SMACNA
SOUTHERN CALIFORNIA

# Industry Reporter

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## HEAVY METAL SUMMER EXPERIENCE

***Also in this issue:***

SMACNA-Endorsed Tax Provisions

Responding to Tariffs

## SUMMER GREETINGS FROM SMACNA SOCAL

I hope this message finds you well and enjoying the long summer days. Over the past few months, SMACNA SoCal has brought membership and guests together in a number of successful events I am excited to tell you about. We also have some important educational opportunities on the horizon you won't want to miss.

In May, 300 members and their guests attended the Angel Game Night and pre-party at Rose Garden. Attendees enjoyed good food, a raffle draw, and door prizes and were rewarded by the Angels' 10-4 victory over the Cleveland Guardians. In June, the Annual Friends of the Industry Golf Tournament was another great success with 144 coming out to enjoy camaraderie and the greens. A big thanks to our two largest sponsors at the tournament: Allison Mechanical with 18 hole sponsors and Roger Gutierrez of RG Business Insurance sponsoring the $20,000 hole in one.

As you know, forming an education committee to plan and deliver learning opportunities for our membership has been a passion project of ours. I am pleased to say that because of the committee's hard work, we have our first few events under development, starting with SMACNA National's Project Management Institute training, delivered by Rick Reese and Stephen Staff from FMI, scheduled for October. We are also looking at a technical presentation in line with the release of SMACNA's new *Seismic Restraint Manual* this past April. We are also looking at a training session or webinar that addresses Title 24 Building Code Standards and key mechanical compliance takeaways contractors need to know. Other topics under consideration include AI and alternative dispute resolution.

By / Gina Medel
SMACNA SoCal President

In October, we also welcome members to the Annual Meeting/Dinner Dance at the Ritz Carlton in Marina Del Rey, which promises an evening of great company and fellowship to follow our annual meeting. The SMACNA National Convention is October 26-29 in beautiful Maui, and the Partners in Progress Conference is February 16-18 at the Dolphin and Swan in Orlando, Florida, so make sure to add these important industry events to your calendar.

In other news, Governor Newsom has signed CAL SMACNA's co-sponsored Bill SB 61 (Cortese), which ensures a 5% cap on retention in private works will apply to all non-residential contracts entered into on and after January 1, 2026.

SB 61 will help restore efficiency and cost-effectiveness in California's construction industry. Developers' use of redundant and onerous retention policies has forced contractors of all sizes, large and small, to indefinitely finance the cost of labor and materials on private works of improvement. In fact, these policies have created unnecessary and additional layers of cost to the price of residential and non-residential construction in California. This bill will help our contractors with improved cashflow while reducing overall construction costs in California. CAL SMACNA is proud to have co-sponsored Senator Cortese's legislation to improve the equity of payment procedures in private works of improvement.

For more information on SMACNA SoCal events and opportunities, please don't hesitate to reach out to Kim in the office at *kim@smacna-socal.org* Until next time! ▪

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## SMACNA-ENDORSED TAX PROVISIONS ENACTED

By / Stan Kolbe, Executive Director of Legislative and Political Affairs, SMACNA

SMACNA praised the Congress and the White House for enacting a long list of SMACNA-endorsed business tax provisions the association, its members, and the industry had been advocating for many years.

The comprehensive budget and tax act extends essential tax provisions of the *2017 Tax Cuts and Jobs Act* (TCJA) scheduled to expire at the end of 2025 and makes several other improvements to the United States tax code SMACNA had urged Congress over the last few years.

"Without question, passing the bonus depreciation, Section 179 expensing tax treatment, boosting the *CHIPS Act* tax credits from 35 percent from the current 25 percent, adding R&D tax credits, continuing many energy development incentives (nuclear and manufacturing and many more vital tax initiatives), will create a more certain and predictable business environment for the HVAC construction and supplier network across the industry and nation.

This is a good start, but more work needs to be done.

