



**S Corporation Association Update  
May 23, 2018**

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- 1. Bloomberg Tax on SALT Reform in Connecticut**  
**Brian Reardon, [Breardon@S-corp.org](mailto:Breardon@S-corp.org)**

Bloomberg featured the Connecticut SALT fix for pass-through businesses back on May 10<sup>th</sup>, [Taxing Partners, Skirting Deduction Cap Evolves in Connecticut](#), including supporting comments from your S-Corp team:

*"This is a long-term project, but we believe that once a handful of states adopt this relief, other states will follow suit," **Brian Reardon, founder of Reardon Consulting LLC and president of the S Corporation Association**, told Bloomberg Tax. "It really does make a state more attractive to employers, and at no expense to the state. It's a freebie."*

- 2. PMSE Pushes SALT Parity**  
**Chris Smith, [csmith@mainstreetemployers.org](mailto:csmith@mainstreetemployers.org)**

[PMSE Releases Model State Legislation Preserving Federal, State & Local Tax Deduction for Main Street Employers](#)<sup>\*</sup>, Parity for Main Street Employers  
May 22, 2018:

*"Connecticut is to be praised for leading the way to address a huge disadvantage for Main Street employers," said Chris Smith, PMSE Executive Director... "That's why we are also releasing today model state legislation to preserve the continued deduction of state and local taxes for pass-through businesses as a business expense. We are urging more states to follow Connecticut's lead and act."*

<sup>\*</sup>The press release was also published nationally on [PR Newswire](#).

### 3. NY Requests Comments on Pass-Through SALT Fix

Brian Reardon, [Breardon@S-corp.org](mailto:Breardon@S-corp.org)

The New York State Tax Department released a discussion draft of legislation imposing a statewide unincorporated business tax, including a summary document highlighting key provisions of the draft. The draft is similar to the SALT fix adopted by Connecticut earlier this year, but would apply to partnerships only, not S-Corps. The write-up accompanying the draft, however, poses several questions for taxpayers:

*The Department respectfully requests comments on the discussion draft. For example, the Department would welcome comment on the tax base to which the UBT should apply; the types of business entities to which the UBT should apply (such as potential inclusion of New York S corporations); the appropriate tax rate for the UBT; whether to exempt income below a specified threshold from the UBT; whether any categories of income should be exempt; whether consideration should be given to creating an opt-in system for the UBT; and any other issues relating to the discussion draft or a potential UBT in New York State., including 1) should the entity level tax apply to S-Corps and 2) should it be an election.*

Should S corps be included? Should it be an election? “YES” to both! S-Corps should be included and making the new provision an election side-steps many complications that might otherwise doom the reform. (That’s our one quibble with the Connecticut fix.)

New York is asking for comments by July 16, 2018. S-Corp plans to submit some, and so should other businesses and trade groups interested in parity for Main Street.

Visit [Response to the federal Tax Cuts and Jobs Act](#) for further details.

### 4. Connecticut Moves on SALT Fix for Pass-Throughs

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

If you missed our most recent Washington Wire on the Connecticut SALT fix, you can read the full post [here](#):

*When the dust settled on last year’s tax overhaul, pass-through businesses were confronted with new rules for deducting State and local taxes – if they paid the taxes at the entity level, they could deduct them. If the taxes were paid at the owner level, they could not.*

*So, S-Corp asked, “Why not give Main Street businesses the option to pay state and local income taxes at the entity level?” That would preserve their ability to deduct those taxes and make the adopting state that much more attractive to Main Street employers. Moreover, the tax overhaul allows C corporations to deduct these taxes as legitimate*

*business expenses, so parity demands that S corporations and partnerships deduct them too.*

## 5. Social Media Update

Chris Smith, [csmith@mainstreetemployers.org](mailto:csmith@mainstreetemployers.org), [@MainStEmployers](https://twitter.com/MainStEmployers)

The Tax Foundation picked up our SALT model legislation press release and tweet (below), and “retweeted” it to over 5,000 followers in the tax community with useful commentary:

