



**PIASCİK & ASSOCIATES**  
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Mr. A. Smith  
ABC Smith Company

Dear Mr. Smith:

### **New Tax Incentive for Construction Industry**

The recently enacted American Jobs Creation Act of 2004 has created a new deduction for production activities conducted in the U.S. Since you may qualify for this new deduction, I wanted to provide you with some information about it.

The deduction is a percentage of the net income from “U.S.-based production activities”—3% in 2005-2006, 6% for 2007-2009, 9% after 2009. The amount of the deduction for any tax year may not exceed 50% of your W-2 wages for that tax year. The deduction is available to all taxpayers with qualified production activities income, and it is allowable in computing the tax base for alternative minimum tax (AMT) purposes.

The deduction is allowed with respect to your qualified production activities income, which is your domestic production gross receipts net of expenses. Most of your gross receipts are probably domestic production gross receipts.

For pass-thru entities such as yours, the deduction generally is determined at the shareholder, partner or similar level by taking into account at that level the proportional share of the qualified production activities income of the entity.

I hope this information is helpful. If you would like more details about the new deduction, please do not hesitate to call.

Piascik & Associates, P.C., provides premier tax, business, and financial services to a broad range of clients throughout the United States, Canada and abroad. For more information, please visit [www.piascik.com](http://www.piascik.com), or call Ryan Losi directly at (804) 228-4179.

Very truly yours,  
PIASCİK & ASSOCIATES, P.C.

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