We are encouraged to see the considerable bipartisan support for another tax reform package in the coming session of Congress. SMACNA will continue to advocate for greater incentives for energy efficient building systems and retrofits to existing structures residential, public, and commercial.

A summary of the provisions SMACNA and its members endorsed and advocated for included:

**Bonus Depreciation** - Restored the deduction of 100% of qualifying property costs in the year placed in service, including past projects, to boost cash flow and tax savings.

**Section 179 Expensing Expanded** – To allow instant expensing of up to $2.5M in equipment or property purchases with new, higher limits and inflation adjustments.

**Section 179D Energy-Efficient Deduction** – Continues to allow owners to claim up to $5.00/sq ft for energy upgrades in new builds and renovations—applies to both private owners and public building designers. The bill keeps the incentive in place to 2026.

**The Advanced Manufacturing Investment Tax Credit** – The credit is increased from 25% to 35% for technology related projects, often chip plants, started by the end of 2026.

**Section 45L Home Energy Credit** – While the incentive survived efforts to repeal it now, so homeowners get $2,500–$5,000 per unit for building energy-efficient single-family or multifamily housing, until the end of 2026.

**Section 174/174A R&E Deduction Reinstated** – Provides immediate deductions for domestic R&D expenses instead of amortizing over five years, retroactive to 2022.

**Section 41 R&D Tax Credit Enhanced** – Continues option to claim 6–20% credit on qualified research while also deducting those same costs under Section 174A.

Section 199A deduction is made permanent at the deduction rate of 20%.

**Excess Business Losses** – Made permanent for excess business loss plus a threshold amount indexed for inflation ($313,000).

**Section 45U, Zero-Emission Nuclear Power PTC** – Was not modified or repealed so the credit is allowed through Dec. 31, 2032. Estate Tax Ceiling Raised – A permanent increase in the unified credit exemption threshold from $10 million to $15 million per individual, indexed for inflation.

**SALT Allowance** – Temporarily increases in the SALT cap to $40,000 from $10,000 with limitations until 2030 when the $10,000 threshold returns.

While there is much our industry endorses in the H.R. 1 as passed by the Congress, we regret the final version included termination after 2025 or 2026 of the highly popular and valued IRA residential market tax credits (25C, 25D, 45L) and programs necessary to boost the important consumer-oriented contractor and HVAC equipment retrofit markets. ▪

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# Heavy Metal Summer Experience

## Students in Commerce, California, had the summer of a lifetime discovering the trades

By Jessica Kirby • Photos courtesy of ACCO Engineering Services

**This June, nearly a dozen high school aged students** hungry for a new experience descended upon ACCO Engineering Services for an exciting opportunity to delve into the trades. For five days, Heavy Metal Summer Experience took place at all three of ACCO's Commerce, California, locations, which include the warehouse, piping fabrication shop, and sheet metal fabrication shop. ACCO's team of professionals covered sheet metal, hydronics (HVAC piping and plumbing), and service technician, making this—ACCO's second camp in SoCal—a resounding success.

"An ACCO group in NorCal held Heavy Metal Summer Experience two years ago and shared the experience at one of our meetings," says Stefan Colvey, sales manager – strategic accounts, at ACCO. "I jumped at the opportunity to replicate the program down in SoCal."

Colvey enjoys community outreach, and Heavy Metal Summer Experience was the perfect opportunity to interact with the community and help share what the sheet metal industry has to offer the next generation of high school graduates.

"Through recruiting at local high schools and spreading the word to our employees, we were able to find students with a clear drive and interest in working in the trades," Colvey says. "Our hope is that each one of these students finds their way into the HVAC and plumbing trades and perhaps even end up starting their careers at ACCO."

Angie Simon, advisor to the board of Western Allied Mechanical in Menlo Park, California, and former SMACNA National president, first envisioned Heavy Metal Summer Experience in 2020 when she started thinking about how to get young people interested in sheet metal and other trades.

