



## S Corporation Association Update June 19, 2018

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1. **S-Corp and PMSE in the News**  
Brian Reardon, [Breardon@S-corp.org](mailto:Breardon@S-corp.org)

We continue to push for state adoption of the model SALT fix recently released by PMSE:

[Coalition Proposes Tax Legislation Model to Help Pass-Throughs](#), Law360  
May 22, 2018:

*Chris Smith, PMSE executive director, told Law360 that his group modeled the proposed law on Connecticut's measure as the state came out with its proposal just as PMSE advisers were debating how best to approach the issue. "Connecticut is to be praised for leading the way to address a huge disadvantage for Main Street employers," Smith said in a statement. "S corps, partnerships and LLCs across America face a tax increase from the loss of the SALT deduction." Smith explained in the statement that the tax increase caused by the loss of the SALT deduction is much bigger than what the benefit of the 20 percent pass-through deduction would be, citing the Joint Committee on Taxation. "That's just not fair and is the opposite of tax parity," he said. "C corporations can continue to deduct their state and local taxes. So should pass-throughs."*

[Business Group to States: Pursue Connecticut-Style SALT Workaround](#), Tax Notes  
May 28, 2018:

*"C corporations can continue to deduct their state and local taxes" under the TCJA, Chris Smith, executive director of Parity for Main Street Employers, said in a statement. "So should passthroughs."*

*Smith told Tax Analysts that the model bill is based on Connecticut [Substitute S.B. 11](#), but allows states to decide the tax rates and size of the credit. "We were agnostic on that part," he said.*

## Senate Advances SALT Cap Workaround, Tax Notes

Jun 4, 2018:

*In Connecticut, the legislature on May 9 approved [a workaround](#) that would take advantage of the fact that the SALT deduction cap does not apply to corporations and passthrough owners and investors. Parity for Main Street Employers, a business advocacy group, on May 22 [released model legislation](#) similar to Connecticut's legislation that would adopt an entity-level tax on S corporations and create an offsetting tax credit for the entity's members.*

## House Lawmakers Push Treasury, IRS for Fair Passthrough Rates, Tax Notes

Jun 11, 2018:

*The Parity for Main Street Employers coalition requested in a [March letter](#) guidance that would allow taxpayers to group activities conducted through S corporations and partnerships when calculating qualified business income under [section 199A](#). The coalition also sought guidance to permit businesses with existing groups under [section 469](#) to reorganize to reflect the TCJA.*

## **2. 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.

### 3. Mass S-Corp Conversions? Not Yet, But Wait 'til the Deduction Expires

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

The Penn Wharton policy center issued a study predicting mass conversions to C corps. We respond with a Washington Wire. You can read the full post [here](#):

*For S-Corp, the news here is less about doctors and accountants and more about what it says will happen if the pass-through deduction is allowed to expire. This study makes clear the dramatic separation in outcomes for those pass-through businesses that get the deduction and those that don't. For businesses that get the deduction, entity choice is a close call. For those that don't, there really is no decision—they will all be C corporations. A 21-percent corporate rate without an off-setting pass-through deduction will push the business community in the wrong direction—towards the harmful double corporate tax rather than away from it. Which is why the law's authors need to start pressing for permanence now.*

### 4. Social Media Update

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

And PMSE responded to Penn Wharton via social media:



**5. June Membership Call – Presentation and Recording Available**  
**Christine Walizer, [cwalizer@s-corp.org](mailto:cwalizer@s-corp.org)**

If you were unable to attend the membership call on June 12 and are interested in receiving a copy of the presentation and a recording of the call, please contact Christine Walizer.

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