 2004 Facebook
- 2007 I-Phone
- 2011 Siri
- 2016 Alpha Go
- 2022 Chat-GPT

# An Interesting Anomaly (2017 USD)

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- Second Phase - Information Revolution
- (Altair 8800 microcomputer, 1975)
  
- 1975-2000: Real GDP per capita CAGR 2.33%
- 2000-2025: Real GDP per capita CAGR 1.34%

Source: [www.networh.com](http://www.networh.com)

# Technology ... summary

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- Heavy integration of new technologies in the past 25 years
- Has changed the way we live in significant ways
- Has changed the way we work in significant ways
- Curiously, economic growth has actually slowed

# Labor and Demographics

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**Things are Definitely Changing!**

# The American workforce 2000 vs 2024

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	<u>2000</u>	<u>2024</u>	<u>+/-</u>	
Manufacturing	18.4%	13.7%	4.7	
Commerce (high skill)	28.0%	35.7%	7.7	(C1)
Commerce (low skill)	53.2%	50.3%	2.9	(C2)
Agriculture	0.4%	0.3%	.1	

Source: <https://www.bls.gov/oes/tables.htm>

# Labor Change since 2000 ...

38

<u>Category</u>	<u>% 2000</u>	<u>% 2024</u>
• Office and Administrative (C2)	17.7%	11.8%
• Sales and Related (C2)	10.4%	8.7%
• Production Operations (M)	9.6%	5.7%
• Food Preparation (C2)	7.7%	8.8%
• Transportation (C2)	<u>7.4%</u>	<u>8.9%</u>
	52.8%	43.9%

# Top 2024 Labor Categories

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<u>Category</u>	<u>% 2024</u>	
Office and Administrative	11.8%	C1
Transportation	8.9%	C2
Food Preparation	8.8%	C2
Sales and Related	8.7%	C2
Management	7.1%	C1
Business and Financial	6.7%	C1
Healthcare - Primary	6.2%	C1
Education, Training & Library	5.8%	C1
Production Operations	5.7%	M
Healthcare Support	4.8%	C2
	74.5%	

# Real Wage Growth by Major Category (2017\$)

40

	<u>2024</u>	<u>2000</u>	<u>CAGR</u>
Commerce (HS)	\$39.76	\$29.98	1.18%
Commerce (LS)	\$18.10	\$13.47	1.24%
Manufacturing	\$22.37	\$17.83	.95%

<b>Weighted Averages</b>	<u>2024</u>	<u>2000</u>	<u>CAGR</u>
	\$26.41	\$18.88	1.41%

# Manufacturing Productivity Gains 2000 - 2024

41

	<u>2024 Hours</u> <u>(trillions)</u>	<u>Total</u> <u>CAGR</u>	<u>Labor</u> <u>CAGR</u>
Mining	1.6	2.01%	2.00%
Utilities	1.4	0.77%	4.31%
Construction	12.9	0.59%	0.01%
Manufacture:			
Durable	21.8	0.72%	4.44%
Non-Durable	13.3	1.09%	2.04%

# Commerce (C2) Productivity Gains 2000-2024

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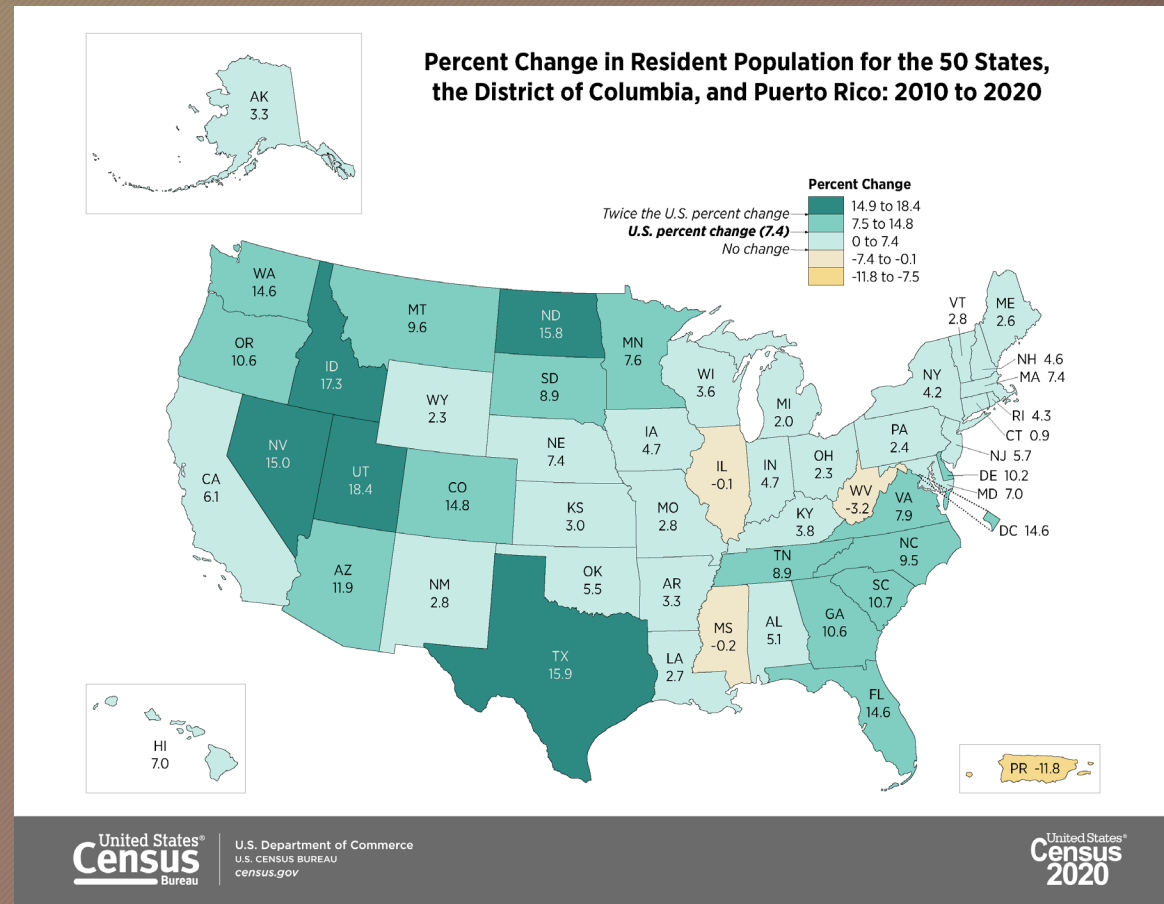
	2024 Hours <u>(trillions)</u>	Total <u>CAGR</u>	Labor <u>CAGR</u>
Trade	34.4	0.55%	3.27%
Transportation	7.3	0.33%	1.10%
Administrative	8.0	0.90%	1.16%
Service Workers	6.8	0.22%	0.92%
Arts & Entertain	1.5	0.09%	1.55%
Hotel/Food	12.0	0.29%	0.79%
Other Services	5.5	0.90%	1.69%

# Commerce (C1) Productivity Gains 2000-2024

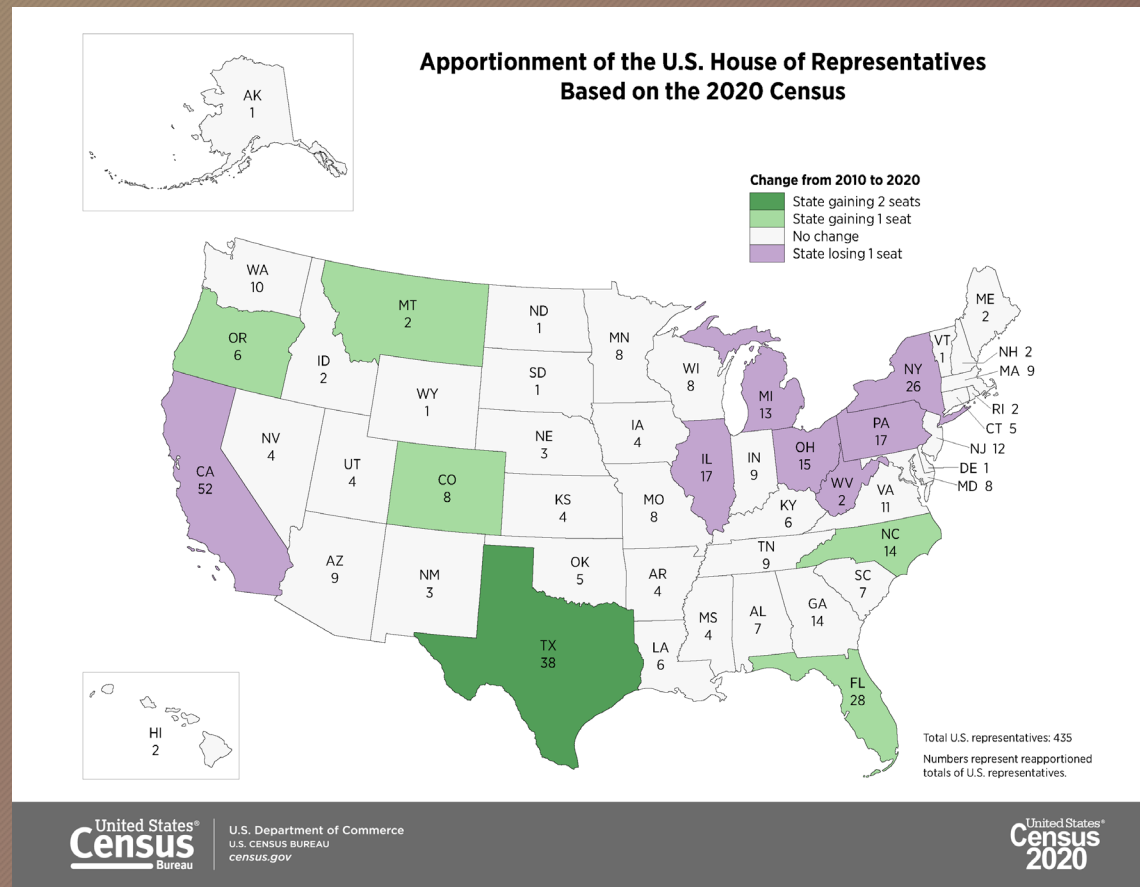
43

	2024 Hours <u>(trillions)</u>	Total <u>CAGR</u>	Labor <u>CAGR</u>
• Information	4.7	1.87%	3.40%
• Finance & Risk	9.7	0.46%	3.03%
• Real Estate	3.6	0.62%	1.92%
• Professionals	9.6	1.19%	2.09%
• Management	3.0	0.74%	2.24%

# Population Changes



# House of Representatives



# Labor and Demographics ... summary

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- The Labor force is shifting towards high skill commerce
- The economy is experiencing efficiency gains ... especially labor
- People are moving ... the Midwest is being impacted
- The slow beginning of de-urbanization?