"There are so many kids out there where college is not their thing," she says. "I started thinking we should show them what a great opportunity this is."

Soon, Heavy Metal Summer Experience was born—a six-week summer program aimed at introducing youth (and their parents) to trade opportunities in sheet metal.

In its first year, the pilot program launched, and 28 young people attended camps in California and Washington. It was an immediate success.

"I have to admit, we were pretty overwhelmed by the response," Simon says. "But as with any successful venture, it takes a village, and people were quick to come onboard to help."

Every summer since, Heavy Metal Summer Experience has continued to gain traction. According to the *2024 Heavy Metal Summer Experience Impact Report*, the program has seen nearly 1,000 participants with year-over-year increases. In 2024, 500 students participated, and 800 are projected for 2025. The camps run on the generosity of countless volunteers helping from within SMACNA and SMART, and from manufacturers who have jumped on board to provide equipment, tools, and other donations.

At the ACCO camp, each day the students arrived at one of the three shops and spent the day getting hands-on experience in a specific trade (sheet metal, hydronics, or service).

"The students met some of ACCOs leaders at our corporate office in Pasadena on day one," Colvey says. "They filled out




the rest of the week with full days of sheet metal working, pipe fitting, and service work. They got to build a toolbox in sheet metal, a picture frame out of copper pipe, miscellaneous welded steel coupons, and a lamp made from pipe and sheet metal, which they wired themselves. The shop volunteers all had a good time, and most of the students fell in love with the industry."

Students were also able to meet union reps and get some exposure into some of the other opportunities in the trades, such as detailing and controls.

"Many students impressed their teachers with their quick learning, attention to detail, and steady welding hands," Colvey says. "Most of all, a number of the students made solid relationships with shop and field leaders, and we expect some to find employment at ACCO."

The SoCal ACCO group followed the NorCal group's solid framework for hosting the event, simply modifying it to suit the local group's structure and spaces.

For groups who don't have a model to draw from, the HMSE team has created the *Heavy Metal Summer Experience Playbook*—a 125-page living document that details every aspect of the camp, including a break-down of costs, project ideas, and daily itineraries. Leveraging the past five years' experience, the *Playbook* is constantly updated to reflect new ideas, topics, and solutions to common problems.

ACCO received generous sponsorships from industry partners who helped make the camp possible. Norman S Wright, Air Treatment, DMG, DeWalt, Power Scaffolding, and Terra Universal were essential contributors.

"We also received tremendous support from the leadership of our trade groups," Colvey says. "Their excitement and dedication to this program is incredible, and I can't thank them enough for all they have done to make this happen."

"The experience last year really showed a lot of promise for this next generation," he adds. "We had some very smart and driven young people with a desire to work in the trades. This year continued to build on that success."

The team at ACCO plans to continue hosting the event annually. "It's fulfilling for pretty much everyone who gets involved, and we are always impressed by how passionate the students are about the program," Colvey says.

For contractors or JATCs thinking about hosting a Heavy Metal Summer Experience, he has this advice: "I recommend partnering with the career center folks at your local high schools. They can really help with the recruiting process and make sure you are getting the candidates with a strong interest in the trades."

Learn more at *hmse.org* ▪

## SAVE THE DATE

### THE SOUTHERN CALIFORNA LMCT'S CONTRACT ADMINISTRATION SEMINAR

**SEPTEMBER 17, 2025 • 7:30 a.m. - 3:30 p.m.**
**Doubletree by Hilton, Norwalk, CA**

*Who should attend?*

Bookkeepers, project managers, supervisors, personnel that call for dispatching and/or hiring of employees, and compliance personnel.

*Topics that will be covered include:*

Dispatch slips and procedures, fringe benefit reporting and forms, WebERF online reporting, 401(a) plan, local health and pension reporting requirements, national pension online reporting, union dues and member savings plans, audit procedures, prevailing wage / public works.

