



# SSDA News

Service Station Dealers of America and Allied Trades

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## INSIDE THIS ISSUE:

Legislative Update	1, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25
API Says Obama Should Address US Energy Trade Barriers	2
Exxon, BP in Deal Spotlight	3
Transportation Funding Remains in Question	4, 5
New Regulation Aims to Prevent Explosions at Off-shore Rigs	6, 7
Hearing, Forum - Trans. Infrastructure Issues	8, 9
Five Years After Gulf Disaster	10, 11
1837 LA Bridges Deemed Deficient	12, 13
Shale Drilling Study	14
Letter to the Editor	15

## LEGISLATIVE UPDATE

By Roy Littlefield

### HOUSE PASSES DEATH TAX REPEAL

Culminating a 10 year effort, on April 16 the U.S. House of Representatives passed SSDA-AT-supported legislation to fully repeal the estate tax.

The final vote was 240-179, with 7 Democratic members voting in favor, three Republicans voting against, and 12 members not voting. They were:

#### Democratic Ayes (7)

- Brad Ashford (NE)
- Sanford Bishop (who also spoke in favor of the bill on the floor)
- Jim Costa (CA)
- Henry Cuellar (TX)
- Collin Peterson (MN)
- Dutch Ruppersberger (MD)
- Kirsten Sinema (AZ)

#### Republican Nays (3)

- David Jolly (FL)
- Walter Jones (NC)
- Scott Rigell (VA)

#### Not Voting (12)

- Marsha Blackburn (VA)
- Jeff Duncan (SC)
- Ana Eshoo (CA)
- Lois Frankel (FL)

- Paul Gosar (AZ)
- Tom McClintock (CA)
- Scott Perry (PA)
- Paul Ruiz (CA)
- Adam Smith (WA)
- Scott Tipton (CO)
- Peter Welch (VT)
- Ed Whitfield (KY)

Thank you for all of your help bringing death tax repeal front and center during this tax week! This was a big win for our team and a positive step forward for the death tax repeal movement.

Republicans managed their floor time well and hit all of the key points about fairness, jobs, the economy, and the effect of the death tax on family businesses. Rep. Kristi Noem (R-SD) shared her death tax story which was a high point of the debate. You can watch the CSPAN clip here: <http://www.c-span.org/video/?c4534536/rep-kristi-noem-death-tax-story> and watch the entire floor debate here: <http://www.c-span.org/video/?c4534550/death-tax-debate>

Democrats "flip-flopping" on previous death tax repeal votes: Butterfield (NC), Capps (CA), Clay (MO), Susan Davis (CA), Eshoo (CA), Farr (CA), Hinojosa (TX), Honda (CA), Israel (NY), Jackson Lee (TX), Larsen (WA), Lofgren (CA),

*Continued on page 16*

## API Says Obama Should Address U.S. Energy Trade Barriers

The American Petroleum Institute says the Obama Administration should update U.S. trade policies that prohibit exports of crude and LNG.

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Responding to a report released by the Obama Administration on lifting overseas trade barriers, the American Petroleum Institute said outdated American trade policies create barriers to energy exports that would create U.S. jobs.

The report from U.S. Trade Representative Michael Froman released last week highlights the administration's successes in eliminating "unwarranted barriers to selling our world-class goods and services abroad."

According to the report, "Made-in-America exports unlock economic opportunity for the American people, support 11.7 million well-paying jobs across the United States, and strengthen the middle class."

However, Louis Finkel, API executive vice president, said, "The U.S. trade representative says that exports are central to the president's economic agenda, but some policymakers seem to have a blind spot when it comes to energy."

He noted that 1970s-era policies limit the export of liquefied natural gas (LNG) and crude to overseas markets.

"The White House is focused on trade barriers overseas, but some of the worst

limits on U.S. exports are imposed by our own outdated policies," Finkel said. "We can't call for our allies to open their doors to trade while closing our own."

He referred to studies which show that free trade in oil would promote the creation of U.S. jobs, put downward pressure on fuel costs, and strengthen America's diplomatic influence overseas.

"Our growth as a global energy superpower has been a game-changer for U.S. energy security," Finkel explained. "We can't expect that growth to continue if our own trade policies stand in the way. Free trade will allow U.S. producers to compete effectively for a share of the global market while helping diminish the influence of nations that use energy as a tool against our allies."

API also referenced a Government Accountability Office report released last fall which said that removing crude export restrictions would increase domestic production while creating opportunities for employment, investment, public revenue and trade.

Froman said his report shows that trade is at the forefront of Pres. Barack Obama's middle class economics agenda "because made-in-America exports fuel economic growth across our country, support millions of well-paying jobs, and make the United States a more competitive force in the global economy."

He also said that the Obama Administration has "racked-up significant accomplishments in protecting the benefits that trade delivers for the American people."

## Exxon, BP in Deal Spotlight After Shell Buys BG Group

Now that Royal Dutch Shell Plc has made its move for BG Group Plc, Exxon Mobil Corp. and BP Plc could contemplate deals – perhaps even with each other.

Speculation of an Exxon-BP combination surfaced last year after oil prices declined sharply, increasing the appeal of big mergers that could yield massive cost savings. BP has largely put behind it the legal morass surrounding the 2010 Gulf of Mexico spill. Still, the \$124 billion company remains among the cheapest major producers relative to estimated profit, according to data compiled by Bloomberg.

There are, of course, other targets for Exxon and BP that have gotten less expensive in recent months. Anadarko Petroleum Corp., Cabot Oil & Gas Corp., Pioneer Natural Resources Co., Occidental Petroleum Corp. and Tullow Oil Plc are among those that have risen to the top of analysts' lists. Their market values span Tullow's \$4.2 billion to Occidental's \$59 billion. Exxon is valued at \$353 billion.

The oil slump of the late 1990s sparked a merger boom. BP was the one that kicked things off when it announced plans to buy Amoco Corp. Exxon and Chevron Corp. also struck deals at the time. Should prices remain depressed, history could repeat itself.

### Chess Moves

"There's the potential for a lower-for-longer scenario when it comes to oil prices, which suggests that the majors should at least be considering the playbook they used at the turn of the last century," said Eric Gordon, a Baltimore-based energy analyst for Brown Advisory, which manages \$52 billion. "You really have to spend time thinking about not just the next chess move, but two and three moves out."

BP may be more likely to go on a shopping spree than sell itself because its portfolio is lacking, said Aneek Haq, a London-based analyst at Exane BNP Paribas. In addition to U.S. shale targets, Galp En-

ergia SGPS SA may draw interest from buyers because, like BG, it offers access to oil assets in Brazil, he said. Lisbon-based Galp has a market value of about \$10 billion.

For the other oil majors, Shell's takeover of BG "increases the pressure on them to look at doing an acquisition," Haq said in a phone interview. "It will probably just mean that they are going to be quicker and looking at stuff a lot more closely than they were previously."

### Oil Prices

Potential targets will probably ask for bids based on a higher price of oil, which could make it harder to get deals done at valuations that are still attractive to buyers, Gordon of Brown Advisory said. Brent crude dropped to as low as \$45.19 a barrel in January, compared with a price of more than \$115 last June. Shell said its deal is predicated on oil reaching \$75 a barrel in 2017 and then \$90 through 2020.