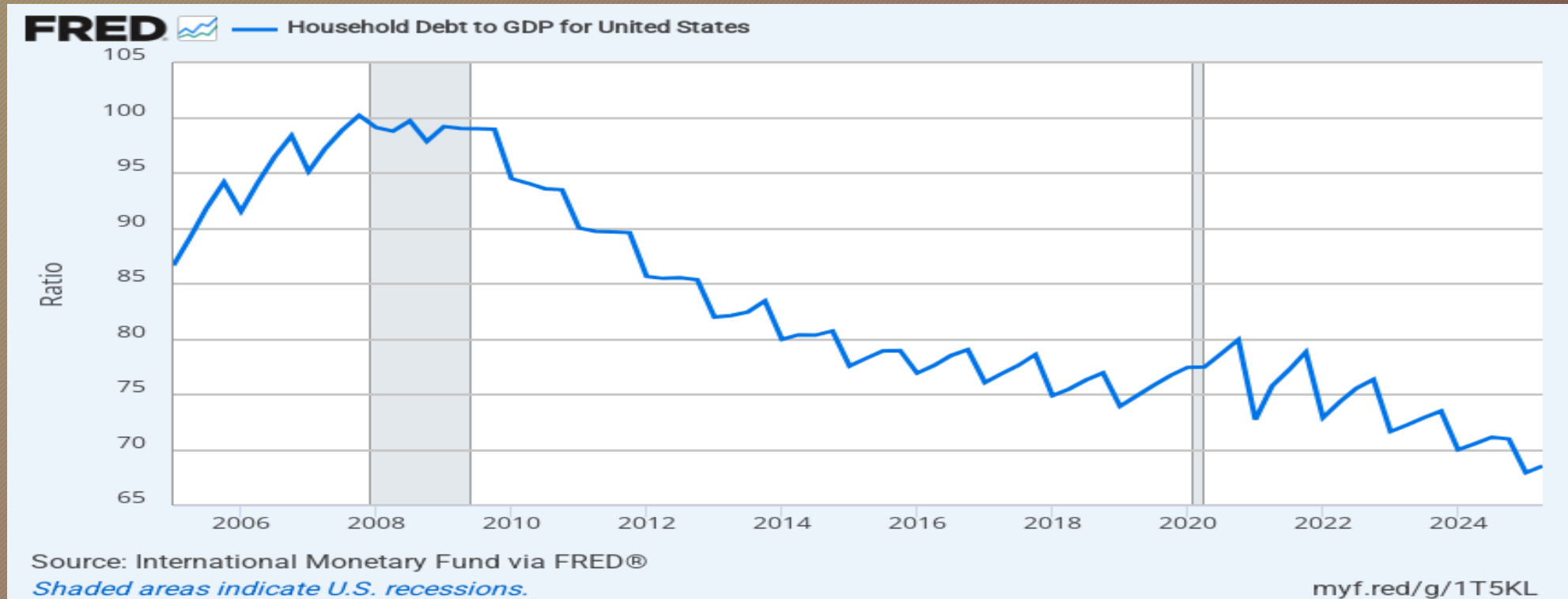
# The Latest Economic Data

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What is going on right now?

# Household Debt

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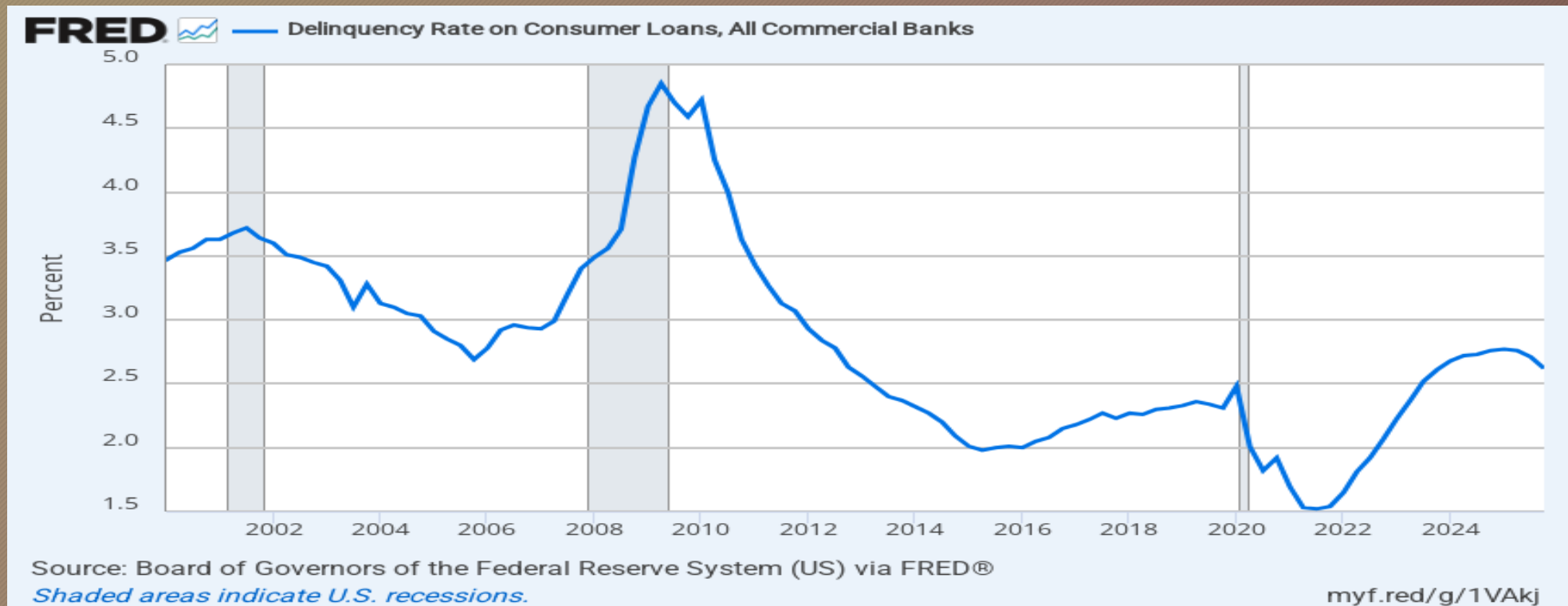
# Stock Market Capitalization

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# Consumer Loan Delinquencies

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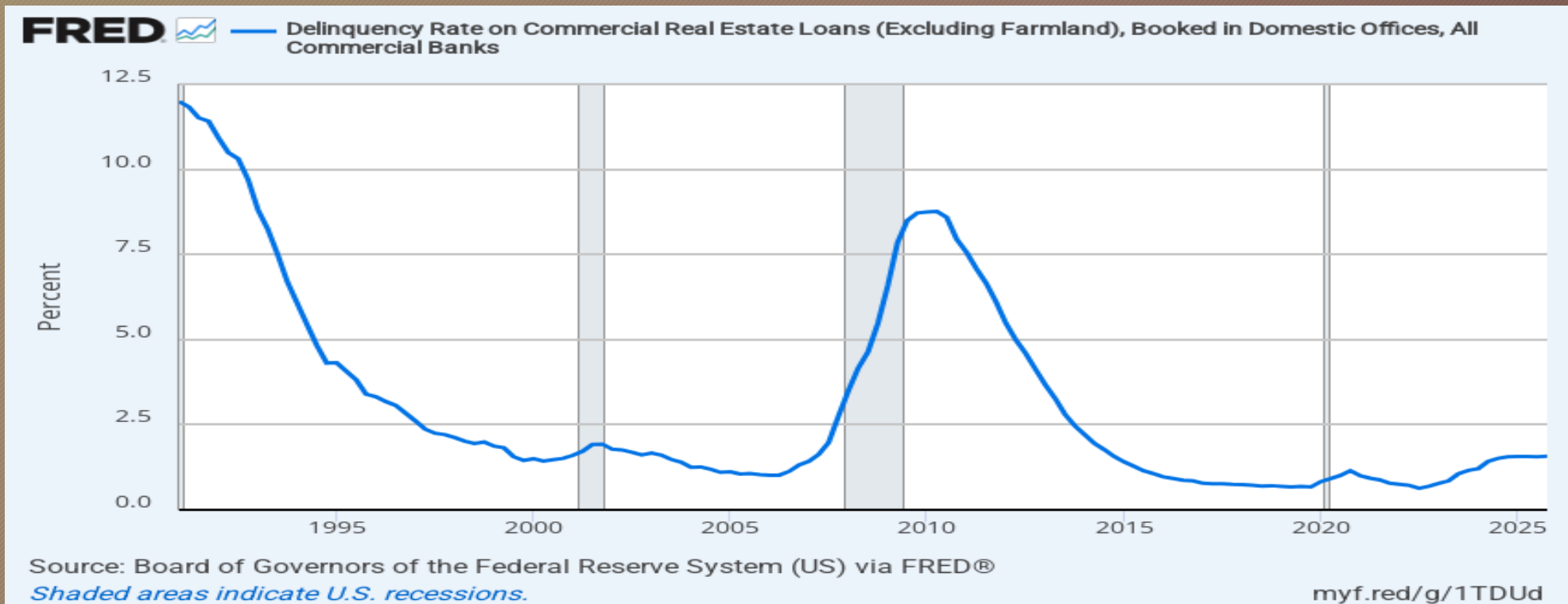
# Business Loan Delinquencies