# RESPONDING TO TARIFFS

## Frequently asked questions and answers as SMACNA contractors respond to rising tariff impacts on material costs.

*The following was created by SMACNA National's Government Affairs and Labor Relations departments. The full version can be found at* smacna.org/business-resources/labor-relations/tariffs *and contains additional, specific contract information for contractors working on federal, private, and Canadian contracts.*

Material costs in construction are being impacted by tariffs imposed and threatened by the current administration. Contractors should look to their agreements to see what alternatives they have to seek reimbursement for these rising costs. Ultimately, the ability to recover tariff-related costs depends on the terms of the contract. Please see below for additional information.

### What is a tariff?

A tariff is a tax imposed by one country on goods imported from another country and collected at the ports where the goods enter the country. Many goods frequently used by SMACNA contractors, including steel, aluminum, fasteners, manufactured components, and HVAC units, are frequently procured from outside of the United States. Thus, for example, a 25% tariff on aluminum imported from Canada would significantly alter the bid and cost structure for a SMACNA contractor installing the HVAC duct in a new office building. So, too, would a 10% tariff on fasteners and HVAC parts imported from China.

### What are reciprocal tariffs?

A reciprocal tariff is a tax or trade restriction that one country imposes on another in response to similar actions taken by that country, aiming to create balance in trade. For example, if one country were to raise tariffs on goods from another, the affected country could respond by imposing its own tariffs on imports from the first country. Such measures are meant to protect businesses, preserve jobs, and fix trade imbalances; however, they can also result in disruptions to supply chains, rising prices for consumers, and slowing economic growth.

### What are some strategies for managing supplies?

Traditionally, contractors try to limit the volume of materials they are holding in inventory. Potential significant tariff-related price increases could cause contractors to consider holding materials beyond traditional levels, representing both a business risk and opportunity that contractors need to carefully balance and consider.

One of the goals of imposing tariffs is to encourage purchasers to buy products from American suppliers. The challenge is establishing new relationships and obtaining timely shipping with domestic suppliers who are experiencing increased demand. If timing is crucial on purchases, contractors should consider including liquidated damages clauses to compel domestic suppliers to meet delivery timing requirements.

### What are the tax consequences of tariffs?

Contractors who invest in equipment can use IRS Section 179 deductions to immediately write off qualifying expenses rather than depreciating them over time. This helps offset higher costs caused by tariffs on imported machinery. However, expenses that may be deducted are capped by statute. For 2025, businesses can deduct up to $1,250,000 in qualifying purchases immediately. The equipment must be (1) placed in service during the 2025 tax year, (2) used for business purposes more than 50% of the time, and (3) qualify under IRS guidelines. The Section 179 deduction begins to phase out when the equipment purchases exceed $3,130,000. A Section 179 deduction cannot exceed a business's net taxable income. However, if the Section 179 election exceeds taxable business income, a partial Section 179 election may be used. Any unused portion of the deduction carries forward to subsequent tax years, meaning it applies once there is sufficient income.

### Can congress block tariffs or alter tariffs imposed by the president?

The United States Constitution gives Congress broad powers to regulate commerce, impose import tariffs, and raise revenue. Congress has repeatedly delegated authority for implementation of tariffs to the Executive Branch. See, e.g., *Trade Expansion Act* of 1962 (Section 232) and the *Trade Act* of 1974 (Section 201). Congress can reverse its delegation or cancel a tariff, but it must do so by joint resolution of Congress, which is subject to presidential signature or veto. Put another way, unless the president's actions are found to be unlawful by the courts, opposition to presidential action must be subject to a veto—proof of majority.

### What building products may be exempt under the USMCA?

While new tariffs may affect a wide range of goods, products that qualify under the United States-Mexico-Canada Agreement (USMCA) will remain exempt if proper documentation is in place at the time of import, including a valid USMCA Certificate of Origin from the Canadian or Mexican supplier held by the importer. Contractors who import directly without using a customs broker are responsible for securing and retaining this documentation themselves. On the other hand, contractors who buy through a buying group or distributor should confirm that a broker is handling all USMCA compliance.