The screenshot shows a Twitter thread. The top tweet is from Scott Greenberg (@ScottElliotG) posted 3 hours ago. It mentions a DC group circulating model legislation for states to allow pass-through businesses to work around the new \$10,000 cap on the state and local tax deduction. It includes a quote from Parity for Main Street Employers (@MainStEmployers) which states: "To help additional states adopt this fix, we are providing model legislative text to assist in the drafting process. [mainstreetemployers.org/wp-content/upl...](http://mainstreetemployers.org/wp-content/upl...)" The tweet has 2 replies and 1 retweet. Below this is a tweet from Scott Greenberg (@ScottElliotG) dated 7:17 AM - 22 May 2018. It highlights a key tension in the 2017 tax law regarding the SALT deduction for entity-level taxes versus household-level taxes. This tweet has 3 retweets and 1 like. The thread continues with three tweets from Parity for Main Street Employers (@MainStEmployers), all posted 3 hours ago. The first tweet in the thread explains the model legislation: changing the incidence of tax on pass-through business income from the owner to the entity, making taxes deductible at the Federal level; providing a credit for taxes paid at the entity level; and recognizing credits paid by other states to pass-through owners. The second tweet repeats the offer of model legislative text. The third tweet mentions that Connecticut recently enacted a SALT fix and encourages other states to follow their lead. This tweet includes a link to the Connecticut General Assembly website (cga.ct.gov). The final tweet in the thread discusses the TCJA and C Corporations, noting that under the new law, C Corporations traded on Wall Street can continue to deduct their state and local taxes, and suggests that Main Street Employers should be organized as pass-throughs.

**Scott Greenberg** @ScottElliotG · 3h  
A DC group is circulating model legislation for states to allow pass-through businesses to work around the new \$10,000 cap on the state and local tax deduction

**Parity for Main Street Employers** @MainStEmployers  
To help additional states adopt this fix, we are providing model legislative text to assist in the drafting process.  
[mainstreetemployers.org/wp-content/upl...](http://mainstreetemployers.org/wp-content/upl...)  
Show this thread

**Scott Greenberg** @ScottElliotG · 7:17 AM - 22 May 2018  
Highlights a key tension in the 2017 tax law, which is that is was never particularly tenable to maintain the full SALT deduction for entity-level taxes but not for household-level taxes

3 Retweets 1 Like

**Parity for Main Street Employers** @MainStEmployers · 3h  
Model legislation would: Change the incidence of tax on pass-through business income from the owner to the entity, making taxes deductible at the Federal level; Provide a credit for taxes paid at the entity level; Recognize credits paid by other states to pass-through owners.

1 1

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**Parity for Main Street Employers** @MainStEmployers · 3h  
To help additional states adopt this fix, we are providing model legislative text to assist in the drafting process.  
[mainstreetemployers.org/wp-content/upl...](http://mainstreetemployers.org/wp-content/upl...)

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Show this thread

**Parity for Main Street Employers** @MainStEmployers · 3h  
Last week [#Connecticut](#) led the way and enacted SALT fix for [@MainStEmployers](#)- now it's time for other states to follow their lead.

**Connecticut General Assembly**  
[cga.ct.gov](http://cga.ct.gov)

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**Parity for Main Street Employers** @MainStEmployers · 3h  
Under [#TCJA](#), C Corporations traded on [#WallStreet](#) can continue to deduct their state and local taxes. So should [@MainStEmployers](#) organized as pass-throughs.

1

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## 6. S-Corp June Membership Call

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

Our next WebEx will be **Tuesday, June 12 at 4:00 p.m. (ET)**. We will discuss the tax law's effects on S corporations, and S-Corp activities and policy initiatives. There will be time for questions and comments toward the end of the call, and a presentation will be available to members. 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 on the "join the meeting" link.
- **Conference Line:** If you prefer join by phone only, the dial in number is **1-510-338-9438** and the access code is **626 423 490**.

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