51



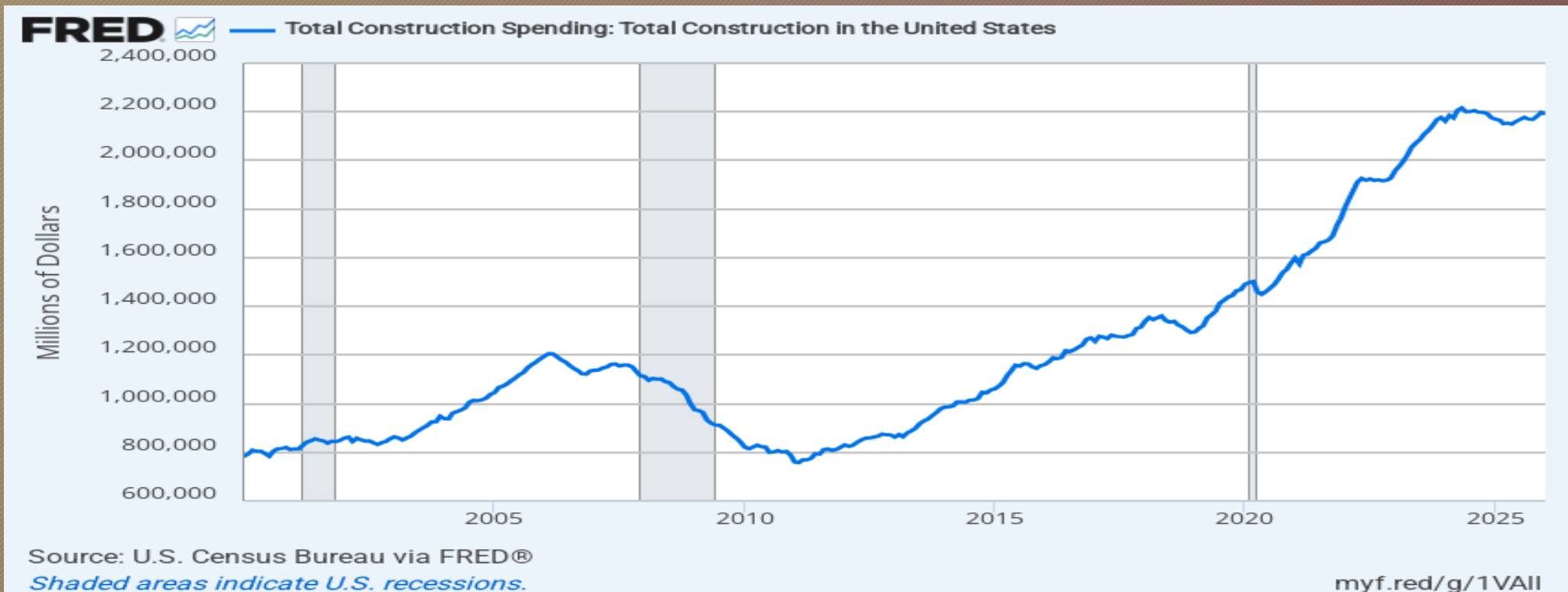
# CRE Loan Delinquencies

52



# Construction Spending

53



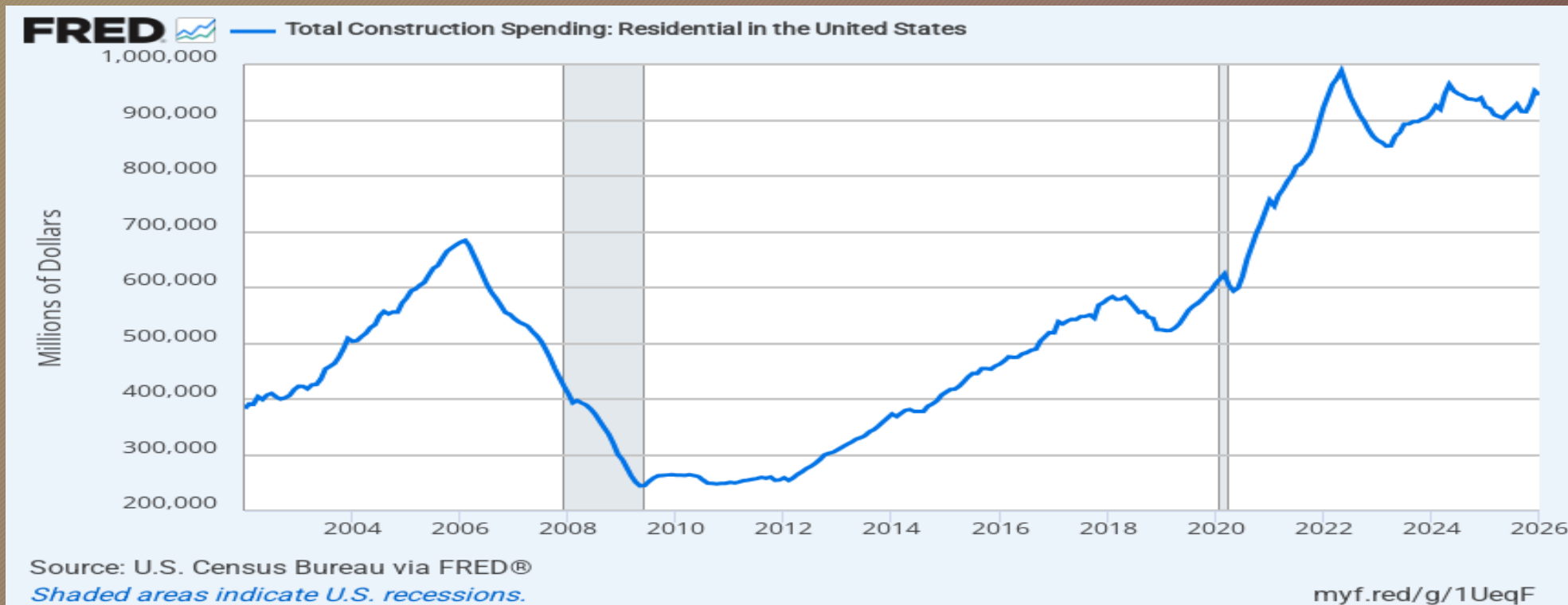
# Manufacturing Sector Construction

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# Residential Construction

55



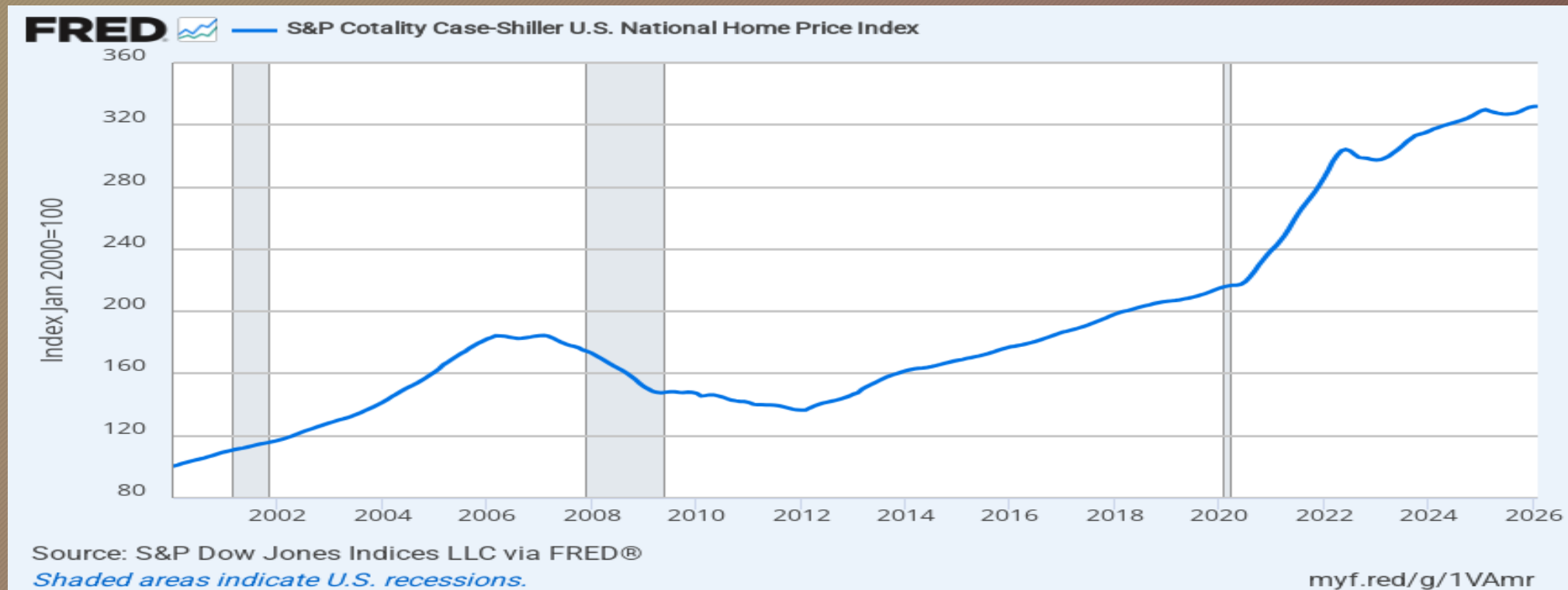
# Non-Residential Construction

56



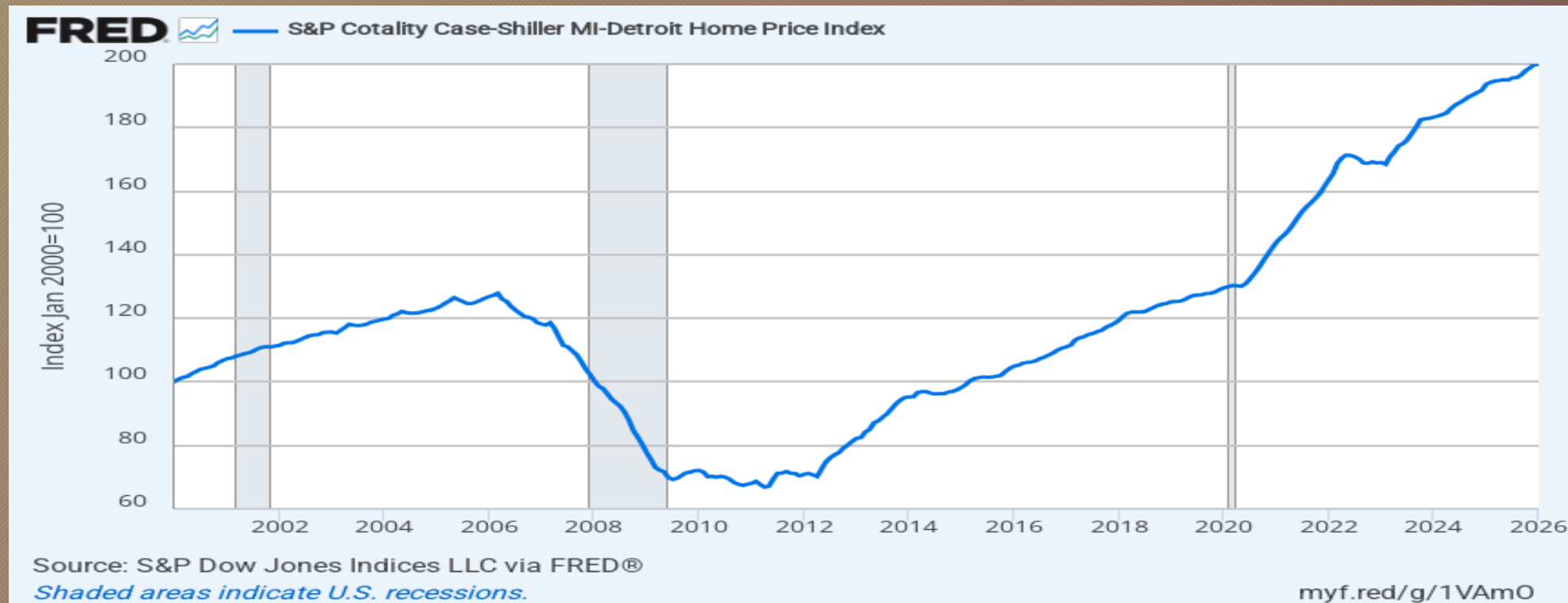
# Residential Housing Values

57



# Residential Housing Values - Detroit

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# CONCLUSIONS

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Trying to Make Sense of it All

