

S CORPORATION ASSOCIATION

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S Corp Modernization Introduced in the Senate!

Good news for S corporations! *S-CORP* allies Senator Blanche Lincoln (D-AR) and Orrin Hatch (R-UT) today introduced the “S Corporation Modernization Act of 2009.” This legislation is similar to bills offered in previous Congresses and includes many of our Association’s priorities for the year. In a statement accompanying the bill, Senator Lincoln noted:

“A strong economic recovery will depend on the health and strength of our small business sector,” Lincoln said. “Over four million of our small businesses across the nation are organized as S corporations, including more than 40,000 in Arkansas, and at least 60 percent of the new jobs created over the last decade have come from small businesses. Congress has not updated many of the rules governing S corporations, and as a result many privately-held businesses are not ideally positioned to deal with the current downturn in the economy. We must modify our outdated rules so that these businesses that are starved for capital have the means to expand and create jobs.”

The bill is designed to update and simplify S corporation rules -- some that date back 50 years -- to make it easier for these small and closely-held businesses to raise capital and compete in a difficult economy. The “S Corporation Modernization Act” would:

- Enhance the ability of S corporations to attract and raise capital;
- Make it easier for family-owned S corporations to stay in the family; and
- Encourage additional charitable giving by S corporations and the trusts that hold them.

The whole S-Corp team thanks Senators Lincoln and Hatch for continuing their support of America’s small and closely-held businesses and we look forward to working with them to get these important reforms enacted into law this Congress!

More S Corps than Ever!

Just in time for our advocacy of the S Corporation Modernization Act, our friends at Statistics of Income have published their taxpayer [Data Book](#) for 2008 and guess what?

For 2008, there were nearly 4.4 million S corporations, an increase of more than 300,000 firms from 2007 and 1.7 million more than just 10 years ago.

Now if the SOI folks would only update their more in-depth “S Corporation Returns” study, we could dive into these numbers and get a better sense of the source of this growth. The most recent study is from [2003](#), and newer analysis is long overdue.

Obama Administration’s Tax Hikes

This week President Obama released the [details](#) of his proposals to raise taxes on multinational corporations. The two main components of the plan are new limits on deferral and the foreign tax credit and additional enforcement tools targeted at overseas “tax havens.”

Reaction on Capitol Hill was somewhat [underwhelming](#). Senate Finance Committee Chairman Max Baucus (D-MT) referred to the proposals as “controversial,” and noted, “We’ll look at it. I don’t know how much is going to be enacted this year.” Despite this less than glowing review, we do expect some form of the President’s proposal to move through the Congress this year -- their need for new revenues is just that strong.

What about S corporations? These proposals do not directly affect S corporations, but they are a worrisome indicator of the Obama Administration’s overall approach to business taxation. This Administration is looking to the business community to raise the tax revenues.

During his [press conference yesterday](#), Obama decried the “broken tax system, written by well-connected lobbyists on behalf of well-heeled interests and individuals. It’s a tax code full of corporate loopholes that makes it perfectly legal for companies to avoid paying their fair share.”

But businesses don’t pay taxes -- people do -- and the burden of raising taxes on corporations will fall primarily on the workers of those companies. Capital can and does move from one country to the next. For workers, it is just a little more difficult. It’s more difficult for S corporations too.