



S Corporation Association Update

May 8, 2018

S-Corp Update Contents

1. *S-Corp in the News*
2. *Senate Finance Committee Hearing Report*
3. *Social Media Update*
4. *June Membership Call*

1. S-Corp in the News

Brian Reardon, breardon@s-corp.org

[The pass-through battle never stops](#), Politico,
April 25, 2018:

Brian Reardon, a key figure in a couple groups advocating for pass-throughs, told Morning Tax that he thought the 44 percent figure got far too much attention, and needed to be put into broader context. For instance, Reardon noted that people making seven figures are paying more in taxes because of new limits on the state and local deduction than they're gaining from the pass-through deduction, and that their effective marginal rates are still in the 40s.

[After Tax Reform, Banks Are Doing the Math on S-Corps](#), ABA Banking Journal
April 24, 2018:

ABA's Curtis Dubay and John Kinsella have been working with policymakers and other trade associations to make sure the intent of Congress with respect to S-corporation banks comes through in the definition of "qualifying income." Income qualifies for the deduction as long as the business is not engaged in a "specified service trade or business." The specified services, trades and businesses are defined in the law; however, the Treasury Department is working now to issue interpretative regulations that further define which types of business lines will be excluded from the deduction.

**The ABA is a member of the S Corporation Association*

[Pass-Throughs Wary of 'Roach Motel' Corporate Status After Tax Law](#), Bloomberg Tax
May 1, 2018:

“Partnerships, S corporations, and limited liability companies are hesitant to convert to C corporations despite tax law changes that cut the corporate tax rate to 21 percent. Corporations are like “a roach motel—easy to get in and hard to get out,” said Eric Sloan, a partner at Gibson, Dunn & Crutcher LLP’s offices in New York and Washington, expressing doubt that the lower corporate rate will persist. “I haven’t met anybody who thinks it will stay there in the long run.”

[Want a 20% Business Deduction? Here Are the Obstacles](#), The Wall Street Journal
April 23, 2018:

Business owners across the country are puzzling through [a new 20% tax deduction for pass-through businesses](#) that was included in last year’s major overhaul of the U.S. tax code. Those firms—most U.S. businesses—don’t pay the 21% corporate income tax. Instead they put their business profits on their individual income-tax returns. These businesses include [partnerships, limited-liability companies and S corporations](#).

2. Senate Reviews Tax Bill

Brian Reardon, breardon@s-corp.org

The Senate Finance Committee held a hearing entitled “Early Impressions of the New Tax Law” and S-Corp posted the following comments. You can watch the hearing [here](#), and read the full S-Corp post [here](#):

“One reason the effective rate for pass-through businesses continues to be so high is that the benefit of the pass-through deduction is offset by the base-broadening provisions included in the plan. Senators focusing exclusively on the pass-through tax benefit are ignoring the higher taxes those businesses will pay from other provisions the tax overhaul including the loss of the SALT deduction, the active income loss limitation, and other base broadening provisions.

“Table 7 makes this point. It shows the loss of the SALT deduction alone costs top earners \$33 billion in 2018. That’s \$15 billion more than the total pass-through deduction benefit to that same group of taxpayers.”

Table 7.—Distribution of Tax Benefit for State and Local Tax Deduction

Income Category (1)	2017		2018		2024		2026	
	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions	Returns (Thousands)	\$ Millions
Less than \$10,000.....	3	[2]	5	[2]	3	[2]	2	[2]
\$10,000 to \$20,000.....	161	17	50	7	48	9	204	25
\$20,000 to \$30,000.....	477	92	109	25	120	31	541	128
\$30,000 to \$40,000.....	1,027	275	214	64	264	87	1,182	388
\$40,000 to \$50,000.....	1,635	531	421	128	467	175	1,774	756
\$50,000 to \$75,000.....	5,799	3,220	1,811	846	2,158	1,235	6,514	5,048
\$75,000 to \$100,000.....	6,189	5,576	2,286	1,734	2,667	2,442	7,131	8,680
\$100,000 to \$200,000.....	17,650	27,878	6,382	6,920	7,590	9,333	21,075	46,195
\$200,000 to \$500,000.....	7,816	26,160	4,148	7,081	4,893	9,323	9,371	40,296
\$500,000 to \$1,000,000.....	1,015	11,491	780	2,191	864	2,571	1,225	19,394
\$1,000,000 and over.....	490	34,202	418	1,287	446	1,436	574	52,099
Total, All Taxpayers.....	42,262	109,443	16,624	20,282	19,520	26,643	49,593	173,009

(1) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, (8) individual share of business taxes, and (9) excluded income of U.S. citizens living abroad. Categories are measured at 2018 levels.

(2) Less than \$500,000.

Source: Joint Committee on Taxation staff estimates.

3. Social Media Update

Chris Smith, csmith@mainstreetemployers.org

S-Corp and Parity for Main Street Employers use Twitter to help get the Main Street message out. Be sure to follow our feeds [@SCorpAssn](https://twitter.com/SCorpAssn) and [@MainStEmployers](https://twitter.com/MainStEmployers) and spread the word! Here are the most recent tweets:



Parity for Main Street Employers @MainStEmployers · 23h

Fairness and efficiency support taxing biz at the same effective rates—that's #taxparity. But new @CenterOnBudget report strangely sides with c corps traded on Wall Street vs. @MainStEmployers.



Pass-Throughs and Corporations Had No Parity to Maintain

Among the 2017 tax law's most flawed parts is a large tax break for certain "pass-through" income — which the owners of businesses such as partne...

cbpp.org

1 1



Parity for Main Street Employers @MainStEmployers · 23h

The pass-through structure is an essential part of the fabric of the American economy, not a ticket to tax avoidance.

1



4. S-Corp June Membership Call

Christine Walizer, 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**.

© 2018 S Corporation Association (S-Corp). All rights reserved. Copying or distribution of this material, in whole or in part, in any format, is prohibited without prior written consent of the S-Corp.