# Short-Term

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- **We are in good shape!**
- The American economy is strong despite poor policy and external events
- The War in Iran will be resolved in 2026 ... but LT consequences?
- There is little debt exposure
- Stock market is a bit “hot” ... but unlikely to crash
- Government spending and policy is likely to be favorable
- AI is impacting markets, but this should also promote construction
- But be aware of disruption and volatility! (Some dry powder alevays)

# Intermediate-Term

61

- **Be Cautious**
- The Federal appending and debt issues are likely to come to a head in the next decade
- Distinct possibility of inflation
- Divisive politics likely to lead to policy volatility
- The weakening of global trade will negatively impact the economy

# Long -Term

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- Cautiously pessimistic
- Poor policy
- Burdens of geopolitical tensions
- Domestic politics
- Residual issues with the Information Revolution
  - Labor force disruption
  - Labor force preparedness

# Final Words ...

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- Some things to ponder ...
- The impact of the Information Revolution
- Creating a work force for the 21<sup>st</sup> Century
- Can we stabilize the geo-political situation?
- Can we tame domestic tensions?
- There will be Construction Business! But be prepared for disruption!

# Thank You!

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Questions?

Thoughts?

Comments?



# How AI is Transforming the Construction Industry

Artificial Intelligence in Construction: Opportunities, Use Cases, and Business Impact

2026

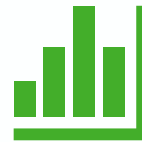


# Why AI Matters in Construction



## Industry Challenges

Construction faces thin margins, persistent labor shortages, and high project risk that threaten profitability and growth.



## Untapped Data

Projects generate massive amounts of underused data that could drive better decision-making and outcomes.



## AI Advantage

AI turns historical and real-time data into actionable insights, creating a competitive advantage for early adopters.

# What We Mean by AI



## Machine Learning

Pattern recognition and prediction algorithms that learn from historical data to forecast outcomes.



## Computer Vision

Image and video analysis technology that can identify objects, detect issues, and monitor progress.



## Natural Language Processing

Document, contract, and chat analysis that extracts meaning from unstructured text data.



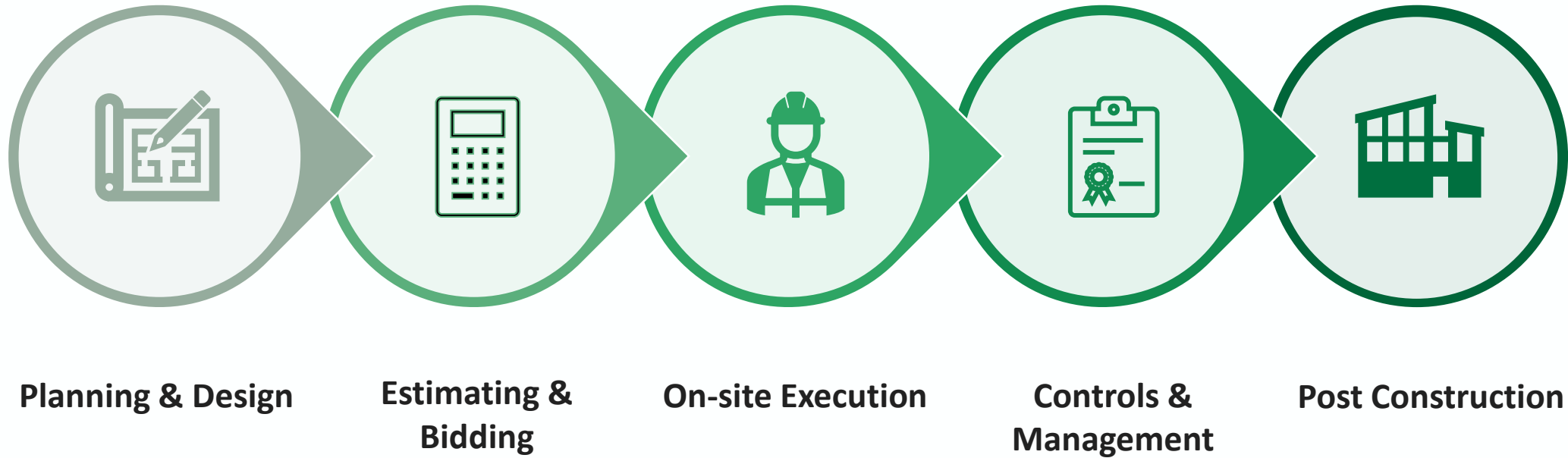
## Robotics & Autonomous Systems

Intelligent machines that can perform physical tasks with minimal human intervention.

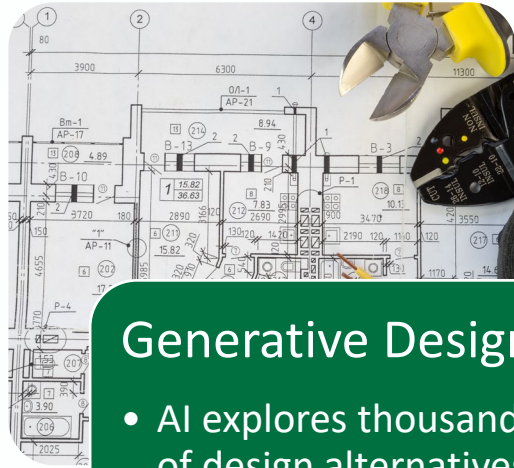
### Core Technologies

These four AI categories work together to transform construction operations, from planning through execution to facility management

# AI Across the Construction Lifecycle

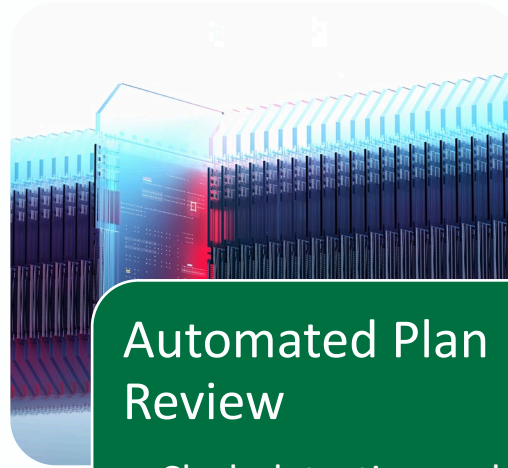


# Pre-Construction & Design



## Generative Design

- AI explores thousands of design alternatives based on constraints and goals, optimizing for cost, performance, and aesthetics



## Automated Plan Review

- Clash detection and constructability analysis identify conflicts before construction begins, reducing costly rework



## Faster Iteration

- Early constructability analysis enables rapid design iteration, reducing time to break ground and minimizing change orders



# Estimating & Bidding

## AI Driven Cost Estimation

**25%  
Faster  
Estimates**  
Reduction in  
time to  
produce  
detailed cost  
estimates

Machine learning models analyze historical project data to generate accurate cost estimates faster than traditional methods. These systems learn from past projects to identify cost drivers and predict expenses with greater precision

**15%  
Improved  
Accuracy**  
Decrease in  
cost estimation  
variance

Risk-adjusted pricing models help contractors account for uncertainty and variability, while scope gap detection automatically identifies missing elements in drawings and specifications



# Scheduling & Planning

## Predictive Forecasting

AI analyzes schedule data to forecast completion dates and identify potential delays before they occur

## Critical Path Analysis

Automated identification of the critical path risks helps teams focus resources on activities that most impact the project timeline

## Scenario Modeling

What-if analysis for delays and changes enables proactive planning and better coordination between trades



# Jobsite Safety

## Behavior Detection

Computer vision systems monitor jobsites in real-time to detect unsafe behavior and conditions, alerting supervisors immediately



## PPE Compliance

Automated monitoring ensures workers wear the required personal protective equipment, reducing compliance gaps and liability



Predictive analytics identify patterns that precede incidents, enabling **proactive intervention.**

The result: **reduced accidents, lower insurance claims, and most importantly, workers returning home safely.**

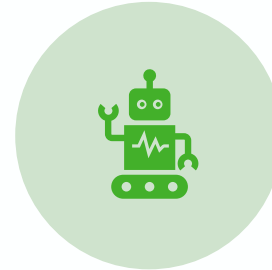
# Quality Control & Inspections

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## Capture

Drones and cameras collect high-resolution imagery of work in progress



## Analyze

AI algorithms detect defects, deviations, and quality issues automatically



## Report

Systems generate detailed reports with locations and severity ratings



## Track

Issues are tracked through resolution with complete audit trails

### Automated Inspections

- AI-powered image analysis and drone technology transform quality control from manual spot-checks to comprehensive automated inspections
- Systems compare as-built conditions against design models, ensuring consistency, and creating permanent documentation



## Equipment & Asset Management



### Predictive Maintenance

AI analyzes sensor data to predict equipment failures before they occur, scheduling maintenance during planned downtime.



### Reduced Downtime

Proactive repairs minimize unexpected breakdowns and associated project delays, keeping equipment productive.

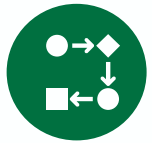


### Optimized Utilization

Integration with IoT sensors tracks usage patterns, enabling better allocation and reducing idle time across the fleet.



# Project Management & Controls



## Automated Progress Tracking

AI systems monitor work completion in real-time, comparing actual progress against planned schedules without manual data entry.



