



## S Corporation Association Update August 21, 2018

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#### **1. Proposed 199A Rules Released**

Brian Reardon, [BReardon@S-Corp.org](mailto:BReardon@S-Corp.org)

The much-anticipated draft rules on how to calculate the new, 199A pass-through deduction were released this month, and the early reports are they look pretty good. As our “Washington Wire” noted:

*Today’s release was broader than what we expected, and appears to be designed to give most businesses the details they need to file next year, including a refined definition of “trade or business,” clarification on which industries are “specified services” and therefore precluded from the deduction, and a new approach to when business owners may aggregate or group together separate legal entities to calculate the deduction.*

On the key aggregation issue, Treasury created a whole new approach to grouping together related entities for calculating the deduction that appears to work for many (most?) owners, although we will only know for sure once all the comments are in. The draft rule was officially [published](#) in the Federal Register on August 16<sup>th</sup>, so the 45-day comment period will close on October 1<sup>st</sup>.

You can read the whole post [here](#).

#### **2. AICPA on Additional 199A Guidance**

Hard on the heels of the draft 199A rules, the AICPA is requesting the IRS and Treasury issue additional, immediate guidance on a range of other S corporation issues, including the application of the new laws on loss carryforwards and the treatment of deferred foreign income under Section 965. As the letter notes:

*We have identified certain items affecting S corporations that we recommend the government address in the coming months. We urge the Department of the Treasury ("Treasury") and the Internal Revenue Service (IRS) to focus their attention on these areas in need of priority guidance. Our letter includes both the AICPA priority issues and the recommendations to resolve these issues.*

You can read the full letter [here](#).

### 3. S-Corp in the News

[Pass-throughs, the aftermath](#), Politico

Aug. 9, 2018:

*And what does the pass-through community say? Their boosters in and around D.C. are pretty satisfied, all things considered. Pass-through advocates had been particularly hopeful that Treasury would allow aggregation, a policy they believe will help keep pass-throughs within shouting distance of corporations when it comes to effective tax rate. "My sense is what they tried to do here is to give most businesses everything they need to file," said Brian Reardon of the S Corporation Association.*

[Pass-through time](#), Politico

Aug. 8, 2018:

*The goal, a senior Treasury official told reporters, is to keep those businesses — whose reasons for organizing through multiple companies frequently don't have to do with taxes — from restructuring themselves in order to get the 20 percent deduction. Pass-through advocates say letting such companies aggregate — essentially, unite under one umbrella — would help them more fully capture the deduction, and get their effective tax rates near the average effective rates corporations pay under the new law, HR 1.*

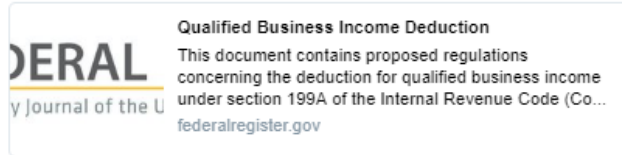
### 4. Social Media Update

Chris Smith, [CSmith@MainStreetEmployers.org](mailto:CSmith@MainStreetEmployers.org), [@MainStEmployers](#)



**Parity for Main Street Employers** @MainStEmployers · Aug 16

@FedRegister publishes regulations for #199A #TCJA pass-through deduction. Clock officially starts for comment period. Mark your calendars:  
-comments must be received by October 1  
-public hearing scheduled for October 16



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**Parity for Main Street Employers**

@MainStEmployers

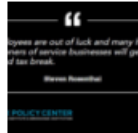
Following

Essential that @MainStEmployers weigh in on need for deduction to apply broadly, minimize compliance burdens.

10:02 AM - 16 Aug 2018



**Parity for Main Street Employers** @MainStEmployers · Aug 15  
@TaxPolicyCenter's @steventax only sees business taxation as #classwarfare. But as long as tax rate for corps traded on Wall Street is 21%, @MainStEmployers need broad #199A deduction to help move toward tax parity & avoid tax increase. @USTreasury regs strike a healthy balance.



**Tax Policy Center** @TaxPolicyCenter  
.@steventax argues the @USTreasury's #199A regs help high-income owners of service business and hinder moderate-income workers. How? Find out in his latest TaxVox post. [tpc.io/2P7l8mW](https://tpc.io/2P7l8mW)

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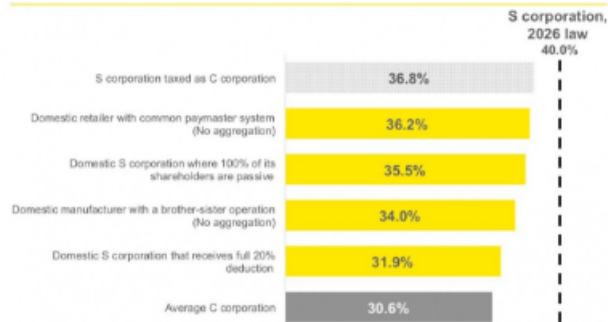


**Parity for Main Street Employers**  
@MainStEmployers

Following

[mainstreetemployers.org/wp-content/upl ...](https://mainstreetemployers.org/wp-content/upl...)

### Effective tax rate comparison, 2018 law



Note: S corporation taxed as C corporation is identical to Average C corporation except it has 100% taxable shareholders. S corporation, 2026 law is assumed to have 10% passive and 90% non-passive shareholders.

Page 1   Tax Treatment of C and S Corporations

EY


11:51 AM - 15 Aug 2018

 **Parity for Main Street Employers** @MainStEmployers · Aug 8  
@MainStEmployers welcomes Treasury's guidance applying the new 20% tax deduction to thousands of U.S. businesses organized as pass-throughs—the S-corps, sole proprietorships, and partnerships that comprise 95% of all businesses and who employ the majority of American workers.-->

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 **Parity for Main Street Employers** @MainStEmployers · Aug 8  
Importantly, the proposed rules permit many business owners to aggregate--or group--their business units for purposes of the deduction. Applying the deduction broadly helps put Main Street businesses on a more level playing field with public companies traded on Wall Street.-->

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 **Parity for Main Street Employers** @MainStEmployers · Aug 8  
This is only the start of the process, and we look forward to reviewing the specifics of the proposed rule in greater detail to ensure that the final rules apply the deduction as broadly as possible, while minimizing compliance burdens.-->

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 **Parity for Main Street Employers** @MainStEmployers Following ▾

And it is essential for Congress to make the deduction permanent.

2:04 PM - 8 Aug 2018

1 1 1 1

 **Parity for Main Street Employers** @MainStEmployers Following ▾

New @USTreasury #199A deduction proposed rules are out. A good start towards greater #taxparity for @MainStEmployers. [irs.gov/pub/irs-drop/r...](https://irs.gov/pub/irs-drop/r...)

2:01 PM - 8 Aug 2018

1 Retweet 1 Like



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 **Parity for Main Street Employers** @MainStEmployers Following ▾

Which employers pay the highest taxes? Probably not who you think. Pass-throughs like S corps pay higher effective tax rate than the average C corp, even with full #199A 20% deduction. Many @MainStEmployers pay even more. Surprised? Read on --> [mainstreetemployers.org](http://mainstreetemployers.org)