Among the top oil producers, Exxon is the most likely to strike a large deal, Paul Sankey, an analyst at Wolfe Research, wrote in a report Wednesday. In addition to Occidental and Pioneer, he highlighted Concho Resources Inc. and Continental Resources Inc. as targets that may entice the company.

"Is Exxon going to see these guys as nipping at their heels and look to do an acquisition?" said Chris Pultz, a money manager at Kellner Capital, an event-driven investment firm in New York. "With the large E&P deals, these guys have had a pretty good success rate of calling the bottom in oil. This could be an interesting opening salvo."

Spokesmen for Chevron, Anadarko and Tullow declined to comment, as did representatives for Exxon, Pioneer and Continental. Representatives for the other companies didn't respond to requests for comment.

## Transportation Funding Remains in Question

By Roy Littlefield, IV

After meeting with Jacob Lew, Secretary of the Treasury and Anthony Foxx, Secretary of Transportation it is clear that we are still a long way from a workable long-term solution to fund transportation in the United States. While Lew and Foxx continue to push President Obama's 6 year, \$478 billion bill known as the "Grow America Act," it looks more than likely that we will face a 33<sup>rd</sup> short-term extension come the end of May.

While everyone recognizes that the highways are falling apart, no one wants to be the one responsible for increasing taxes to pay for them. Although passing a long-term bill is the right thing to do, legislators are more concerned with keeping their seats, and passing on a tax increase to consumers is not a way to do so.

With the federal gas tax remaining unchanged at 18.4 cents per gallon since 1993, the Highway Trust Fund has been unable to keep up with the demands for transportation funding. With no additional funds, America's infrastructure system continues to fall behind on the global market while legislators repeatedly fail to present a viable and long-term solution. Since 1956, Congress has found a way to fund the federal highway system. However, since 2008, the U.S. Highway

Trust Fund has repeatedly been on the brink of collapse, relying on the U.S. Treasury's General Fund five times.

The highway bill remains one of the most complex and complicated issues in Washington. Congress will need to unite for the common goal and support legislation that would fund transportation for years to come. The political barriers and gridlock remain. Compromise must be enacted to pass legislation. While some ideas are more viable than others, Congress has enough bills in front of them now that they should be able to find common grounds for a solution.

Congressman John Delaney's (D-MD) "Infrastructure 2.0 Act" (H.R. 625) is a bill that could adequately fund the system. It is my hope that Delaney's legislation remain bipartisan and that it continues to gain support from other legislators and the stakeholder community. Convincing someone else that your bill is better than theirs remains the biggest obstacle.

It is time that Congress did the right thing and compromise for a long-term bill, no matter what the price, no matter what the sacrifice. It is

*Continued on page 5*

## Transportation Funding Remains in Question

*Continued from page 4*

time to reinvest in America and allow for the funds that can ensure we are once again capable of being the leader and innovator in the transportation sector. While Congress continues to find alternative funding options, we as Americans need to realize that the time might be now for us to pay our fair share. With the entire transportation system relying on an outdated gas tax, alternative funding must become available (this may come in the form of additional taxes).

The country can no longer “kick the can down the road” when it comes to highway funding. This issue has crippled America and hurt the economy while threatening American jobs. President Obama and the Republican Congress will need to compromise in a variety of areas to pass substantial legislation.

Although I remain optimistic for the prospects of a long-term bill, unfortunately, I predict Congress will pass another short-term extension like they have done dozens of times before.



## New Regulation Aims to Prevent Explosions at Offshore Rigs

The Obama administration proposed a new regulation for offshore oil and gas rigs intended to improve equipment standards and well designs and avoid a catastrophic spill like the one in the Gulf of Mexico in 2010.

Sally Jewell, the interior secretary, said that the rule would help modernize oversight of the industry, and that it balanced business interests with environmental concerns. “I believe these regulations will enable us to both grow the economy and protect our resources,” she said on a conference call with reporters.

The Interior Department estimated that the new standard would cost about 90 companies a total of \$883 million over 10 years, but officials said many firms were already moving toward compliance on their own and predicted \$656 million in net benefits over the next decade.

Democrats in Congress lauded the proposal.

A new rule will be used to make the case that a disaster like the 2010 BP spill can be prevented. *New Sea Drilling Rule Planned, 5 Years After BP Oil Spill*—APRIL 10, 2015

“The worst oil spill in our nation’s history, which is still damaging our families and our economy five years later, happened because of weak safety standards and a lack of industry oversight,” said Representative Raúl M. Grijalva of Arizona, the ranking Democrat on the House

Natural Resources Committee. “This long overdue proposed rule helps bring drilling safety into the modern era, and that’s a goal everyone should embrace. American worker health and safety is nonnegotiable.”

The oil industry, which typically chafes at new regulations, has worked closely with the Obama administration on the development of new safety rules since the 2010 disaster.

“We are reviewing the proposed rules and hope they will complement industry’s own efforts to enhance safety,” said Erik Milito, the director of upstream issues for the American Petroleum Institute, which lobbies for oil companies. “Improved standards for blowout preventers are one of the many ways industry has led the charge to make offshore operations even safer.”

The announcement — timed to coincide with the fifth anniversary of the April 20 Deepwater Horizon explosion, which killed 11 men and sent millions of barrels of oil spewing into the Gulf of Mexico — comes as the Obama administration is taking steps to open up new areas of federal waters off the Atlantic Coast to drilling, a decision that has infuriated environmentalists.

Officials said the new regulation was developed after consulting industry representatives, environmentalists, academics and others interested in the issue. The public will have 60 days to comment on the regu-

*Continued on page 7*

## New Regulation Aims to Prevent Explosions at Offshore Rigs

*Continued from page 6*

lation before the Interior Department revises it for final enactment.

The rule would tighten safety requirements on blowout preventers, the industry-standard devices that are the last line of protection in stopping undersea oil and gas wells from exploding. The Deepwater Horizon explosion was caused in part when a buckled section of drilling pipe led to the malfunction of a supposedly fail-safe blowout preventer on a BP well called Macondo.

The new regulation would incorporate the industry's latest standards for the design, manufacture, repair and maintenance of blowout preventers. The proposal would require an annual third-party review of the repair and maintenance records of all blowout preventers, to ensure that the

equipment continues to meet the original design criteria. It would require real-time monitoring of blowout preventers, to be conducted both aboard the oil rig and onshore.

The rule would require all rigs to use new technology intended to center a drill in undersea wells during drilling, and it would also require safety inspections for every well in the Gulf of Mexico every two weeks. The new rule is the third new regulation proposed by the Obama administration in response to the disaster. In 2010, the Interior Department announced a new regulation on the casings of drilling wells, and in 2012, it announced a new regulation on the cementing of wells.



## Hearing, Forum Keep Policymakers Focused on Transportation Infrastructure Issues

A high-profile congressional hearing and a televised public forum kept highway and transit infrastructure issues in front of U.S. policymakers, as advocacy groups press Congress to enact long-term legislation before Highway Trust Fund programs expire May 31.

On March 17, the House Transportation and Infrastructure Committee, which will write the House version of any new highway bill, held a reauthorization hearing that drew state and city officials who testified about their needs for Congress to pass a strong federal program.

North Carolina Gov. Pat McCrory spoke as a member of the executive committee of the National Governors Association. He assured the panel that among governors there is "strong bipartisan support" for a surface transportation program reauthorization that gives states long-term certainty about funding and more flexibility in how state officials spend their federal shares.

