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State of the Construction Industry, 2011: A Word from Anchin

Despite repeated reports that the New York economy has "come back" faster than the rest of the country, the recovery has been slow to reach the construction and design industry. Phillip Ross, Partner and co-chair of Anchin's Construction Services Group and chair of the firm's Architecture and Engineering Services Group, made this observation at Anchin's Sixth Annual State of the Construction Industry Event.

The gloomy outlook was tempered by some positive signs on the horizon, in what Ross called "a bad news/good news story," pointing to recent announcements of many large projects in the city and the considerable ongoing work at the World Trade Center site as evidence that the second half of 2011 could still show promising results.

Ross highlighted how Anchin had helped many companies in the New York construction, architecture, and engineering community to improve the way they did business, in some cases changing their business models. Specifically, Ross noted how Anchin has assisted its clients to:

- run leaner operations;
- reduce costs;
- renegotiate lines of credit;
- recruit and retain key executives;
- maximize economic incentive programs; and
- preserve or enhance bonding capacity.

Paul Gevertzman, Partner and chair of Anchin's Economic Development Services Group, urged the crowd to "open your eyes" and take advantage of the tax credits, grants, and programs that were available but often overlooked by architecture, engineering, and construction firms. Because many programs offer fully refundable tax credits – i.e., "free money" – even if firms took a loss or paid no taxes, they could be invaluable in helping navigate through tough times. Gevertzman mentioned four specific programs:

- Federal Research and Development Credits are available for many firms, despite not being involved in traditional "high tech" R&D operations. A wide range of activities, such as testing a new process or improving a product, may make a company eligible.

- Qualified Emerging Technology Company or QETC is a New York credit based on R&D expenses and/or jobs created and eligible companies may receive up to $250,000 a year in cash as a refundable credit. Again, R&D is more broadly defined for this credit than normally understood and firms outside traditional high tech industries may still qualify

- The "green deduction" is a federal tax incentive designed to encourage firms to incorporate energy efficiency into the construction of energy efficiency commercial property. This is a great program for developers and building owners, and if a firm has a government-owned entity as a client, they may be able to pass the green deduction along.

- Con-Edison provides its customers with rebates and incentives for upgrading equipment and facilities with energy efficient technology.

Gevertzman also noted that the recently proposed American Jobs Act may provide a 100% payroll tax credit on the social security paid in for new hires or increased wages in 2012. Said Gevertzman, “Will it pass and will it ultimately create new jobs as intended? It is too early to tell. But if the bill passes and you are hiring. it will definitely add to your bottom line.”