



S Corporation Association Update October 10, 2018

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1. More Tax Reform Comments!

Brian Reardon, BReardon@S-Corp.org

Tis the season for sending comments to Treasury! In the last two weeks, S-Corp and PMSE have sent in four formal sets of comments in response to Treasury actions on tax reform.

- On the Section 199A, S-Corp highlighted a series of improvements Treasury could make to ensure that real businesses with real profits get the deduction Congress intended. Getting the 199A rules right is just step one in a longer journey towards parity for Main Street. Read the [Washington Wire](#) and [comments](#) here. Read the PMSE [press release](#) and [comments](#) here.
- S-Corps with overseas operations need to pay attention to the Section 965 tax. The rules allow for S corporations to defer the tax indefinitely, but there are triggers that could trip you up. Read about the tax and our thoughts on improving it in our [Washington Wire](#) and [comments](#).
- S-Corp teamed up with the U.S. Chamber and 28 other trades this week to [highlight](#) the danger the IRS's position on overpayments poses to businesses and owners with outstanding Section 965 liabilities. Either the IRS changes its position on overpayments or the concept of deferred 965 liabilities is just an illusion.

2. September Membership Call – Presentation and Recording Available

Christine Walizer, cwalizer@s-corp.org

If you were unable to attend the membership call on Tuesday, September 25 and are interested in receiving a copy of the presentation and/or listening to a recording of the call, please contact Christine Walizer.

3. S-Corp in the News

[Where's My Refund?](#) Politico

Oct. 10, 2018:

It's high time the IRS take notice of a months-old complaint from companies losing out on tax refunds they expected this year, some 30 trade associations said in a group [letter](#) to the agency. At issue: Instead of cutting refund checks to companies for 2017 tax overpayments, the IRS is applying the money to taxes the companies owe, beginning this year, on profits they'd accumulated overseas.

*That's simply not right, said the U.S. Chamber of Commerce, the **S Corporation Association** and 28 other business organizations representing a range of interests including finance, tech, air conditioning, architecture, manufacturing, movies and more. Congress intended otherwise in drafting the repatriation tax under Section 965 of the new tax cuts law, which a plain reading of the law shows, the letter said.*

Business Tax Briefs: Major League Baseball Wants Tax Law Perk, Bloomberg

Oct. 2, 2018:

*The IRS sought to remedy this with an “aggregation rule” in the Aug. 8 proposed regulations, but it could use a few fixes, said **Brian Reardon, president of the S Corporation Association**.*

*For example, the proposed rules would require at least 50 percent ownership of each entity for it to be included in the aggregated group of businesses. **Reardon said the association “disagrees that 50 percent ownership is a necessary or helpful condition for aggregation under Section 199A” and “requests that Treasury delete the 50 percent ownership test.”***

4. Corporate Close-Up: SALT Cap Workaround Efforts May Further Complicate Disparate State Tax Treatment of Pass-Through Entities Bloomberg

Bloomberg throws some shade on our pass-through SALT fix:


In efforts to mitigate the impact of the newly-created federal cap on SALT deductions for individual taxpayers, several states have enacted, or are exploring, entity-level taxes on pass-through entities (PTEs) as a novel workaround. However, these entity-level tax systems, and their associated individual credits, risk introducing unnecessary complexity into state tax systems.

Not to worry. States understand that tax reform’s repeal of the SALT deduction for pass-through businesses is simply unfair. C corps continue to deduct these business expenses; so

should pass-throughs. The good news – more states are starting to move on this reform. Read the full article [here](#).

5. Social Media Update

Chris Smith, CSmith@MainStreetEmployers.org, [@MainStEmployers](#)

 **Parity for Main Street Employers**
@MainStEmployers [Follow](#) ✓

New [@thejointstaff](#) report includes [#199A](#) deduction. But [@EY_USTaxPolicy](#) shows that's the only way [@MainStEmployers](#) get anywhere close to [#taxparity](#) with C Corps.

Only on Washington would that be called a "tax expenditure". [jct.gov/publications.h ...](http://jct.gov/publications.h...)