McCrory also said while many states are increasing their own infrastructure investment and governors are emphasizing their transportation needs, "we could greatly augment our effectiveness if we had reliable, long-term funding from the federal government."

Wyoming Department of Transportation Director John Cox was there representing state DOTs, in his role as this year's president of the American Association of State Highway and Transportation Officials. "Our country needs a federal transportation program providing robust investment levels cou-

pled with long-term funding stability," Cox said.

Cox and the other witnesses, along with some T&I members, criticized proposals to essentially end the federal program and devolve transportation infrastructure funding and investment decisions back to states.

Cox said the Wyoming DOT depends on federal funds for 68 percent of its spending, and needs the federal partner to help maintain highways heavily used by interstate traffic.

Representing local governments was Salt Lake City Mayor Ralph Becker, who is president of the National League of Cities. He told the committee that "uncertainty at the federal level is causing discord in the intergovernmental partnership, and driving up the risk and costs associated with transportation finance and innovation."

Like the others, Becker urged Congress to pass a long-term bill and rejected devolution ideas. He also asked lawmakers to shift control of significantly more funds from the highway program to local governments and out of state DOT hands.

Cox, however, said unless Congress were to greatly increase surface transportation spending, any shift of funds away from state DOTs would leave that much less for investment in the federal-aid road and bridge network.

T&I Chairman Bill Shuster, R-Pa., reiterated that he still wants to pass a long-term

*Continued on page 9*

## Hearing, Forum Keep Policymakers Focused on Transportation Infrastructure Issues

*Continued from page 8*

bill before the May 31 reauthorization deadline.

On March 18, Shuster told reporters time is running short to craft a long-term bill and settle the funding issues that come with it. He said lawmakers would need to decide soon after their Easter recess in April whether to instead produce a short-term extension this spring.

He also repeated his view that Congress will probably fund a long-term bill through some version of a repatriation tax on foreign earnings that U.S. firms bring back home, while he sees no chance Congress will hike motor fuel taxes. The next day, Shuster joined U.S. Transportation Secretary Anthony Foxx in a televised National Journal forum. Shuster said he has never before seen the current level of press attention given to transportation infrastructure needs.

Both officials made arguments familiar to transportation advocates, including that the federal government has a constitutional obligation to build and maintain infrastructure and that Congress needs to come together on a long-term bill.

Foxx said he also understood that a gas tax increase is not viable in Congress, and touted the administration's proposed "Grow America Act" that would fund highway, transit and rail programs for six years through a mandatory tax on foreign earnings.

Shuster said he fears such a mandatory tax would prompt more U.S. companies to relocate abroad, but that some voluntary version of repatriation can work.

Shuster also rejected proposals to remove transit program funding from the Highway Trust Fund, saying "it's there to stay."

A panel of industry officials followed in that forum, including AASHTO Executive Director Bud Wright and Pete Ruane, president of the American Road & Transportation Builders Association.

They discussed a number of issues, from the simplicity of covering a long-term bill's costs through a fuel fee increase to the need to communicate with average voters the value of additional transportation spending.

Wright said advocacy groups need to communicate with the public the "bargain" that would come in transportation improvements, relative to any small average fee increase.

And when asked if emerging smart-car technologies would improve transportation systems in the future, Wright said even vehicles that drive themselves and communicate with each other will need a reliable road system to drive on, or they would face the same congestion and road damage problems drivers now deal with.



## Five Years After Gulf Disaster, Feds Ready New Well Control and Blowout Preventer Mandates

The Obama administration is poised to detail new requirements for controlling offshore wells, nearly five years after the Gulf of Mexico oil spill vividly illustrated the damage that can be unleashed when they are not kept in check.

While the oil industry may bristle at some of the proposed mandates, the long shadow cast by the Deepwater Horizon disaster likely will force officials to temper their criticism.

There were signs of that approach Thursday, as the leaders of three major industry trade groups touted the safety improvements the sector has voluntarily made since the spill, with at least one going so far as to endorse more regulation that helps keep oil companies and drilling contractors at the top of their game.

“We’re hopeful that it will be . . . a very collaborative effort, that we can work together to really improve safety,” said Jack Gerard, head of the American Petroleum Institute, adding that the industry’s goal is “zero accidents and zero incidents.” “Anything that gets us closer to that achievement we welcome with open arms and we look forward to working with regulators on.”

The measure expected to be formally unveiled by the Interior Department’s Bureau of Safety and Environmental Enforcement later this month aims to boost the reliability of blowout preventers, which are generally the last line of defense in preventing gas and oil from surging uncontrolled out of a well. It also is set to propose new requirements for ensuring oil companies stay within even slim drilling margins — the difference between the hydrostatic pore pressure exerted by oil, gas and other fluids in the underground formation and the amount of force it can withstand before cracking open.

“We welcome BSEE regulation and we welcome

what we call enabling regulation . . . that enables our industry to work more safely and to work more cleanly,” said Stephen Colville, president of the International Association of Drilling Contractors. “We are really looking for regulation that is practical and practicable — things that really do address the situations we’re facing and that can be technically and economically implemented.”

The rule itself is expected to incorporate a suite of new and updated industry standards, including some aimed at better maintenance and testing of blowout preventers.

Those hulking devices contain valves, or rams, which can be used to block the flow of fluid from a well. During an emergency, shearing and sealing rams in the equipment can be activated to cut drill pipe and block off the well hole. But a forensic investigation of the blowout preventer used at BP’s failed Macondo well in 2010 concluded that a powerful rush of oil and gas caused drill pipe to buckle and shift, ultimately preventing the shearing rams on the device from cutting the pipe and sealing the hole.

In light of the shortcomings, several government investigations into the disaster called for additional requirements on blowout preventers and well control.

In response, the coming safety bureau rule is expected to propose requiring BOPs to be able to shear through any drill pipe, joints and debris in their way. Some technologies to boost shearing capability are being tested and others have been rolled out since 2010. But with more advancements needed, regulators are considering giving industry five to 10 years to comply with that new performance requirement.

*Continued on page 11*

## Five Years After Gulf Disaster, Feds Ready New Well Control and Blowout Preventer Mandates

*Continued from page 10*

The agency appears likely to propose mandates for centering drill pipe whenever those shearing blades are triggered — upping the odds the rams will be able to cut through.

And regulators are set to require oil companies use two shear rams in subsea blowout preventers, with the redundancy viewed as boosting the likelihood that a drill string can be sheared. Although an API standard gives oil companies working offshore the chance to opt out of a double shear ram requirement for rigs that are moored, regulators are not likely to offer the same exception.

The safety bureau also is expected to lay out new requirements for third-party verification of blowout preventers that would be put to work in high-pressure, high-temperature wells — forbidding, frontier terrain that requires new materials and new capabilities.

Going beyond blowout preventers, Interior officials have said the rule will set out new requirements for oil companies to monitor and control wells.

Regulators want oil companies to hand over more information about the maximum effective density of the drilling fluids inside wells, which exert pressure against the formation and help keep hydrocarbons at bay. And the safety bureau is poised to tighten its requirements for oil companies to stay within a safe drilling margin, carefully managing drilling fluids to keep oil and gas within the formation while not rupturing it altogether.

Interior officials also have signaled their intention to require companies drilling in deep wa-

ter to be able to monitor operations in real time from on land — another change that could require years to phase in.