## Intelligent Reporting

AI-generated daily reports and summaries save hours of administrative work while providing consistent, comprehensive documentation.



## Early Warning Systems

Predictive models identify cost overruns and schedule delays weeks in advance, enabling corrective action before problems escalate.



Real-time dashboard give executives instant visibility into project health, financial performance, and risk exposure across their entire portfolio

# Document & Contract Intelligence



## Automated Review

Natural language processing analyzes contracts and change orders, extracting key terms and obligations automatically.



## Risk Identification

AI flags problematic clauses, liability issues, and unfavorable terms that might otherwise be missed in manual review.



## Faster Processing

RFIs and submittals are processed in minutes instead of days, accelerating project communication and decision-making



## Knowledge Access

Centralized AI-powered search makes project information instantly accessible across the entire organization



# Post-Construction & Facilities Management



## Digital Twins

AI-enabled digital twins create living models of building that update in real-time with operational data and performance metrics



## Predictive Maintenance

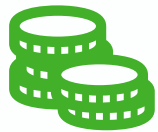
Building systems are monitored continuously, with AI predicting failures and optimizing maintenance schedules to minimize disruption



## Energy Optimization

AI analyzes usage patterns and environmental conditions to optimize energy consumption, reducing costs, and improving sustainability

# Benefits of AI



## Reduced Rework & Project Overruns

Shows Cost Savings



## Improved Safety & Compliance

Shows Incident Reductions



## Higher Productivity With Fewer Resources

Shows Efficiency Gains



## Better Decision-Making & Forecasting

Shows Accuracy Improvements



# Measuring AI Impact

## Annual Savings Potential

These figures represent typical annual savings for a mid-sized contractor implementing AI across multiple project phases. Actual results vary based on project complexity, data quality, and adoption rates

The largest savings come from reducing rework and schedule delays, which have cascading effects on project profitability and client satisfactions.



# Implementation Challenges

## Data Quality & Integration

AI systems require clean, structured data. Many contractors struggle with fragmented systems and inconsistent data collection practices.

## Change Management

Workforce adoption is critical. Teams need training, support, and clear communication about how AI enhances rather than replaces their roles.

## Technology Selection

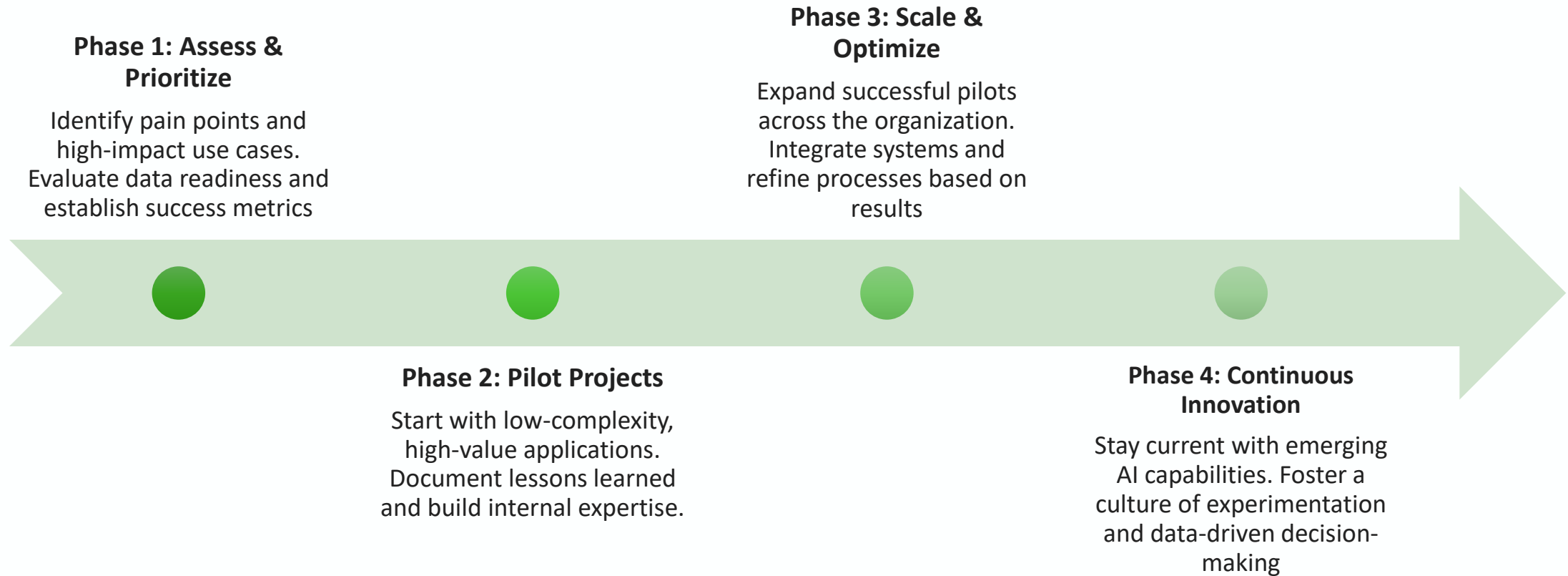
The AI vendor landscape is crowded and evolving rapidly. Choosing solutions that integrate with existing systems is essential.

## ROI Measurement

Establishing baseline metrics and tracking improvements requires discipline and commitment from leadership.



# Getting Started: A Phased Approach



# High-Impact Starting Points

## Quick Wins

### Document Search & Retrieval

AI-powered search across project documents delivers immediate productivity gains with minimal integration complexity

### Progress Photo Analysis

Computer vision for progress tracking requires only cameras and cloud processing, with fast time-to-value

### Safety Monitoring

PPE detection and hazard identification show measurable safety improvements within weeks of deployment

## Strategic Investments

### Predictive Scheduling

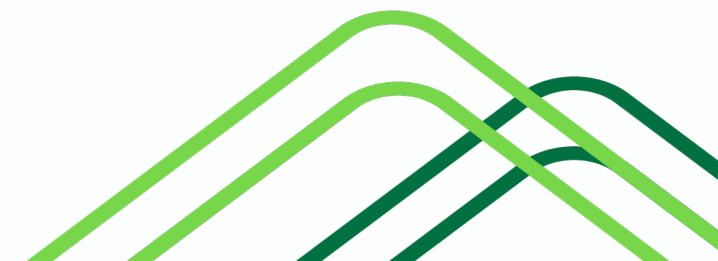
Requires historical data integration but delivers substantial value through better resource allocation and risk management

### Cost Estimation

Machine learning models need training data but can transform bidding accuracy and competitiveness

### Digital Twins

Long-term value proposition for owners and facility managers, creating competitive differentiation



# Building Your AI Roadmap

## Assess

Review current state and define goals



## Implement

Run pilots and measure results



## Select

Choose pilot use cases and partners



## Scale

Expand successful initiatives and skills



## Key Takeaways & Next Steps

### AI Is Proven

AI is no longer experimental in construction. Leading contractors are achieving measurable results across safety, quality, and profitability

### Data Is Key

Most value comes from data integration and adoption. Focus on data quality and change management, not just technology

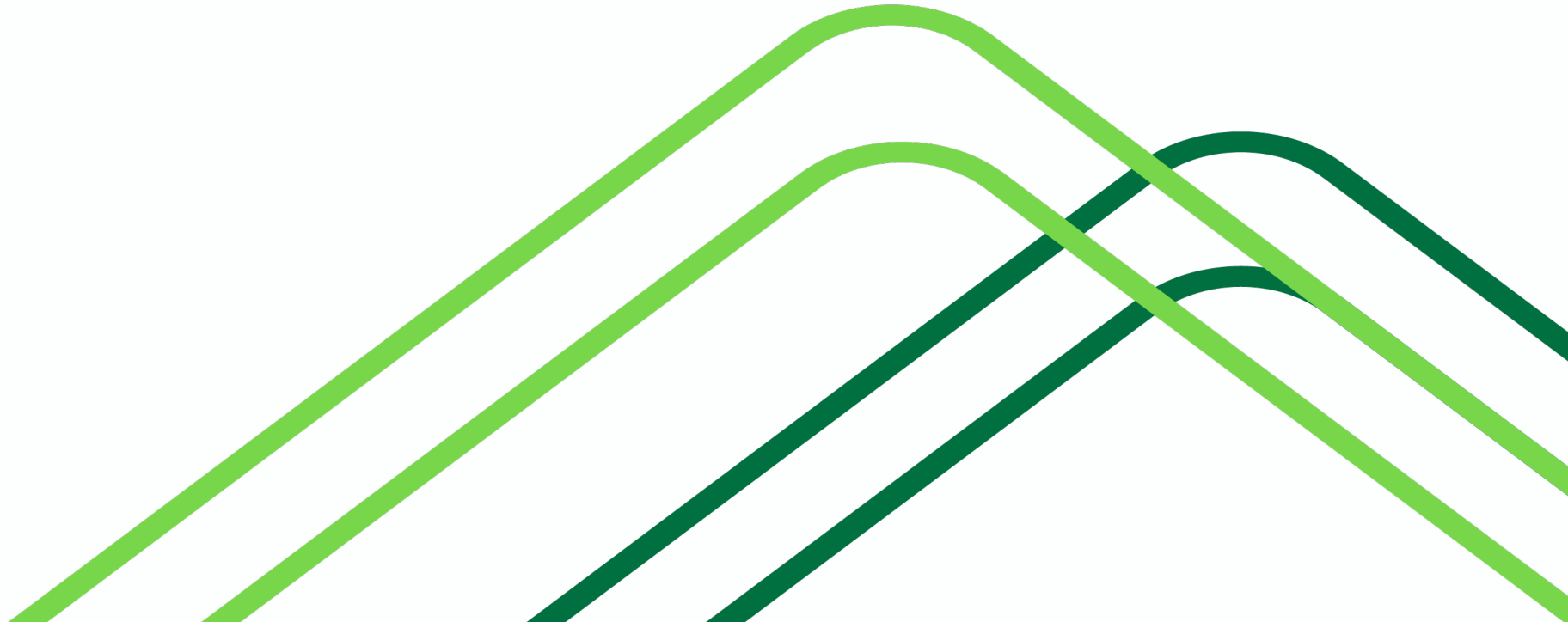
### Start Smart

Begin with high-impact, low-complexity use cases that demonstrate value quickly and build organization confidence

### Think Strategic

Build a roadmap aligned to business goals. Balance quick wins with strategic investments that create competitive advantage

# 10 Minute Break





# Tax Update

Liyana Aryan



# Introduction

Liyana Aryan, CPA

Senior Tax Accountant, UHY

[laryan@uhy-us.com](mailto:laryan@uhy-us.com)

248-204-9481



Liyana is a Certified Public Accountant (CPA) and seasoned Tax Senior Accountant who specializes in delivering high-quality, strategic tax solutions for individuals, businesses, and multinational corporations across diverse industries, including construction. Her expertise spans tax return preparation and review, R&D credits, accounting methods, and deferred tax issues. Beyond technical expertise, Liyana is known for building long-term client relationships and serving as a trusted advisor. She also plays an active role in firm-wide initiatives, including marketing, recruiting, and business development—contributing to both client success and organizational growth.