11:32 AM - 5 Oct 2018

1 Like 

 **Parity for Main Street Employers**
@MainStEmployers [Follow](#) ✓

Make sure you check out [@MainStEmployers](#) comments on [#199A](#) regulations. Aggregation rules are pretty good; even better without a majority ownership or calendar year test. Its a big deal out here on Main Street. mainstreetemployers.org

*For Immediate Release
October 1, 2018*

*Contact: Christine Wallner
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christine@mainstreetemployers.org*

Main Street Employers Coalition Comments on Proposed Section 199A Rules

Welcomes Guidance on Main Street Deduction – Suggests Improvements

Today, the Parity for Main Street Employers coalition of national trade groups submitted [comments](#) to Treasury and the IRS in response to the notice of proposed reforming on the qualified business income deduction under Section 199A.

PMSE commends Treasury for crafting rules that will help Main Street businesses get the pass-through deduction Congress intended. To improve the rules, PMSE recommends that Treasury streamline the test for aggregating trades or businesses by dropping the "majority ownership" requirement and eliminating the requirement that all aggregated trades or businesses use the same tax year.

The comments further request that Treasury amend the proposed rules to treat loss-generating businesses fairly – if their losses are included in calculations that reduce the 199A deduction, they should also be included in calculations that increase it.

"PMSE is pleased that the proposed rules permit aggregation of business entities in a broad range of circumstances," said Chris Smith, Executive Director of the Parity for Main Street Employers coalition. "A robust aggregation approach is essential to ensure that pass-through businesses get the full 199A deduction, regardless of how they are organized."

"And the deduction is essential for Main Street Employers to move closer to tax parity with publicly traded corporations. However, the majority ownership and taxable year requirements needlessly complicate the rules and would exclude many businesses that should otherwise get the deduction."

PMSE has led business community efforts to ensure the rules coming out of Treasury are pro-Main Street. An new EY study released this summer by PMSE demonstrates that the Section 199A deduction is essential to maintaining parity between large, public corporations and Main Street businesses organized as S corporations, partnerships, and sole proprietorships.

For a copy of the full comment letter, please visit mainstreetemployers.org.

###

Main Street Employers are the backbone of the American economy—employing the majority of U.S. workers, and comprising 95% of all U.S. businesses. By organizing as S corporations and

1:06 PM - 2 Oct 2018

1 Retweet 1 Like 

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@MainStEmployers [Following](#) ✓

To improve the rules, PMSE recommends that [@USTreasury](#) streamline the rule and better reflect business reality by dropping:

- "majority ownership" requirement
- forcing grouped businesses to all use the same tax year

5:51 PM - 1 Oct 2018

Parity for Main Street Employers
@MainStEmployers

Following

PMSE comments on #199A regs: Pleased that rules permit broad aggregation of @MainStEmployers; robust approach essential to ensure pass-throughs get full 199A deduction regardless of how they are organized & move closer to #taxparity with C corps. [mainstreetemployers.org/wp-content/upl ...](http://mainstreetemployers.org/wp-content/upl...)

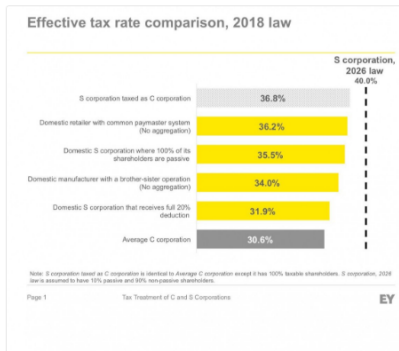
5:51 PM - 1 Oct 2018

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@MainStEmployers

Following

Who pays higher taxes: C Corps or S Corps & pass-throughs? Bob Carroll @EY_USTaxPolicy answers: effective tax rate for S corp still higher than avg. C corp. but #199A deduction gets closer to #taxparity. Why Congress should make it permanent. See vid here: youtu.be/vA0uf98SihU



4:00 PM - 24 Sep 2018

2 Likes

Parity for Main Street Employers
@MainStEmployers

Following

House set to vote this week on Tax Reform 2.0 bills to make permanent #199A deduction for @MainStEmployers. Essential step for #business #taxparity. Certainty = investment + jobs. See our letter-> [politico.com/newsletters/mo ...](http://politico.com/newsletters/mo...) via @politico @RepKevinBrady @WaysandMeansGOP