A major question is the amount of lead time industry will be given to comply with the new mandates. Because the rule is set to incorporate industry standards, the phase-in time for most proposed requirements could be shorter. API's Gerard stressed that API has published more than 100 new and revised standards for well design, blowout preventers, worker safety and other elements of exploration and production since 2010.

"We're not waiting around for regulators; we're leading that way with industry standards," he said. "There's been a lot of thought by the best minds in the world and we're just hopeful the regulators recognize all that so it's a positive outcome, a positive collaborative effort."



## 1,837 Louisiana Bridges Deemed Structurally Deficient

Louisiana is one of only 10 states with more structurally deficient bridges in 2014 than the prior year, according to John Olivieri of the United States Public Interest Research Group.

The US PIRG is a federation of consumer advocacy groups. It investigated 2014 Federal Highway Administration data on bridges.

It found 187 new bridges have since 2011 been downgraded to structurally deficient, a technical rating used to determine bridges' needs.

The report comes at time when the state is grappling with how to shrink a \$12 billion backlog in deferred road and bridge maintenance. And state and federal gas taxes, which provides money for transportation infrastructure, are flat and failing to keep up with inflation.

Eric Kalivoda, Department of Transportation and Development deputy secretary, told the state's House appropriations committee March 24 the department forecasts Louisiana will have serious problems with the condition of its bridges in 10 years.

Kalivoda said the vast majority of those bridges were built in late 50s through the early 1970s. The bridges are reaching their design life and deficiencies will grow substantially.

"We are going to do something about it or we're going to be closing a lot of bridges," he said.

### Priorities

Olivieri, the US PIRG's national campaign director for 21st Century Transportation, said hard FHA data highlights the state's spending priorities.

"It's not just the numbers are increasing. It's just

that there's such a staggering amount in the first place," he said.

Structurally deficient doesn't mean a bridge is unsafe. It simply means one or more components of a bridge are in need of repairs or replacement.

The Federal Highway Administration will not designate a bridge built or rehabilitated in the last 10 years structurally deficient. The bridge's deck, sub-structures, superstructures, culvert and retaining walls are inspected. A bad enough flaw in one or more of those pieces can earn it the structurally deficient designation.

Louisiana has nearly 13,000 bridges and 1,837 are structurally deficient bridges. States and parishes own 92 percent of those deficient bridges and the rest belong to cities, parks and railroad companies.

A separate study by the American Road and Transportation Builders Association found the number of structurally deficient bridges nationwide decreased by 2,000 last year to more than 61,000.

The ARTBA ranked Louisiana 14th in the number of structurally deficient bridges and 9th by percentage.

The two groups say the state's bridge infrastructure will become worse without additional investment at the state and federal level.

DOTD Spokeswoman Lauren Lee said the state invested \$1.8 billion into bridge repair since January 2008. Similarly, the state spent approximately \$7 billion in roadway improvements since the same year.

"The state appears to favor building new and wider highways at the expense of repair and maintenance," Olivieri said in a statement.

*Continued on page 13*

# 1,837 Louisiana Bridges Deemed Structurally Deficient

*Continued from page 12*

## Finding the funding

State Sen. Robert Adley (R-Bossier) said Louisiana has a history of spending money on interstates instead of paying to maintain existing roadways and bridges. He and other legislators are trying to figure out how to get dollars — diverted to other areas such as the state police — back for bridges and roads.

Adley says a portion of the state's Transportation Trust Fund ends up in the state police budget. The state has diverted \$418 million in transportation dollars to state police since 2005, according to a House budget analyst.

Olivieri said Louisiana should focus on fixing broken bridge infrastructure to ensure they are safe and to prevent repair costs from ballooning in the future.

Structurally deficient bridges "are also more prone to safety issues in the future," he said. "They become more expensive to fix in the future. We would never suggest that it's unsafe."

Kalivoda told the House appropriations committee DOTD would use motor vehicle sales tax revenues and any additional federal transportation dollars, if the state can get it, on the state's bridge program, which is at approximately \$100 million per year.

But the program is projected to grow to \$500 million a year in coming years, he said.

"We've got a window right now for us to plan," he said to the committee.

Every day, cars, buses and trucks travel across Louisiana's structurally deficient bridges 4.8 million times a day, according to the ARTBA.

The most traveled structurally deficient bridge in Louisiana is in Caddo. Interstate 20 over the St. Louis Southwestern Railroad is crossed 134,300 every day, according to the ARTBA.

"Many of the most heavily traveled bridges are nearly 50 years old. Elected officials can't just sprinkle fairy dust on America's bridge problem and wish it away," Alison Premo Black, an ARTBA economist, said in a statement. "It will take committed investment by legislators at all levels of government."

Inspections, which occur every two years, have resulted in more than \$1.8 billion in bridge improvement and replacement projects since 2008, according to DOTD.

Adley wants the bridges in his parish — and across the state — fixed. Funding needs to be secured at both the state and federal levels, he said.

"Every bit of it's necessary for us to grow. You've got to have them both," he said.

## Bridges by the Numbers

- 61,000 (more than): Structurally deficient bridges in the United States
- 1,837: Structurally deficient bridges in the Louisiana
- 11: Structurally deficient bridges in Louisiana owned by the Federal government
- 14th: Louisiana's ranking for number of structurally deficient bridges
- 9th: Louisiana's ranking for percentage of structurally deficient bridges

## Drilling Study Shows Shale Play Developers Improving Efficiency

A drilling costs study using 2013 data shows that the cost per foot among shale wells has declined by more than 43 percent since 2009.

A drilling costs study using 2013 data shows that the cost per foot among shale wells has declined by more than 43 percent since 2009.

A study of U.S. oil and natural gas wells drilled in 2013 shows that although the average depth and distance of wells increased, costs remained flat, indicating an improvement in efficiency—especially in the Bakken and other tight shale plays.

According to the 2013 Joint Association Survey on Drilling Costs conducted by the American Petroleum Institute, an estimated \$147.7 billion was invested in drilling approximately 45,000 wells in 2013. Total footage among shale wells—about 30 percent of wells surveyed—increased to an estimated 190.9 million feet from 188.8 million feet

“The cost per foot among shale wells has declined over 43 percent since 2009, and that drive toward efficiency is helping U.S. energy production to stay competitive in a difficult market,” said Hazem Arafa, API’s statistics director. “Strong domestic production means savings for consumers, greater energy security, and more economic opportunities for workers here in the U.S.”

From 2012 to 2013, the number of new wells declined from an estimated 46,548 to 45,039, the survey said. Expenditures held at an estimated \$147.7 billion compared to \$148.9 billion in 2012.

In contrast, the average well depth increased

from approximately 7,981 feet to 8,491 feet and the total well footage (horizontal and vertical distance drilled) grew from an estimated 365.9 million feet to 368.1 million feet. In addition, demand for oil outpaced demand for gas, with oil wells accounting for 65.1 percent of expenditures in 2013.

“Even before the recent decline in oil prices, developers focused on maximizing each well, reducing the costs and surface footprint of energy production,” Arafa said. “The well count didn’t rise, but the wells are getting deeper and more efficient. As a result, the U.S. is improving its ability to remain a competitive energy superpower, creating jobs and fueling economic growth.”

