



S Corporation Association Update October 30, 2018

S-Corp Update Contents

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1. S-Corp Testifies on 199A

Brian Reardon, BReardon@S-Corp.org

Board Member and Advisory Committee Chair Tom Nichols represented S-Corp in Tuesday's IRS hearing on Section 199A.



Tom was one of 26 witnesses to testify. As *Tax Notes* [summarized](#):

Thomas J. Nichols of Meissner, Tierney, Fisher & Nichols SC said when taxpayers have losses from one trade or business and income from another, they are required to aggregate those amounts to determine the deduction amount, even though aggregation isn't mandated when determining whether Form W-2 wages and basis in property can be combined.

Read the full Washington Wire [here](#).

2. S-Corp in the News

[News Analysis: Could the IRS Identify SALT Workarounds as Listed Transactions?](#) *Tax Notes*

Oct. 29, 2018:

After Connecticut adopted its entity-level tax arrangement, **Parity for Main Street Employers** — a coalition of businesses organized as passthroughs — released [model state legislation](#) for the SALT cap workaround.

“According to the Joint Committee on Taxation, the tax hike from the loss of the SALT deduction is significantly bigger than the benefit of the 20-percent pass-through deduction,” **Chris Smith, the coalition’s executive director, said in May.**

Brian Reardon, president of the S Corporation Association, praised the AICPA’s analysis of the 13 states and localities that already impose some type of entity-level tax on passthrough businesses. “Nobody’s arguing that those taxes wouldn’t be deductible under the new tax reform regime,” he said.

“That clarification, in my mind, strengthened the case that we have,” **Reardon said.** “We’re not trying to pretend that a tax is a charitable contribution. We’re simply saying that if the new rule is that entity-level taxes are deductible and shareholder taxes are not, then states should look to impose these taxes at the entity level and make them deductible.”

Reardon added that it’s patently unfair that under the TCJA, C corporations can continue to deduct state and local taxes, but an S corporation cannot.

“There’s no reasonable, underlying policy rationale for that,” **Reardon said.** “Until we can fix this at the federal level, I think it’s perfectly appropriate for states to address it on their own.”

Business Tax Briefs, Groups Seek Expensing, Repatriation Fixes, Bloomberg Tax Oct. 10, 2018:

S Corporation Group’s Repatriation Revisions

*The IRS’s denial of refunds to companies that overpay their repatriation tax liabilities could force S corporation shareholders to pay taxes “that would otherwise be deferred indefinitely,” and the agency ought to revise its stance, the **S Corporation Association** said in an Oct. 9 letter to acting IRS Chief Counsel William Paul.*

The 2017 tax overhaul created a 15.5 percent tax on multinationals’ accumulated overseas cash and cash equivalents and an 8 percent levy on less liquid accumulated offshore earnings, which can be paid in installments over eight years, under tax code Section 965.

S corporation shareholders can choose to defer repatriation tax payments indefinitely until a “triggering event,” such as the end of the company’s S corporation status or the liquidation of all its assets, occurs.

In an Aug. 2 memorandum, the IRS said repatriation tax overpayments can only be

*applied to future installments and not refunded for the taxpayer's overall tax year payment "until the entire 2017 tax liability is paid, including all of the installments of the deferred payment." This memo particularly hurts S corporations, given their special deferral election, **S Corporation Association President Brian Reardon** wrote: "It is contrary to congressional intent and it is contrary to a plain reading of the law."*

3. December Membership Call

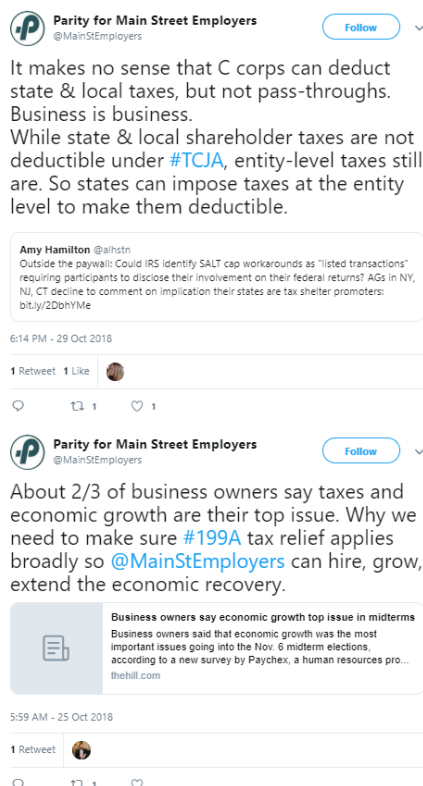
Christine Walizer, cwalizer@s-corp.org

Please mark Tuesday, December 11th at 5:00 p.m. Eastern for our next S Corporation Association Member Call. The call will cover the results of the 2018 elections and what they mean for tax policy, an update on our pass-through SALT fix, plus the latest on Congress' lame duck session and the leadership elections. Should be a very interesting call, so be sure to join.

Just click on this [calendar invite](#) to put this call directly on your calendar.

4. Social Media Update

Chris Smith, CSmith@MainStreetEmployers.org, [@MainStEmployers](https://twitter.com/MainStEmployers)





Parity for Main Street Employers
@MainStEmployers

Follow

Main Street biz still desperately seeking clarity on [#199A](#) tax rules. Outcome will make all the difference for expanding jobs, growth, extending recovery into 2019 and beyond. 95% of US biz, over 1/2 of workforce are watching. politi.co/2ySRE4X via [@politico](#)



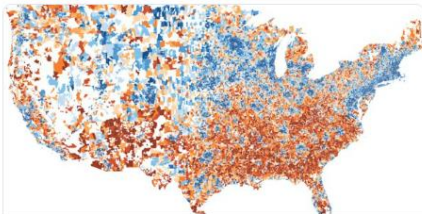
11:25 AM · 17 Oct 2018



Parity for Main Street Employers
@MainStEmployers

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3/4 of counties had fewer places of business in 2016 than they did in 2007. We need more [@MainStEmployers](#), not less. Another reason why tax code should treat biz income the same regardless of size/form of ownership. 199A deduction essential for [#taxparity](#).



2018 Distressed Communities Index

The Distressed Communities Index (DCI) combines seven complementary metrics into a broad-based assessment of community economic well-being in the United S...
eig.org

2:42 PM · 15 Oct 2018

2 Likes



Parity for Main Street Employers
@MainStEmployers

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Reminder: a public hearing on the Section [#199A](#) deduction will be held in the [#IRS](#) Auditorium, 1111 Constitution Avenue, N.W., Washington, D.C. on October 16th at 10:00 a.m. [@MainStEmployers](#) will be watching.

12:35 PM · 15 Oct 2018

1 Retweet



Parity for Main Street Employers
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Comments matter. Essential for [@MainStEmployers](#) to weigh in for [#199A](#) deduction to apply broadly; essential for [#taxparity](#) w lower C corp tax rate. [mainstreetemployers.org/wp-content/upl ...](https://mainstreetemployers.org/wp-content/upl...)

Brian Faler · [@Brian_Faler](#)

Does Treasury actually read the comments? Sure does, say agency veterans. Not just that. The department relies on them to give it a sense of how its rules would play out in the real world...

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6:26 PM · 11 Oct 2018



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