11:57 AM - 24 Sep 2018

4 Retweets 3 Likes

 Parity for Main Street Employers
@MainStEmployers Following

Bill making [#199A](#) [#TCJA](#) deduction permanent "will give American families, workers, and Main Street small businesses certainty and will continue to fuel the strong economic growth we've witnessed over the past year," via [@RepKevinBrady](#) via [@njagoda](#) [@thehill](#)



House panel advances key bill in new round of GOP tax cuts
The House Ways and Means Committee on Thursday advanced legislation to cement the individual tax changes in President Trump's tax law, as House Republicans seek to shine a light on t...
[thehill.com](#)


6:32 PM - 13 Sep 2018

 Parity for Main Street Employers
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Businesses organized as S corporations, partnerships and sole proprietorships comprise 95% of American companies, employ the majority of American workers, and are a vital part of the American economy.

11:04 AM - 13 Sep 2018


1 Retweet

 Parity for Main Street Employers
@MainStEmployers Following

The American economy is growing at a remarkable pace, but continuation of this growth is at risk because the centerpiece of tax relief for Main Street – the 20 % pass-through deduction – is only temporary. Business needs certainty to plan and grow.

11:04 AM - 13 Sep 2018

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The 20 percent pass-through deduction is critical for the success of Main Street employers. Making this deduction permanent will help put these businesses on a more level playing field with publicly trade C corporations and help them to fully contribute to economic expansion.

11:04 AM - 13 Sep 2018

1 Retweet

Parity for Main Street Employers
@MainStEmployers Following

#Congress working to make business tax relief permanent. We say #ThankYou



Watch Live
Watch live Ways and Means Committee hearings and markups over topics such as health care, tax reform, social security, trade, and oversight.
waysandmeans.house.gov

10:50 AM · 13 Sep 2018

1 Like

1 Retweet 1 Like 1 Reply

Parity for Main Street Employers
@MainStEmployers Following

New PMSE letter supporting @WaysandMeansGOP bill to make #199A #TCJA permanent. Essential step to create level playing field for @MainStEmployers. #Taxparity & tax certainty = new investment & #jobs.



September 13, 2018

The Honorable Kevin Brady
Chairman, Committee on Ways & Means
United States House of Representatives
1312 Longworth HOB
Washington, DC 20515

Dear Chairman Brady:

The Parity for Main Street Employers coalition strongly supports making the Section 199A pass-through deduction a permanent part of the tax code and applauds the Committee for including this key provision in the "Protecting Family and Small Business Tax Cuts Act of 2018" (H.R. 6390).

The American economy is growing at a remarkable pace, thanks in large part to tax reform and its focus on reducing taxes on employers and employees alike. But continuation of this growth is at risk because the centerpiece of tax relief for Main Street – the 20 percent pass-through deduction – is temporary and is scheduled to expire in a few years. Business needs certainty to plan and grow.

The 20 percent pass-through deduction is critical for the success of Main Street employers. Businesses organized as S corporations, partnerships, and sole proprietorships comprise 95% of American companies, employ the majority of American workers, and are a vital part of the American economy. Making this deduction permanent will help put these businesses on a more level playing field with publicly traded C corporations and help them to fully contribute to economic expansion.

As a coalition comprised of national trade groups representing American Main Street businesses, whose members employ millions of private sector workers in every community and every industry, including construction, engineers, retailers, manufacturers and more, we applaud this first step in the effort to make permanent the pass-through deduction, and we fully support its inclusion in H.R. 6390.

Sincerely,

The Parity for Main Street Employers Steering Committee Members:

American Council of Engineering Companies
Associated Builders and Contractors
Associated General Contractors of America
Independent Community Bankers of America
National Association of Wholesale Distributors
National Beer Wholesalers Association
National Electrical Contractors Association
National Roofing Contractors Association
S Corporation Association

10:39 AM · 13 Sep 2018

5 Retweets 2 Likes

5 Retweets 2 Likes 1 Reply

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