Over the same period, U.S. crude oil production increased from an average of 6.5 million barrels per day (MMbbl/d) in 2012 to an average of 7.5 MMbbl/d in 2013, while marketed natural gas production rose from 25.3 trillion cubic feet (Tcf) to 25.7 Tcf, according to the Energy Information Administration.

API’s 2013 Joint Association Survey on Drilling Costs is available through API’s primary distributor, Information Handling Services (IHS).



## LETTER TO THE EDITOR

Dear SSDA-AT,

From supporting millions of jobs and generating significant household savings to bolstering energy security and providing the energy and products that make modern life possible, oil and natural gas development is essential to daily American life. But many people don't know that U.S. oil and natural gas investments are a vital part of retirement security for millions of Americans.

A new Sonecon study examines the distribution of ownership of oil and natural gas companies and finds that ordinary investors own the lion's share of these valuable stocks:

In 2014, 65.5 percent of the shares of U.S.-based, publicly traded oil and natural gas companies were owned by individual investors:

Public and private pension plans, 401(k)s and IRAs hold 46.8 percent of shares while individual investors manage 18.7 percent of shares outside pension plans and retirement accounts.

Asset management companies hold and manage 24.7 percent of shares.

Remaining shares are held by industry executives (just 2.9 percent) and institutional investors like banks, insurance companies, foundations and endowments (6.9 percent).

A previous study by Sonecon found strong returns for teachers, firefighters, police officers and other public pension retirees. According to the study, oil and natural gas stocks comprised an average 4.6 percent of state pension fund assets, yet provided 15.7 percent of the returns—a ratio of 3.4 to 1.

For college and university endowments, a 2012 Sonecon study found that 2.1 percent of endowments in fiscal year 2010-2011 were oil and gas stock, which generated 5.7 percent of all endowment gains.

Success for America's oil and natural gas industry equals success for the millions of Americans whose investments are strengthened by the U.S. energy resurgence.

Sincerely,  
Jack Gerard  
President and CEO  
API



## LEGISLATIVE UPDATE

*Continued from page 1*

Pascrell (NJ), Tim Ryan (OH), Loretta Sanchez (CA), Schiff (CA), David Scott (GA), Adam Smith (WA), Thompson (CA), Velazquez (NY).

This bill (H.R. 1105) would repeal the federal estate tax as well as the generation-skipping transfer (GST) tax.

**The provisions of H.R. 1105 are a stark contrast to President Obama's 2016 Budget Proposal. The President's proposal would both reduce the estate tax exemption to \$3.5 million and eliminate the "step-up in basis" at death.**

Under the current estate tax system, the first \$5.53 million (indexed for inflation) of an individual's estate is exempt from taxes. Anything above \$5.43 million is subject to federal estate taxes with a top tax rate of 40%. The GST tax applies to transfers that an individual makes during his or her life, or upon death, to individuals who are more than one generation below them (the classic example being transfers to grandchildren). Similar to the estate tax, each individual may make up to \$5.43 million of exempt generation skipping transfers. Any generation skipping transfers beyond the \$5.43 million exclusion rate are subject to the GST tax which also has a top tax rate of 40%.

The provisions of H.R. 1105 are a stark contrast to President Obama's 2016 Budget Proposal. The President's proposal would both reduce the estate tax exemption to \$3.5 million and eliminate the "step-up in basis" at death.

Under current law, the step-up in basis provides that property transferred at an individual's death will not be subject to capital gains taxes on the appreciation that occurred during the individual's lifetime. Under the President's proposal, each individual would be able to exempt up to \$100,000 of any type of capital gain, plus an additional \$250,000 of capital gains on a residence, from being taxed at death. On the business side, the President's proposal would provide that "inherited small, family-owned and operated businesses" would not be subject to the payment of the capital gains taxes until the business is sold and would permit closely held businesses to pay the capital gains taxes due upon death over a period of 15 years. Anything over the exemption amount would be subject to capital gains taxes, which currently have a top rate of 20% but which the President's proposal would increase to 28%.

SSDA-AT recently submitted written testimony to the House Ways and Means Committee opposing the President's proposal to eliminate the step-up in basis and reduce the federal estate tax exemption. Recent efforts to repeal the estate tax have traditionally broken along partisan lines, and the current debate appears to be no different. On March 25, 2015, H.R. 1105 was voted out of the House Way and Means Committee by a party-line vote of 22 to 10.

Given the President's proposal on the estate tax, it is almost certain that, even if passed by the Senate, this bill would be vetoed. Recent data from the Joint Committee on Taxation indicates that a full repeal of the estate tax would increase the deficit by \$294.8 over the next ten years. Particularly in light of the fact that there are no offsets or revenue raisers included in H.R. 1105, the strong Democ-

*Continued on page 17*

## LEGISLATIVE UPDATE

*Continued from page 16*

matic opposition to this bill is unlikely to waiver. Thus, there is no expectation that there would be sufficient votes to override a veto of this bill. Instead, this bill is being cast as more of a campaign issue or talking point for the Republicans.

While an all out repeal of the estate tax is highly unlikely, there has recently been some bi-partisan discussions and interest, particularly on the House side, of developing an estate tax exemption for small businesses and farmers. The White House has yet to weigh in on whether it would support something like this.

### BUDGET

Tax day has come and gone again. With taxes on the collective national conscience and Congress having just returned Monday from a two week recess, there is a lot going on on the Hill this week.

Before leaving for recess, both the House (H.Con. Res. 27) and Senate (S. Con. Res. 11) adopted budget resolutions. The next step will be for negotiators in the House and Senate to iron out the differences between the two resolutions and present a final budget for vote in both chambers. This would be the first bi-cameral budget since 2005.

While the Congressional Budget Act set on April 15, as the legal deadline for a final budget to be presented, it is exceedingly unlikely that any budget deal will be reached before next week, at the earliest. On Tuesday the House voted to go to conference with the Senate and named the conferees who will be involved in that process. The Senate took a similar vote late yesterday.

While there are some differences between the

budget resolutions passed by the House and the Senate, notably the fact that the House budget would partially privatize Medicare while the Senate budget would simply make significant cuts to Medicare, House and Senate Republicans have a strong interest in reaching compromise and passing a bi-cameral budget resolution.

Both the House and the Senate budget resolutions include reconciliation instructions to repeal the Affordable Care Act (ACA). The inclusion of such reconciliation instructions in a bi-cameral budget resolution would allow the Senate Republicans to pass an ACA repeal bill with a simple majority. The reason for this is that debate on bills produced through reconciliation is time limited, thus there is no potential for a filibuster that would require 60 votes to break.

While the President would clearly veto any bill to repeal the ACA, some have suggested that a vote on ACA repeal and a subsequent vote to override a Presidential veto (which would almost certainly fail) might be politically favorable for Republicans. Further, by including ACA repeal as a reconciliation instruction, the Republicans in Congress would also be leaving themselves more leeway to respond to a Supreme Court decision in the *King v. Burwell* case, in the event that the Court finds against the government.

### DOC FIX

Late Tuesday (April 14, 2015), the Senate passed House bill H.R. 2, which will avert a 21% cut to Medicare payments and eliminate the faulty Medicare payment system which has been in existence since 1997. The passage of this bill, which the President has stated that he will sign, was a rare showing

*Continued on page 18*

## LEGISLATIVE UPDATE

*Continued from page 17*

of bi-partisanship, with the bill being ushered through the House by Speaker John Boehner (R-OH) and Minority Leader Nancy Pelosi (D-CA).

