

Overlooked Assets: Year-Round Tax Tips from a Construction Accountant

February 3, 2025



As originally published by [Construction Executive](#)



For most construction firms, working with an accountant is often limited to matters for the year-end financial statements and tax returns. This has become such a routine practice that it's easy to forget that accountants have the potential to be valuable year-round financial strategists, offering insights and guidance that can positively impact a firm's profitability, growth and overall financial health. While tax planning is undeniably important during the busy season, it is also something that should be carried out in collaboration with an accountant throughout the year—not just at year-end time.

ALL YEAR ROUND

Many businesses approach their accountant primarily when it is tax return time. While this is, of course, a necessary part of doing business, this narrow view of the accountant's role neglects the broader benefits of year-round engagement. Tax planning isn't just an annual task; it's a continuous process that should evolve as a business grows and as new tax laws come into play.

Consider that tax laws—especially in the construction industry—are subject to change and can have significant implications for a firm's cash flow. A major shift in the political landscape, such as the recent presidential election, can signal important changes in tax and financial regulations. This is a critical time to engage one's accountant to better understand the potential impact of new legislation or changes to existing laws that may affect operations, whether it's adjustments to tax rates, depreciation rules or other business-specific deductions.

One particularly pressing issue for many construction firms is the impending sunset of certain tax provisions, such as those related to bonus depreciation, which are

scheduled to expire in the coming years. By engaging with an accountant early on, a business can plan ahead to take advantage of these provisions before they disappear. A proactive tax strategy can also minimize liabilities and avoid surprises during tax season.

Accountants are also trained to help identify areas where one might be overpaying in taxes, or where there are credits and deductions not currently being utilized. This can include capital expenditures, research and development credits, or strategies related to tax-deferral methods. These strategies that reduce taxes also serve to improve cash flow. Involving accountants early ensures they can help craft a year-round plan that aligns with both a company's current situation and long-term goals.

FINANCIAL STEWARDSHIP

While taxes are an obvious starting point, construction firms are missing out on a wealth of other opportunities by not involving their accountants in standard business discussions. One of the most valuable services an accountant can provide is helping to maintain a real-time picture of a company's financial wellbeing. By reviewing internal financial statements on a monthly or quarterly basis, accountants can spot trends or discrepancies that might otherwise go unnoticed until it's too late.

This constant monitoring enables them to identify problems early, such as cash-flow issues, cost overruns or declining profitability in certain areas. Addressing these concerns early, with the help of a knowledgeable accountant, can prevent significant financial distress in the future. For instance, an accountant can advise on how to best monitor project budgets or implement more efficient cost-control systems to be able to track progress and identify issues early, including out-of-scope work and potential change orders.

In addition, construction firms often face volatile cash flows due to the nature of project timelines, seasonal fluctuations and client payment schedules. Having an accountant actively involved in reviewing the finances can help project cash-flow needs more accurately in order to make strategic decisions about reinvestment or expansion.

BEYOND THE BALANCE SHEET

The role of an accountant extends far beyond just financial statements or tax filings. By engaging one's accountant regularly, a business can leverage their expertise in a number of strategic areas, such as financing, employee retention, and potential mergers and acquisitions.

For example, an accountant can play a crucial role in helping secure financing, whether that's through lines of credit, loans or private equity. An accountant who is well respected in the financial community and understands the company's financial picture can present a compelling case to lenders or investors as well as evaluate the terms of the deal. If business expansion is a key focus, either through organic growth or by acquisition, an accountant can help assess the financial risks and rewards, assist with projections, structure deals and help manage financial due diligence.

Furthermore, in the construction industry, joint ventures and other partnerships are common as firms look to scale or tackle larger projects. An accountant's role in these ventures is invaluable, as they can help evaluate the financial implications of these partnerships, from tax structures to joint-venture agreements, and advise on the best way to set up a joint venture for long-term success.

There is also an increasing trend toward mergers and acquisitions, making strategic financial planning more important than ever. Accountants are critical partners in evaluating whether this makes sense for a firm and can analyze potential tax liabilities, due-diligence processes and post-merger integration costs to ensure the transition is as smooth as possible.

SUCCESSFUL TRANSITIONS

Beyond growth, accountants can help with other important strategic decisions. They are critical advisors when it comes to evaluating potential tax consequences and navigating the complexities of succession planning, a key area that construction firms all too often overlook.

Whether you're looking to hand the reins over to a family member, sell to a third

party or transition to an employee stock ownership plan, these major changes can have complex financial and tax implications. An accountant can help navigate these decisions by offering advice on everything from tax-efficient structures to valuation strategies, helping to maximize the financial benefits of the transition for all parties involved. They can also offer keen insight on the pros and cons of each option by preparing a comprehensive tax and cash-flow analysis of each possibility to assist you in your evaluation and decision.

THE BOTTOM LINE

While it is common for construction firms to engage accountants only during tax season, doing so limits the full potential of what an accountant can provide. Construction companies that leverage their accountant's expertise beyond tax season can not only save money, but also make more informed decisions that drive long-term profitability and sustainability. With their deep understanding of both financial and tax landscapes, accountants are more than just number crunchers—they're invaluable year-round partners who can contribute significantly to a business' success.

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