# Agenda

## 1. Business Provisions

- i. Immediate expensing
- ii. Residential Contracts
- iii. Research & Development
- iv. Section 199A

## 2. Individual Provisions

- i. SALT
- ii. Rates / Standard Deductions / Personal Exemptions
- iii. Overtime pay
- iv. AMT Exemption
- v. Mortgage Interest Limitation

## 3. Estate Taxation

## 4. Trump Accounts

# Key Business Tax Provisions



# Key Business Tax Provisions

## Bonus Depreciation

- OBBBA reinstates and permanently extends the first-year bonus depreciation provisions of section 168(k).
- Before Jan 19, 2025 - 40%
- After Jan 19, 2025 - 100%



# Key Business Tax Provisions

## Section 179 Expense Limitations

- Up to \$2.5 million (2025); \$2.56 million (2026)
- Increased phase-out threshold: \$4 million (2025); \$4.09 million (2026)
- Effective for property placed in service after Dec. 31, 2024
- Deduction and phase-out threshold adjusted for inflation beginning in 2026

## Michigan – Decoupling from OBBB

- Requires use of provision in place as of 12/31/2024
- 40% bonus in 2025 (20% in 2026)
- Section 179 –
  - \$1.25M maximum deduction
  - \$3.13M phase out
  - Indexed for inflation

## Michigan – Decoupling from OB3B – Example: Bonus

**Example 1:** Under IRC 168(k), an individual taxpayer's 2025 federal return deducts **100%** of property that costs **\$10,000**.

Under pre-OB3 IRC 168(k), the taxpayer would have deducted **40%** bonus depreciation (\$4,000) **plus \$600 in MACRS** depreciation, for a total of **\$4,600** that year.

The taxpayer must report an **addition** on its Michigan return equal to the difference, **\$5,400** (\$10,000 - \$4,600).

## Michigan – Decoupling from OB3B – Example: Sec 179

**Example 2:** During its 2025, a taxpayer bought and placed in service property that qualifies for the section 179 deduction. The total cost is \$2 million, and taxpayer takes a **\$2 million section 179 deduction on its federal** return.

For its Michigan return, the taxpayer is subject to the pre-OB3 limits. Consequently, its deduction is limited to **\$1.25 million**. Under the pre-OB3 limits, the taxpayer would have **deducted \$1.25 million plus \$75,000 in MACRS** depreciation, for a total of \$1,325,000 that year.

The taxpayer must report an **addition** on its Michigan return equal to the difference between its federal deduction and its allowed Michigan deduction, **\$675,000** (\$2,000,000 - \$1,325,000).

# Key Business Tax Provisions

## Residential Construction Contracts – Bigger Projects Now Qualify

- Old Rule:
  - Applied to small residential projects ( $\leq 4$  units)
  - Allowed delay of income until project completion
- New Rule:
  - Now includes multi-unit projects (apartments, condos)
  - Greater ability to delay recognizing income
- Why It Matters
  - More flexibility in when income is taxed
  - Potential cash flow benefit
  - Applies to contractors and subcontractor

# Key Business Tax Provisions

## R&D Tax Credit Rules

- 2022 – 2024 : required amortization
- 2025+: Immediate expensing returns
- Small businesses can apply this retroactively to 2022–2024.
- Foreign R&D still must be amortized over multiple years.
- *Big win for cash flow!*

# Key Business Tax Provisions

## What is Considered R&D Activities For Credit?

- Solving engineering challenges
- Testing materials or methods
- Designing new systems
- *If you had to “figure it out” – it may qualify!*

# Key Business Tax Provisions

## What Expenses Qualify?



### WAGES

- Taxable Wages (e.g., Form W-2, Box 1)
- Includes direct research, direct support, and first-level supervision
- 100% of wages can be included for employees who are at least 80% qualified

### COMPUTER LEASING

- Offsite hosting for development, testing, or staging environments
- Servers must be owned and operated by 3rd party
- Includes cloud computing costs (e.g., staging environments, development servers)



### SUPPLIES

- Does not include capital items, except prototypes or pilot models
- Does not include general and administrative supplies
- Includes "extraordinary" utilities

### CONTRACT RESEARCH

- Must be activity that would have qualified if performed by employees
- Must retain substantial rights in the results (shared rights okay)
- Must have financial risk (bear the expense even if research is not successful)

# Key Business Tax Provisions

## Who Qualifies?

- Engineers
- Architect/Designer
- Project Managers
- Technical Teams

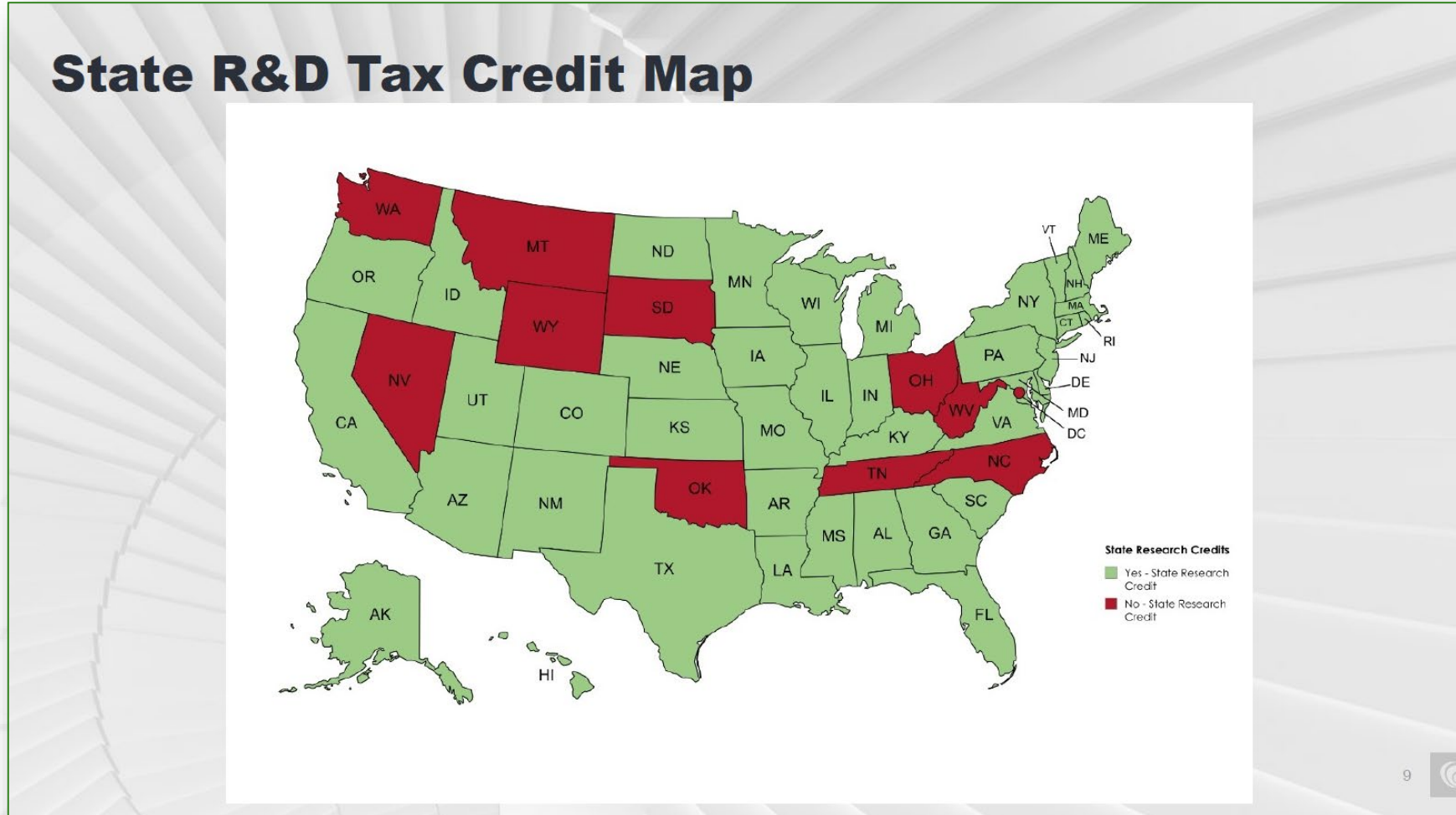
# Key Business Tax Provisions

## Types of Activities...

- **Design** Build, Design Contract Agreements
- Designing or **optimizing** structural or foundation systems
- Developing **new means, methods**, or constructability solutions
- **Improving prefabrication** or modular building processes
- **Testing alternative** or advanced construction materials
- **Innovating** sequencing or installation methods
- Using BIM or **advanced modeling tools**
- **Prototyping** new envelope or HVAC system designs
- Engineering solutions for **unique code** or performance needs
- **Customizing automation**, robotics, or specialized equipment
- Enhancing water, fire, acoustical, or thermal control systems
- Running modeling, simulations, or **field trials**
- Creating advanced **site logistics** for complex projects

# Key Business Tax Provisions

## State R&D Tax Credit Map



# Key Business Tax Provisions

## Michigan Considerations for R&D – 2025 Update

### What Happened

- State R&D credit capped at **\$100M total**
- Total claims **exceeded the limit**

### Result: Credits Reduced (Prorated)

- Large employers: **~51% of expected credit**
- Small employers: **~60% of expected credit**

### What This Means

- You **won't receive full credit amount**
- Credit must be **reduced on tax return**

*Plan for lower-than-expected R&D credits*

# Key Business Tax Provisions

## Michigan Considerations for R&D

- Federal: Immediate expensing allowed (2025+)
- Michigan: Still requires 5-year amortization
- No retroactive benefit for prior years

### What This Means

- Add-back required for excess federal deduction
- Difference deducted over **next 4 years**

# Key Business Tax Provisions

## Sec 199A Qualified Business Income (QBI) Deduction

- 20% deduction for Qualified Business Income (QBI)
  - Permanent for pass-through businesses (S corporations, partnerships, and sole proprietors).
- Reduces effective tax rate
- Structure matters
- Maintain parity with the 21% corporate tax rate for C corporations.