Since the 1990s, Medicare reimbursements have been calculated using the "sustainable growth rate" (SGR) method - at least in theory. In fact, although the goal of the SGR was to curb Medicare costs, the pay cuts to doctors caused by the SGR are so dramatic that since 2002 Congress has voted seventeen times to appropriate additional funds to maintain Medicare reimbursement rates (what we have come to know as the "doc-fixes").

Once signed by the President, the legislation will eliminate the SGR. Instead, the legislation will increase Medicare payments by 0.5% annually through 2019 and use quality measures to make more Medicare payments "value-based." The bill also extends the Children's Health Insurance Program (CHIP) through 2017.

The bill was met with significant support both in Congress (with the House passing the bill 392 to 37, and the Senate passing the bill 92-8) as well as from doctors groups. Upon the Senate's passage of the bill, American Medical Association's Executive Vice President and CEO James Madara M.D. stated that "[p]assage of this historic legislation finally brings an end to an era of uncertainty for Medicare beneficiaries and their physicians-facilitating the implementation of innovative care models that will improve care quality and lower costs."

There was, however, some dissent related to the cost of the bill. According to the Congressional Budget Office the bill is expected to cost \$210 billion in the next ten years, approximately \$70 billion of which will be offset by cuts to providers and beneficiaries, for a net cost of approximately \$140 billion over 10 years. GOP Presidential hopefuls Senators Ted Cruz (R-TX) and Marco Rubio (R-

FL) both voted against the bill with Senator Cruz publically opposing the bill for not being fully paid for. It remains to be seen what level of impact the cuts to providers will have on the health care system as a whole, but there have been some predictions that it could be significant.

It remains to be seen whether the fact that Congress was able to reach a permanent agreement on this issue, after falling short last year, will start a trend of increased bi-partisanship. However, the resolution of this issue will certainly benefit Congress in the years to come by eliminating what had previously become an annual struggle.

### TAX REFORM

While the budget and doc fix have recently been soaking up much of the political attention, the momentum behind tax reform has not waned. The House and Senate continue to take slightly different approaches to the process. In the Senate, the Finance Committee continues to focus on comprehensive tax reform through its five bi-partisan tax reform working groups. TIA has been actively monitoring this process and yesterday submitted a series of comments to the work groups.

Senate Finance Committee Chair Orrin Hatch (R-UT) has continued to emphasize his interest in bi-partisan tax reform efforts and has stated his opposition to use the budget reconciliation process to achieve tax reform until all bi-partisan efforts are exhausted.

Across the Hill, the House has been considering and voting on a select number more limited tax related bills, such as H.R. 622 which the House passed today and which would make permanent the option for taxpayers to deduct state and local sales taxes instead of state and local income taxes. House Majority Leader Kevin McCarthy (R-CA)

*Continued on page 19*

## LEGISLATIVE UPDATE

*Continued from page 18*

has stated that these limited tax bills should not be taken as an indication that House leadership is not stepping back from the goal of comprehensive tax reform. The White House, however, has criticized this piecemeal approach undermining efforts to negotiate a broad tax reform package.

On Monday, Chairman Hatch and House Ways and Means Committee Chair Paul Ryan (R-WI) sent a letter to a number of business groups requesting suggestions for how to revise the corporate tax code without cutting individual tax rates.

### FEDERAL TRADE COMMISSION

SSDA-AT and related automotive aftermarket associations on April 16 submitted comments to the Federal Trade Commission regarding an earlier complaint against BMW of North America, LLC-Consent Agreement; File No. 1323150.

In March 2013, the Automotive Oil Change Association (AOCA), Auto Care Association (formerly the Automotive Aftermarket Industry Association), Service Station Dealers of America and Allied trades (SSDA-AT), and Tire Industry of America (TIA) submitted a complaint against BMW for the same essential reasons described in both the Commission's complaint and proposed consent agreement. Although we very much appreciate the Commission taking action to prevent BMW's MINI division from further violating the Magnuson Moss Warranty Act (MMWA), we urge you to (1) extend all requirements ultimately set forth in a final consent agreement to BMW at large; and (2) apply additional affirmative obligations.

An AOCA member in Texas recently serviced a 2010 BMW Series 7 with the following engine sticker:

To be clear, a Series 7 is not a MINI. Branded product tying language nearly identical to what was found under the Series 7 hood appears in its owner's manual as well: "Only use approved BMW High Performance oil." That language is actually more restrictive than what the MINI Division has been using regarding engine oil. It is noteworthy that an AOCA member didn't see one of these vehicles until after the new car warranty coverage had expired during the 5th year after the model's rollout; i.e., between 12 to 15 service opportunities later.

BMW has also employed service tie-in language with its 2013 128i convertible-again, not a MINI. On page 235 of the digital version of the 2013 128i convertible owner's manual, BMW tells customers that "[o]il changes should only be performed by a BMW Center." We found that particular reference through research rather than an operator report, because, apparently, no 2013 128i convertibles have visited our member aftermarket facilities. This situation underscores the fact that BMW customers with this vehicle likely believe they can only use BMW Centers, which further underscores the fact that the Commission's consent decree requirements should apply to the entire BMW Company, not merely its MINI Division.

Additionally, we urge the Commission to require a bit more of BMW than to send letters to current affected customers and generally refrain from violating the MMWA, the latter of which it has always been required to do. As suggested to the Commission in response to a request for comments on the overall functionality of the MMWA regulation dur-

**“Additionally, we urge the Commission to require a bit more of BMW than to send letters to current affected customers and generally refrain from violating the MMWA...”**

*Continued on page 19*

## LEGISLATIVE UPDATE

### *Continued from page 19*

ing the fall of 2011 (MMWA Rule Review, 16 CFR Part 700, P114406), why not require BMW's owner's manuals and automotive warranties to include a plain English anti-tying disclosure, similar to the disclosure already required of automotive warranties under the Clean Air Act, and modeled directly upon language approved by the FTC in its Consumer Alert entitled Auto Warranties, Routine Maintenance, and Repairs: Is Using the Dealer a Must?

The tie-in language used by BMW is, unfortunately, not unique among automakers. We have in the past brought to the Commission's attention many examples of misleading automaker statements and directives made to consumers that either violate MMWA's tie-in sales prohibition on its face or undercut it so deeply as to render it meaningless. As reported in both our series of formal complaints through 2014 and comments to the rule review in 2011, Honda, General Motors, Nissan, Mazda, and Kia Motors have all engaged in these harmful, anti-consumer activities. Kia's tie-in sales requirement for Kia brand oil filters - delivered via Technical Service Bulletin and about which our complaint is still pending-has been so effective as to convince even Consumer Reports to parrot it nationwide. We mention these related situations in this BMW-specific context to encourage the Commission to consider the potential industry-wide benefit of taking a stronger stance here, as well as taking action on the pending rule review and complaint against Kia Motors.

### **DISCUSSION ON PERMANENT WOTC**

The American Institute of Certified Public Accountants submitted comments to the Senate Finance Committee on April 14th recommending a permanent set of ready-to-go tax relief measures to be applied in disaster areas.

Among the recommended measures is one to make certain employers in a disaster area eligible

for WOTC, and make workers in a disaster area a WOTC target group.

