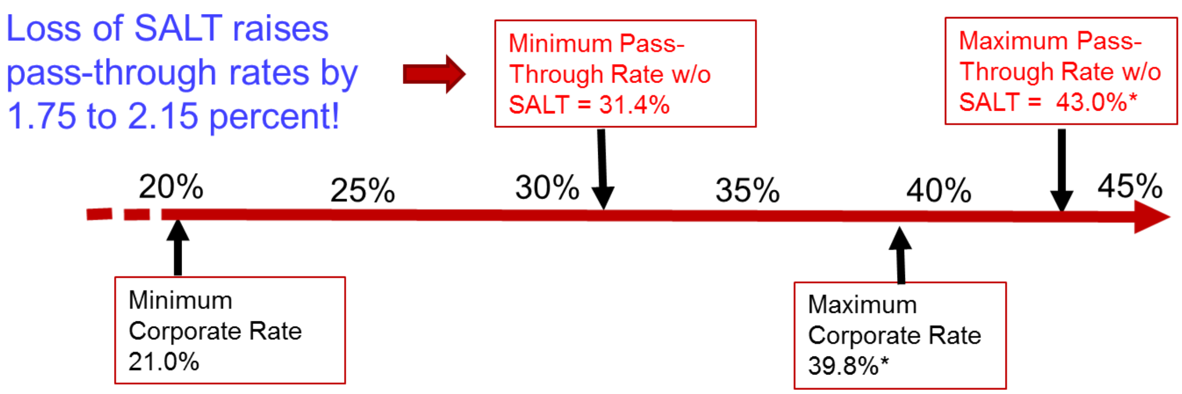
S CORP

DEFENDING AMERICA'S SMALL AND FAMILY-OWNED BUSINESSES

Restoring the Main Street SALT Deduction

The Challenge – Tax reform subjected deductions on state and local taxes (SALT) paid by pass-through business owners to the same $10,000 cap as taxes paid on wages and property. Taxes paid by business entities, like C corporations, remain fully deductible.

Since most states tax pass-through businesses at the owner level, this cap increases their tax rates and puts them at a competitive disadvantage compared to C corporations.



* Includes full double tax for C Corps and 3.8% NIIT for S Corps

It also puts businesses in these states at a disadvantage compared to businesses operating in states that have no income tax, like Texas and Florida.

This is a BIG deal! The S Corporation Association estimates that 3.6 million (out of 4.8 million S corporations nationally) are in danger of losing their SALT deduction this year. Millions of partnerships also stand to lose some or all of their SALT deduction.

The Solution – Affected States should change their laws to allow pass-through businesses the option of paying their taxes at the entity level. Specifically, this solution would:

- Allow pass-through business owners an annual election to pay SALT at the entity level;
- Give owners a credit for the taxes paid by the business to avoid double taxation; and
- Recognize the value of similar credits paid by other states to pass-through owners.

The resulting legislation would restore the deductibility of SALT to Michigan businesses at *no cost* to the state. It's a win-win for the States and their pass-through businesses. Connecticut has adopted this reform. Other states should too.