# Key Business Tax Provisions

## Other Items to Watch

- Interest Limitation
- Loss Limitation
- Green Energy Credits
- Corporate charitable contributions subject a 1% floor with a maximum of 10% of taxable income in 2026.
- Includes a permanent rolling 10-year designation for Opportunity Zones.

# Key Individual Tax Provisions



# Key Individual Tax Provisions

## SALT Cap (Temporary Increase)

- Increases the limit to **\$40,000**
- Deduction **reduces by 30% of income exceeding \$500,000** but not below \$10,000 (hits limit at \$600,000 income)
- Returns to **\$10,000 after 2029**

# Key Individual Tax Provisions

## Pass-Through Entity Tax (PTET) Deduction

- OBBBA does not attempt to limit or address the various state enacted Pass Through Entity Tax workarounds (PTET) that taxpayers are currently using to avoid the existing SALT cap.
- **PTET still best option when available**
  - Business pays **state tax at the entity level**
  - Owners receive a **federal deduction** through the business
  - Owners get a **state credit**

# Key Individual Tax Provisions

## Pass-Through Entity Tax (PTET) Deduction – an example

- Business income: \$1,000,000
- State tax (10%) paid by entity: \$100,000
- Business deducts \$100,000 federally
- Owners receive state tax credit for tax already paid by the LLC
- Result:
  - Reduces federal taxable income
  - Helps work around the SALT limitation
  - **Bottom line: shifts the tax to the business level to create a federal deduction**

# Key Individual Tax Provisions

## Rates & Standard Deduction

- Rates similar to TCJA rates, with improved indexing
- Standard deduction increased
  - Planning: itemize vs. standard



# Key Individual Tax Provisions

## Personal Exemption and Senior Bonus

- Personal exemption eliminated.
- \$6,000 (\$12,000 MFJ) above-the-line deduction for seniors (65 or older)
  - Rather than a full repeal of Social Security benefit taxes.
- Available to senior with income up to \$75,000 (\$150,000 MFJ)
- Phases out for income over \$175,000 (\$250,000 MFJ)
- Effective 2025 through 2028

# Key Individual Tax Provisions

## New Overtime Deduction

- Up to \$12,500 (\$25,000 for married filing joint filers)
- Temporary (2025 – 2028)
- **Employers will need to breakout on W2s.**

# Key Individual Tax Provisions

## Other Individual Changes

- Alternative Minimum Tax (AMT) – Update
  - Higher exemption levels now **permanent**
  - Fewer taxpayers impacted by AMT
  - Key business deductions **not affected** (bonus, 179, QBI)
  - State taxes may still trigger AMT

# Key Individual Tax Provisions

## Other Individual Changes

- Mortgage interest unchanged – limited on acquisition debts > \$750K
- Various smaller updates:
  - \$25,000 above-the-line deduction for qualified tip income
  - Nonrefundable child tax credit increased from \$2,000 to \$2,200
  - 2026: non-itemizing taxpayers can claim a deduction of up to \$1,000 if a single filer (\$2,000, married filing jointly) for certain charitable contributions

# Key Individual Tax Provisions

## Key Estate and Gift Tax Provisions

### *Tax Rates*

- TCJA income tax rates and brackets for estates and trusts are made permanent.
- Inflation indexing continues.
- Taxpayers may want to reassess planning strategies accordingly.

### *Exemptions*

- Unified estate and gift tax exemption permanently set at \$15 million per individual, indexed for inflation.
- Generation-skipping transfer tax exemption also permanently increased to \$15 million.
- \$15 million base applies to decedents and gifts in 2026 and grows annually with inflation.

# Tax Planning Ideas - Estates

## *Key Planning Areas*

- Managing future asset growth
- Use trusts for multi-generational planning
- Business succession planning
- Ensure liquidity planning for heirs
- Coordinating tax + estate + business planning

## *What To Do Now*

- Review estate documents
- Reassess gifting & trust strategies
- Align with overall financial plan



# Tax Planning Ideas – Trump Accounts

## Overview

- Account for eligible children (set up by parents/others)
- Available starting **July 4, 2026**
- Government provides **\$1,000 initial contribution**

## Contributions

- Up to **\$5,000/year** from individuals
- Employers can contribute up to **\$2,500/year tax-free**

## Investment Rules

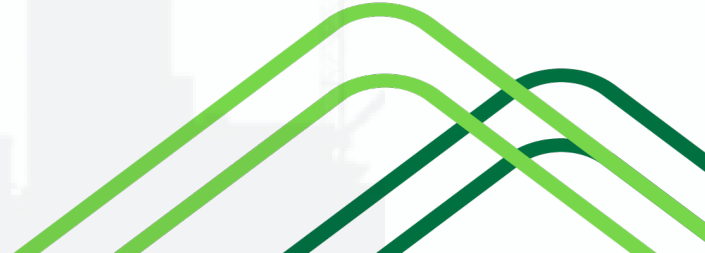
- Must invest in U.S. stock index funds (e.g., S&P 500)

## Withdrawals

- No access until age **18**
- Then treated similar to a **traditional IRA**



Thank you!



# **STRENGTHEN YOUR HIRING & WORKFORCE STRATEGY IN THE CONSTRUCTION INDUSTRY**

Presented by



# Topics Being Covered Today

- Forecast retirements and plan your future staffing needs
- Match workforce needs to project workload and backlog
- Importance of setting clear expectations on compensation ranges for each position

# Where we are and How we got here

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**According to data from ABC and ENR, the U.S. construction industry will end up needing a total of 499,000 new workers in 2026 just to keep pace with demand.**

**As of late 2025, 88% of construction firms reported having a hard time finding workers to hire. The labor shortage is estimated to cost the industry \$10.8 billion annually. Project delays due to staffing deficits can range from 3 to 8 months for 62% of projects.**

A big part of the challenge comes down to simple math: more people are leaving than coming in. More than **one in five** construction workers is over the age of **55**. The National Center for Construction Education and Research (NCCER) estimates that approximately **41%** of the construction workforce may retire by 2031.

# Addressing the Talent Gap

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As of March–April 2026, there are approximately **700,000** to **703,475** active registered apprentices in the United States.

Reporting from early 2026 indicates a high of over **311,000** new apprentices during Fiscal Year 2025, which ended September 30, 2025. Additionally, over **52,000** new apprentices have already been reported in the early 2026 reporting periods.

The construction industry accounted for the most new apprentices at approximately **36–39%**.

**High Demand Trades:** The most acute shortages are among electricians, carpenters, and HVAC technicians.

# Preparing for Retirement

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**To prepare for potential retirements, companies can take the following proactive steps:**

- Pinpoint critical roles within the company and start identifying possible successors.
- Mentorship Programs: Pair senior, retiring employees with younger talent to facilitate crucial knowledge transfer and create a succession path, making retirement less daunting for all.
- Invest in training to equip employees with the necessary skills for taking new responsibilities.

# Match Workforce Needs to Project Workload and Backlog

We have observed that some contractors are currently managing project backlogs stretching up to three years. To address this, these contractors are proactively engaging with potential candidates much earlier in the process. This strategic approach is driven by the recognition that building a strong talent pipeline is essential for meeting future demands.

## High-Demand Roles

We have observed a consistent challenge in filling key roles within Preconstruction/Estimating, Sales, and essential back-office functions (Accounting, Finance, and HR).

Due to the difficulty in sourcing candidates for these positions, we are now seeing contractors commit to ongoing, year-round search efforts for these roles, rather than hiring on an as-needed basis like other positions.

# Match Workforce Needs to Project Workload and Backlog

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## Execute a Plan for Developing a Continuous Pipeline of Talent:

- **Develop Ongoing Touch Plan:** Create and implement an ongoing communication plan for all candidates, including who will be owning this initiative and be responsible for its execution.
- **Future Follow-Up Process:** If a qualified candidate is interested in your company, but the timing for their employment is not right, make sure this is documented clearly. There needs to be a system to track these candidates and initiate a follow-up with them at a more appropriate time.

# Action Companies Can Take



## Action 1

**Financial Planning:**  
Understand and budget for the costs associated with salaries and the onboarding of future hires.



## Action 2

**Organizational Review:**  
Review the organizational chart to identify any missing roles or seats required for upcoming projects.



## Action 3

**Role Definition and Timeline:**  
Develop a plan to clearly define these necessary roles and determine the appropriate timeline for hiring.

# Pre-Hiring Considerations to Determine Compensation Ranges for Contractors

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- Does this position require someone to instantly contribute or is there room and opportunity for training and development?
- Use internal and external resources to establish a baseline compensation range.
- Account for an acquisition cost when hiring top talent.
- If you identify a candidate whose qualifications exceed the established compensation range, are you willing and able to offer a higher salary?
- Compare the identified salary range for the position you are hiring for against the compensation of your existing team members in the same position. Any disparities in salary should be addressed immediately with your existing team members.
- If you are unable to accommodate the proposed salary adjustments for the existing team, we recommend pausing all new hiring at this time.

# Impact of Contractors Failing to Determine Compensation Ranges for Positions Before Hiring



- More candidates declining offers when their expected compensation range exceeds what is offered.
- Wasting time interviewing the wrong people that will never join your company.
- High rates of candidates declining offers after the interview process, creates significant, negative impacts on company morale and operational efficiency.
- May damage a company's reputation.