The AICPA recommendation for permanent tax policy to assist recovery of disaster areas is one of their priority legislative goals-their proposal is for a set of eight or nine tax relief provisions, including WOTC, to go into effect automatically upon proclamation of a disaster, without the need for implementing legislation.

The question for us is whether AICPA will go further and offer support for making the entirety of current-law WOTC permanent-not limiting it to disaster relief. We've taken this matter up with AICPA's manager for tax reform, and the director for tax advocacy.

We will keep you informed of our talks.

### **SSDA-AT FILES STATEMENT ON WOTC**

Senator Orrin Hatch, chairman of the Senate Finance Committee has invited public comments on tax reform to be submitted to the Tax Reform Working Groups established to write a tax reform bill.

SSDA-AT has submitted the attached statement with the Work Opportunity Tax Credit Coalition to the Business Tax Reform Working Group and the Community Development Tax Reform Working Group of the Senate Finance Committee.

We are also submitting the statement to the chairman and relevant subcommittees of the House Ways and Means Committee, and to the Joint Committee on Taxation.

### **Submission to Senate Finance Committee and House Ways and Means Committee**

*Continued on page 21*

## LEGISLATIVE UPDATE

### *Continued from page 20*

#### Work Opportunity Tax Credit and the Poverty Safety Net

##### The Record

WOTC is a core component of the nation's anti-poverty safety net. In FY 2013, when 1.6 million workers certified for WOTC were an all-time high, 1.4 million or 90% met the poverty or near poverty tests for SNAP, TANF, or SSI-1.24 million SNAP, 176,000 TANF, 16,500 SSI, and 43,500 ex-felons. (1) WOTC is also a key hiring incentive for veterans and people with disabilities, a large number of whom are poor and homeless, and assists recovery of high-poverty areas.

Tax reform should carefully evaluate each component of tax policy as it relates to the poverty safety net. The child tax credit, earned income tax credit, and work opportunity tax credit are the key triad of tax policy to support and improve opportunity and mobility for people in poverty. These anti-poverty measures are supported by conservatives and liberals alike because they operate through the marketplace to provide work and reward work.

WOTC complements direct expenditure programs for training of low-income or unemployed workers via the Workforce Investment Act, TANF, Social Security Act (for people with disabilities) and Veterans Readjustment Act (for veterans) because at the end of training there is still a road ahead to find employment, and the impediments borne by the poor and homeless (those in most severe poverty), the disabled, veterans, and ex-felons are severe and reflected in their above-average unemployment rates and low workforce participation rates. The hiring incentive for employers provided by WOTC helps offset these barriers, resulting in up to 1.6 million of these workers, specifically identified and certified by their State Workforce Agency, being hired. Employers remain free to make whatever hiring decisions they wish, and the Federal govern-

ment achieves monetary savings (discussed below) of more than \$3.4 billion a year from individuals transitioning from welfare and other public assistance into jobs.

WOTC supports the standard set most recently by Ways and Means Chairman Paul Ryan, "to require all able-bodied recipients to work or engage in work-related activities in return for aid."<sup>(2)</sup> This continues conservative policy set by President Reagan's passing of the targeted jobs tax credit and earned income tax credit in 1981, and Congressman Jack Kemp's making the jobs credit integral to empowerment zones for poor and depressed areas. The work opportunity tax credit and earned income tax credit were designed to work together as core safeguards against poverty becoming entrenched, barring access to the middle class. WOTC lends an "extra boost" to the chance of being hired, and EITC supplements the income of the poor with dependents. Chairman Ryan agrees EITC should be continued as core safety net, and even expanded; it would be a mistake to do so without continuing WOTC's extra lift for the poor into jobs, which is the only real basis for exiting poverty.

Why has WOTC grown from a half million jobs in 1997 to 1.6 million today? The answer lies in the nation's population growth and economic conditions-the bottom quintile of the workforce has grown in size. Today, there are more people in poverty and total recipients of SNAP, TANF, and SSI has grown, enlarging the population of WOTC-eligible workers.

In any overhaul of anti-poverty policy accompanying tax reform, WOTC should be made permanent. WOTC could help more of the poor if eligibility were granted to the elderly on food stamps, youth who are out of school and out of work, SSDI and Medicaid recipients. (In WOTC, workers in poverty are identified by receipt of benefits, which

*Continued on page 21*

## LEGISLATIVE UPDATE

### *Continued from page 21*

makes it easy to verify their eligibility for the tax credit—a poverty income test is too difficult to administer.)

WOTC would be more effective providing jobs in growing occupations with good wages if private non-profit employers and firms with excess credits could claim WOTC against FICA tax, with Treasury reimbursing the Trust Funds.

### **WOTC Works Through The Marketplace and Has Strong Program Integrity**

WOTC doesn't create new jobs—it gives the poor or near poor an extra boost when a private employer is looking to fill an existing job. Our country's larger employers know in advance whether a job applicant is WOTC-eligible because nowadays they require IRS Form 8850 from their job applicants. This one-page form couldn't be simpler—all the applicants do is report their age and check a box if they're SNAP, TANF, or SSI eligible, or are a veteran, formerly incarcerated, live in an empowerment zone or rural renewal county, or in the case of disability, are referred by a State Vocational Rehabilitation Agency or Employment Network.

If hired, the employer sends Form 8850 to their State Workforce Agency with a short DOL form with data on industry, occupation, and wage, requesting the SWA to certify the worker's eligibility for WOTC. From application to hire, the entire hiring process occurs in the private market without interfering with employers' freedom to recruit and hire whomever they please.

Because a worker's eligibility is verified by SWA before certifying the worker for WOTC, and claims for WOTC on an employer's tax return are backed by SWA certification and subject to IRS review upon audit, WOTC has strong program integrity that has been confirmed repeatedly by

GAO. SWA's issued 1,590,000 certifications and 1,660,000 denials to employers in FY 2013, showing this watch-dog's effectiveness.(3)

### **WOTC Is Highly Cost-Effective**

The data prove WOTC's effectiveness helping the poor obtain jobs—the 1.4 million poor or near-poor workers placed in jobs in FY 2013 are each verified by State Workforce Agencies to be eligible for the credit, down to their SSA wage record—WOTC works and new hires step into productive, tax-paying, private sector jobs.

Not only the unemployed, but also the working poor are aided. The working poor as a group experience low job tenure and sporadic work (4)—when unemployed, they fall back on welfare or food stamps, so WOTC is there for their next job—provided it's with a different employer.

But wouldn't these workers be hired anyway—without the tax credit? The employer will certainly fill the job vacancy but there's no assurance a poor worker will be hired. That would require a higher ratio of poor to non-poor in the pool of job applicants, but the poor are a minority of the workforce and in most labor markets more non-poor workers are applying for jobs. Employers have a choice, and the poor come with the impediments of poverty.

Picture a world without WOTC's market-based, private-sector incentive to hire a poor person looking for a job—left to chance, the poor will be hired less often, earn less income, spend more time in poverty, and have less upward mobility without the "extra boost" of WOTC.

WOTC is capped for most workers at a maximum credit of \$2,400. Since employers must reduce their wage deduction by the amount of the credit, the real cost of a single hire to the Treasury is

*Continued on page 23*

## LEGISLATIVE UPDATE

### *Continued from page 22*

\$1,560 for an employer paying a 35% tax rate. In effect, WOTC covers part of the "hiring wedge" of payroll taxes and mandated benefits that are added to wages-and are a proven deterrent to hiring-but the employer still pays the bulk of compensation costs. For a minimum wage hire at \$7.50 an hour for 2,000 hours a year, the employer's wage payments alone are ten times the government's cost.

