



## S Corporation Association Update March 5, 2018

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### 1. S-Corp on SALT

Brian Reardon, [breardon@s-corp.org](mailto:breardon@s-corp.org)

S-Corp and our Parity for Main Street Employers coalition were featured in two articles on the state and local income tax deduction in recent weeks. The tax overhaul prohibits deducting these taxes for most S corporations and other pass-through businesses and, as you can imagine, this policy change isn't popular in states with high tax rates. Some of them are taking action, including Connecticut. As [Tax Notes](#) observed:

*Developed by the Department of Revenue Services, the proposal calls for an entity-level tax on the net income of passthrough businesses and an offsetting individual income tax credit for the entity's members. Taking advantage of the fact that the new SALT cap does not apply to businesses, the proposal would effectively shift back to Connecticut residents a projected \$600 million in otherwise lost SALT deductions. "It works, and we can't see any way that there's any credible argument the federal government could make — IRS or otherwise — to disallow this," said Revenue Commissioner Kevin Sullivan.*

*Now that the proposal has circulated, people are coming out in support of it, including Brian Reardon of Reardon Consulting LLC, who lobbies Congress and Treasury on behalf of the S Corporation Association. "For most states, this approach would make the state more attractive to businesses," Reardon said, adding that the trade association will be seeking similar changes in other states. "The law is clear that taxes paid by the entity are deductible, so I don't know how or why the IRS would challenge this."*

[Politico](#), meanwhile, had this to say:

*Efforts at the state level to tax pass-throughs at the entity level, and give a corresponding tax credit to the company's owners to avoid double taxation. Connecticut has released a similar proposal in its efforts to skirt the GOP tax law's new cap on state*

*and local deductions, as Tax Notes reported this month. Smith and Brian Reardon of the S Corporation Association told Morning Tax on Tuesday that the coalition would work on the idea getting a beachhead in key states this year, and to distinguish the proposal from other workarounds they believe are less feasible, like the efforts in California and New Jersey to essentially allow taxpayers to get a charitable deduction for state and local taxes paid.*

## **2. Parity for Main Street Employers 2018 Launch**

Chris Smith, [csmith@mainstreetemployers.org](mailto:csmith@mainstreetemployers.org)

Politico covered the 2018 kick-off of the S-Corp-led Parity for Main Street Employers coalition last month. As the daily noted:

*A host of D.C. business advocates — from the S Corporation Association to the National Association of Wholesaler-Distributors to the Independent Community Bankers of America — are teaming up for a new coalition that seeks to protect the interests of pass-through businesses as the tax law gets implemented.*

*Pass-throughs scored that 20 percent deduction in the new tax law, but that provision is expected to pose particularly knotty questions as the executive branch crafts rules for the new law. "It is vitally important that the newly revised tax code support Main Street employers, and not work against them," said Chris Smith, the coalition's executive director and a former senior staffer at both House Ways and Means and the Treasury Department.*

Getting the rules right on the new tax law is essential to ensuring Main Street businesses get the full benefit of the law as drafted. PMSE is working on a trade-group letter to Treasury to highlight key aspects of the new rules and where we stand. More on this to come.

## **3. S-Corp Member Survey**

Chris Smith, [csmith@mainstreetemployers.org](mailto:csmith@mainstreetemployers.org)

Good policy demands good information! If you are an S corporation business, make sure to fill out the new S-Corp Survey. We need to better understand how the bill is affecting your business and your planning. You can access the survey [here](#).

## **4. S-Corp Monthly Membership Call – Tuesday, March 27, 4:00 p.m. (ET)**

Christine Walizer, [cwalizer@s-corp.org](mailto:cwalizer@s-corp.org)

Our March Membership WebEx will be held on **Tuesday, March 27 at 4:00 p.m. (ET)**. An email reminder and calendar invitation with call information will be sent prior to the call. We will discuss the tax law and its implications for S corporations, there will be a question

and comment period, and a presentation will be made available to participants. We look forward to hearing from you during the call.

**WebEx:** Please [REGISTER HERE](#) by entering your name, email and company. Once your registration is approved, a confirmation email will be sent to you with the call information. A reminder email will be sent 15 minutes prior to the call for you to click the “join the meeting” link.

**Conference Line:** If you prefer join by phone only, the dial in number is **1-510-338-9438**.

The April Membership WebEx call will be held on April 17 at 4:00 p.m. so please mark your calendars!

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