# Recent Searches Completed in Michigan

 Title	 Targeted Compensation Range	 Actual Compensation	 # of Months Required to Fill the Search
Senior Project Manager	\$120,000	\$140,000	11
Human Resources Manager	\$90,000–\$100,000	\$130,000	8
Branch Manager	\$190,000–\$215,000	\$215,000	6
Director of Construction	\$100,000–\$130,000	\$140,000	5
Project Manager	\$100,000–\$120,000	\$120,000	4.5
Superintendent	\$100,000	\$120,000	4
Project Manager	\$80,000–\$100,000	\$110,000	3.5
Senior Project Manager	\$140,000	\$155,000	3
Estimator	\$80,000–\$100,000	\$110,000	3
Project Manager	\$70,000–\$90,000	\$130,000	2.5
Sales	\$80,000–\$100,000	\$105,000	2.5
Project Manager	\$90,000–\$100,000	\$125,000	2
Superintendent	\$120,000	\$135,000	1.5
Superintendent	\$100,000–\$130,000	\$130,000	1
Controller	\$110,000	\$130,000	1
Superintendent	\$100,000–\$130,000	\$125,000	1

# Questions?

**If anyone would like to share any key takeaways or best practices that are currently working well within your company, please feel free to share.**

# The Team

CTC - Talent Partners



ADAM COSOLA  
Talent Partner  
[acosola@ctcsolutions.net](mailto:acosola@ctcsolutions.net)



JASON EPSTEIN  
Talent Partner  
[jepstein@ctcsolutions.net](mailto:jepstein@ctcsolutions.net)

CTC - Talent Partners  
(616) 340-0674



# Managing the Tariff Environment in the Construction Industry

Charles K. “Charlie” Clevenger, Principal  
Lisa Bradford, Staff Consultant

# Update on Significant U.S. Tariffs

## Section 232

Section 232 tariffs are designed to protect domestic production of essential metals

- Implemented on Steel and Aluminum imports beginning March 2018, copper imports added in August 2025
- Applied globally with preferential treatment for certain trading partners, such as the U.K.
- Generally ranging from 25% to 50%. Certain metal-intensive industrial equipment temporarily subject to 15% through December 31, 2027, before transitioning to 25%
- Manufacturing Duty Drawback is now available for certain Section 232 tariffs effective April 6, 2026
- April 2026: a substantial overhaul of Section 232 tariffs shifting the basis for assessment of tariff calculation from 'metal content' to the full customs value of the imported goods
- New rules create a 'layered' tariff structure with higher tariffs on primary metals and lower tariffs on downstream derivative products
- April 23, 2026, the Commerce Department rolled out procedures that could bring a tariff break for Canadian and Mexican steel and aluminum used to make U.S. cars, trucks and parts — potentially cutting rates from 50 percent to 25 percent on qualifying shipments. Only applicants that produce steel or aluminum in Canada or Mexico and that supply, directly or indirectly (through incorporation into parts), to U.S. producers of automobiles or MHDVs are eligible for tariff adjustment based on new production commitments (Qualified Companies)



## Section 301

Section 301 tariffs are U.S. trade penalties imposed under the Trade Act of 1974 to combat “unfair” trade practices

- In effect since July 2018, with additional products added during the following year
- Currently China is the only country impacted
- Duties range from 7.5% to 25% depending on the product
- Eligible for duty drawback under standard provisions (e.g., unused merchandise, manufacturing, or rejected merchandise)
- In recent months, new investigations have been launched targeting forced labor and excess manufacturing capacity across multiple countries



# IEEPA

IEEPA tariffs were determined to be illegal, and refunds are to be issued by the U.S. government

- In 2025, the Trump Administration used the International Emergency Economic Powers Act (IEEPA) to impose five tariff measures – reciprocal tariffs, fentanyl tariffs, Russian oil tariffs (on Indian imports), Brazil tariffs, and trade deals negotiated with individual countries
- On February 20, 2026, the Supreme Court declared IEEPA does not authorize the president to impose tariffs and ordered that over \$166 billion collected in IEEPA tariffs be repaid
- CBP has launched a dedicated refund pathway for eligible IEEPA tariffs via the CAPE portal, now live as of April 20, 2026



U.S. Customs and  
Border Protection



## Section 122

Implemented as a partial offset to the “lost” IEEPA tariffs

- Section 122 of the Trade Act of 1974 allows the President to impose import surcharges up to 15% for up to 150 days to address balance-of-payments issues. This authority had never been used until February 2026
- Limited to 150 days without approval of U.S. congress, ends July 24, 2026
- Applies globally except for USMCA partners (Mexico/Canada)
- The duty amount is 10%
- Duty drawback is available through the standard drawback programs (unused merchandise, manufacturing, or rejected merchandise)



# IEEPA Refund Process

# IEEPA Refund Process

## How to Reclaim your IEEPA Tariffs if you are the Importer of Record



- Customs Border Protection (CBP) created an online portal within the Automated Commercial Environment (ACE) system, allowing importers to submit claims for IEEPA refund
  - Ensure you have an ACE Portal account with ACH functionality
  - Prepare your Consolidated Administration and Processing of Entries (CAPE) declaration (template available on CBP website)
  - Submit file (Excel or .csv) of eligible entry numbers
  - You will receive a claim number confirming successful submission of your file
  - Monitor refund status. Refund timing forecasted to be 60-90 days
- According to the Court of International Trade and CBP, as of April 26, 2026, roughly 15% of tariff refund requests have been rejected. Main errors include:
  - **data formatting issues** (files must be uploaded in .csv format)
  - **file corruption** (should generally be avoidable if the importer of record downloads and uses the CAPE template directly from the ACE system)
  - **identity mismatches** (should generally be avoidable if the importer of record downloads and uses the CAPE template directly from the ACE system. Email and banking information must match what CBP has on file)

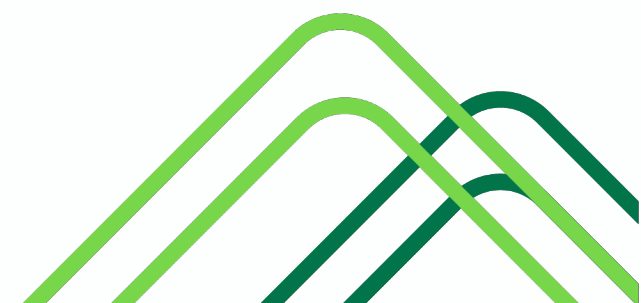
**Consult with your customs broker  
and/or tariff advisor for assistance**

# IEEPA Refund Process

What to do if you are not the Importer of Record (IOR)



- Have you been able to pass through tariff costs that you cannot mitigate?
- Are you absorbing tariffs, especially IEEPA tariffs, where you are not the IOR?
- Do you have a clear understanding of the tariffs that you have paid to your supplier?



# Managing & Mitigating Tariffs

## 3 Steps for Managing the New Tariff Environment

### Compliance

- Ensure accurate Country of Origin (COO)
- Accurate use of HTS codes

### Financial Management

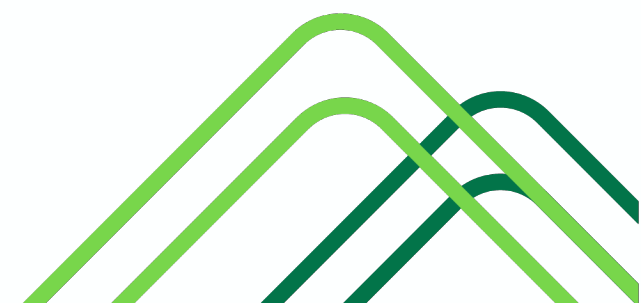
- Collect and forecast actual and expected tariff costs

### Improvement (Ways to Mitigate)

- Identify methods and implement changes to minimize exposure

## Improvement – Ways to Mitigate

- Suppliers with a different Country of Origin (COO)
  - Investigate countries with preferential tariff treatment
- Identify and Evaluate Alternate HTS Codes
  - Ensure they reflect the correct material, function, and form
  - Check for overclassification (e.g. using a finished goods code when a component code with lower tariff may apply)
- Consider Using Foreign Trade Zones (FTZs) and Bonded Warehousing, where applicable
  - These facilities allow companies to store imported goods without immediately paying duties. Tariffs are only applied when goods enter the domestic market, and exports may bypass tariffs altogether
- Utilize rule of “First Sale” where appropriate
  - Purchasing through a distributor; the value of the goods would be what the distributor paid to the manufacturer.
    - Note: legislation known as the ‘**Last Sale Valuation Act**’ has been introduced to the U.S. Senate. If passed, it will eliminate the rule of “First Sale”
- Application of Duty Drawback
  - Duty Drawback programs allow importers to recover duties paid on goods that are later exported, destroyed, or used in manufacturing for export
- Evaluate your transfer prices
  - Align pricing with customs valuation rules to avoid double taxation or duty overpayment
- Create an alternate value stream
  - If purchasing a finished good, consider purchasing component parts and assembling in-house
- Localize production
  - Challenge local suppliers to improve cost, meeting imported prices on a landed (non-tariff) basis
- Commercial negotiations
  - With customers
  - With suppliers

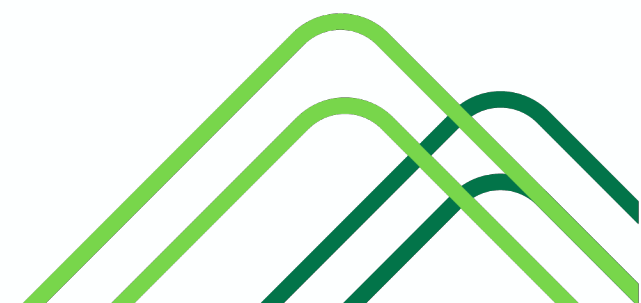


## Other Important Considerations – Total Cost Picture

# Comparative Sourcing Landscape

In addition to tariff costs, please consider the following factors

- **Currency Movements**
  - **Mexican Peso (MXN):** Continued strengthening against the U.S. dollar is increasing the cost of Mexico-sourced materials.
  - **Indian Rupee (INR):** Ongoing weakening is improving price competitiveness for India-sourced goods.
- **Inflation Outlook**
  - **Japan & Mexico:** Sustained low inflation is helping stabilize input costs, supporting more predictable procurement planning.
- **Logistics & Freight**
  - **Extended Supply Lines:** Longer global transit paths are adding time and variability to material availability.
  - **Rising Oil Prices:** Fuel-driven freight increases are elevating total landed cost and should be incorporated into forward-looking project budgets.



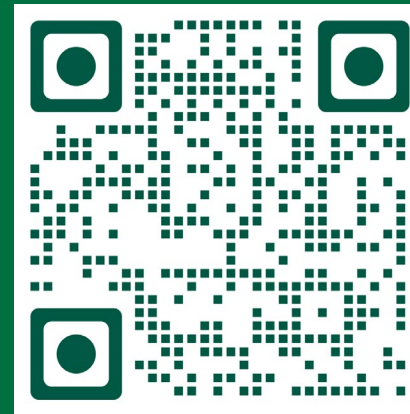
# Let's Connect!



**Charlie Clevenger**

Consulting Principal, UHY Consulting

[cclevenger@uhy-us.com](mailto:cclevenger@uhy-us.com) | 248-321-4942



# Let's Connect!



**Lisa Bradford**

Staff Consultant, UHY Consulting

[lbradford@uhy-us.com](mailto:lbradford@uhy-us.com) | 731-571-4241