WOTC's efficiency can be seen in the welfare program (TANF), where Congress increased the tax benefit for hiring long-term welfare recipients-the most costly cases and the most difficult to place in jobs. The result was 103,000 long-term welfare recipients finding work during FY 2013, compared to 73,000 short-term recipients. WOTC adapted to the special needs of longterm welfare cases by employers boosting their hiring in response to the added benefit. With WOTC, it's not necessary for states to ask that welfare's work requirement be waived.

TANF provides employment and training grants to the states which are sometimes used to fund public sector or non-profit jobs for welfare recipients at the rate of around \$12,000 per year per worker. In six months, a minimum wage WOTC worker will earn \$7,500 in a private sector job at a cost to the Treasury of \$1,560, while a public sector or non-profit job costs almost four times that. The less-costly WOTC route helps states economize their limited TANF funds, and results in a productive, tax-paying, private sector job.

Overall, WOTC's ten-year cost for permanent extension is given by the Joint Committee on Taxation as \$17.485 billion for Fiscal Years 2016-2025 (5). Another \$180 million of federal funds must be added for SWA administration, making the total \$17.665 billion. The FY 13 rate of 1.6 million WOTC hires per year yields 16 million hires over the next ten years. This implies an average cost per hire of \$1,100, which is below the \$1,560 cost for

the \$2,400 credit due to the lower job tenure of poor workers, many of whom work intermittently or to find higher wages.

For small and medium-size employers who use WOTC, the entire tax saving is plowed back into their home state, and this saving in liquidity and after-tax earnings can be estimated by multiplying \$1,100 times the number of state WOTC job certifications for the year. We see every state's economy benefiting while a poor worker finds employment-a win-win situation!

In an important study, Professor Peter Cappelli of the Wharton School has estimated TANF saving of \$19,282 per WOTC job, and potentially higher savings for veterans and people with disabilities. Multiplying \$19,282 by 175,683 TANF recipients in FY 2013 equals gross one-year saving of \$3.4 billion on TANF alone, and similar saving would recur each year.(6) Over ten years, this is double the 10-year cost of WOTC given by the Joint Committee on Taxation.

Our conclusion is that WOTC is the most efficient, adaptable, and cost-effective of all Federal job programs.

### **FOOTNOTES:**

1. U.S. Department of Labor, Employment and Training Administration, WOTC Certifications by Recipient Group Regional and National Details For FY 2013
2. Congressman Paul Ryan, House Budget Committee Discussion Draft, Expanding Opportunity In America, July 24, 2014
3. U.S. Department of Labor, Employment and Training Administration, op. cit.

*Continued on page 24*

## LEGISLATIVE UPDATE

*Continued from page 23*

4. U.S. Department of Labor, Bureau of Labor Statistics, Profile of the Working Poor, 2015
5. U.S. Congress, Joint Committee on Taxation, Estimated Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 2016 Budget, JCX-50-15, Mar 6, 2015
6. Cappelli, Peter, A Detailed Assessment of the Value of WOTC, Wharton School, 04/2013

### **SSDA-AT REACHES OUT TO CONGRESSIONAL LEADERS ON TAX REFORM**

As the new Congress confronts the challenge of reforming the tax code to make American businesses more competitive SSDA-AT and other organizations representing millions of employers organized as S corporations, partnerships and sole proprietorships offer the following three principles to help guide your efforts.

First, tax reform needs to be comprehensive. Jobs in the United States are evenly divided between corporate and pass-through employers, with nearly 70 million private sector workers employed at S corporations, partnerships and sole proprietorships. To ensure that we avoid harming these critical employers, tax reform needs to be comprehensive and improve the tax code for individuals, corporations and pass-through businesses alike.

Second, Congress needs to reduce the tax rates paid by individuals and corporations to similar, low levels. The fiscal cliff negotiations resulted in pass-through businesses paying, for the first time in a decade, a significantly higher top marginal tax rate than C corporations. Splitting business income and taxing it at different rates penalizes pass-through businesses and encourages planning to

circumvent the higher rates, ultimately resulting in wasted resources and lower growth. To ensure that tax reform results in a simpler, fairer and more competitive tax code, Congress needs to reduce top tax rates for all types of taxpayers.

Third, Congress should continue to reduce the double tax on corporate income by integrating the corporate and individual tax codes. A study by Ernst & Young made clear that the tax treatment of pass-through businesses, and the single layer of tax they face, results in higher levels of investment, employment, and wages than if all American businesses were subject to the harmful double corporate tax. A key goal of tax reform should be to continue to reduce the incidence of the double tax and move towards taxing all business income only once.

By embracing these broad concepts, Congress can move the taxation of business income in a direction that helps all employers, regardless of how they are organized, to invest and create jobs here in America.

### **ACA MEDICAL DEVICE TAX**

As mentioned above, both the House and Senate budget resolutions would repeal the Affordable Care Act (ACA). However, it is clear that any bill to repeal the ACA would result in a Presidential veto which there are insufficient votes to override. Within this context, Congressional Republicans have continued their efforts to seek more limited and piecemeal reforms to the ACA.

Most recently, the Senate Finance Committee Healthcare Subcommittee announced that it will hold a hearing on April 23, 2015, on repealing the medical device tax. Finance Committee Ranking Member, Senator Ron Wyden (D-OR), has called for this hearing to be held by the full Finance Committee, rather than by the Subcommittee.

*Continued on page 25*

## LEGISLATIVE UPDATE

### *Continued from page 24*

Senator Patrick Toomey (R-PA) who chairs the Subcommittee has previously sponsored bills that would repeal the ACA's medical device tax, which imposes a 2.3% excise tax at the time of sale on manufacturers and importers on certain types of medical devices.

Finance Committee Chairman, Orrin Hatch (R-UT) recently told press that he intends to attach a repeal of the medical device tax to a bill that the President will have to sign, though he specified that he has not yet identified what bill this might be.

### WHAT WE'VE BEEN UP TO

On April 15, 2015, SSDA-AT submitted a series of comments to the Senate Finance Committee's Tax Reform Working Groups on Business Income Tax and Individual Income Tax.

SSDA-AT submitted a statement for the record to the House Ways and Means Committee, Subcommittee on Select Revenue Measures in response to its March 18, 2015, hearing on "The Burden of the Estate Tax on Family Businesses and Farms."

SSDA-AT joined over 100 other organizations representing S Corporations and other pass through entities in a letter to the leaders of the Senate Finance Committee and House Ways and Means Committee emphasizing the need to protect closely held entities in the tax reform process and the importance of pursuing equality between the tax treatment of closely held entities and C corporations.

SSDA-AT joined a coalition, led by the National Lumber & Building Material Dealers Association, to support the Innocent Sellers Fairness Act (H.R. 1199) which was introduced in the House of Representatives on March 3,

2015.

SSDA-AT partnered with a number of other interested organizations to submit a joint comment to the Senate Finance Committee Tax Reform Working Group on Savings and Investment emphasizing the importance of maintaining the key tax provisions that encourage small business retirement plan sponsorship and retirement savings.





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