At this time, it is unclear the extent to which USMCA protections will benefit SMACNA members who are seeking to import products adversely impacted by the current administration's tariffs. To qualify under the USMCA, a product must meet specific rules of origin. This often means that a significant portion of a product's materials must come from North America

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## RESPONDING TO TARIFFS

and certain manufacturing processes must occur within the region as well. Contractors may use the FTA Tariff Tool (*trade.gov/fta-tariff-tool-search*) to quickly learn what criteria a product needs to meet in order to qualify for lower tariffs.

Learn more at *smacna.org/business-resources/labor-relations/tariffs* ▪

## LOS ANGELES / ORANGE EMPIRE AGREEMENT

Pursuant to our Collective Bargaining Agreement, the following wage and fringe package shall be effective July 1, 2025, through December 31, 2025. The taxable wage isdecreased by $3.10 per hour and the National Pension is increased by $0.15 per hour. The total package is increased $3.25 per hour.

Effective July 1, 2025, the Local Union 105 Los Angeles / Orange Empire wage and fringe package shall be as follows:

| | Journeyman Wages | Foreman/Detailer | General Foreman |
|---|---|---|---|
| **Hourly Taxable Wage (increase)** | **$62.41** | **$71.77** | **$74.89** |
| * Savings Plan (taxable) | -10% | -10% | -10% |
| * 401(a) Plan - mandatory | $1.00 | $1.00 | $1.00 |
| * Retiree's Supplemental Health Plan | $0.65 | $0.65 | $0.65 |
| *** Health Plan (increase)** | **$11.25** | **$11.25** | **$11.25** |
| * Health Reimbursement Acct. (HRA) | $0.50 | $0.50 | $0.50 |
| * Local Pension | $11.82 | $11.82 | $11.82 |
| ** Local Training JATC | $0.70 | $0.70 | $0.70 |
| *** National Training ITI | $0.12 | $0.12 | $0.12 |
| *** National Pension | $4.54 | $4.54 | $4.54 |
| *** NEMI | $0.03 | $0.03 | $0.03 |
| *** SMOHIT | $0.02 | $0.02 | $0.02 |
| **** LMCT/FP-ACC | $0.09 | $0.09 | $0.09 |
| **Total Wage Package:** | **$93.13** | **$102.49** | **$105.61** |
| **** Industry Fund | $0.60 | $0.60 | $0.60 |
| **TOTAL:** | **$93.73** | **$103.09** | **$106.21** |

The mileage rate established is sixty-seven cents ($0.70) per mile. See zone and subsistence.

***** WORKING DUES RATE: Effective January 1, 2025, the dues check-off rate remains at two dollars and thirty-four cents ($2.34) per hour worked.

*, **, ***, ****, and *****: Please note there are changes on the enclosure titled “Funds Payment and Remittance Reporting Procedure effective July 1, 2025” for information regarding remittance payable names and the remittance mailing addresses.

For questions or to review supporting documents, please call Local 105 at (909) 305-2800.

## SMART Local 105 2025 Holidays

| Holidays | LA/OE Commercial | Bakersfield Commerical | Orange Empire Residential | LA/OE S&M | Bakersfield S&M | LA/OE Residential | Bakersfield Residential |
|---|---|---|---|---|---|---|---|
| Labor Day<br>Monday, September 1 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Day Before Vetran's Day<br>Monday, November 10 | ✔ | ✔ | | | | | |
| Veteran's Day<br>Tuesday, November 11 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Thanksgiving Day<br>Thursday, November 27 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Friday After Thanksgiving Day<br>Friday, November 28 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Christmas Eve<br>Wednesday, December 24 | ✔ | ✔ | ✔ | | | | |
| Christmas Day<br>Thursday December 25 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Day After Christmas Day<br>Friday, December 26 | ✔ | ✔ | | | | | |
| New Year's Day<br>Thursday, January 1 | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |