



## S Corporation Association Update August 7, 2018

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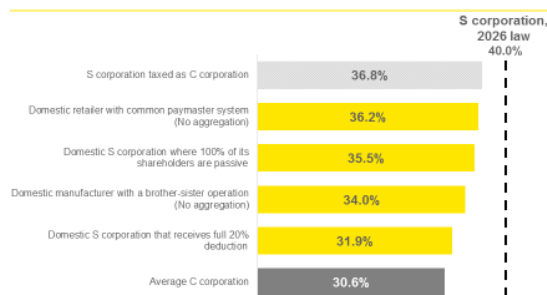
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#### 1. Main Street Businesses & the TCJA Briefing

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

Our Parity for Main Street Employers coalition hosted a packed-house briefing on the pass-through deduction and the effective tax rates faced by S corporations under tax reform. Held in the Capitol, the briefing featured Senator Ron Johnson (WI), the Wall Street Journal's Richard Rubin, and Doug Holtz-Eakin of the American Action Forum. Dr. Robert Carroll of EY presented his analysis of how much in taxes S corporations will pay under the new law. Spoiler alert – it's a lot. Here's the key slide.

Effective tax rate comparison, 2018 law



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

#### 2. Tax Notes on Prevalence of the Pass-Through Deduction

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

Marty Sullivan is writing about the pass-through deduction again, this time asking the pertinent question: “How big is the market for tax advice on the pass-through deduction?” Not so big, as he concludes:

*Our estimates also indicate that 3.35 million individual pass-through business owners have taxable income above the threshold amounts. These taxpayers’ benefits phase out between \$315,000 and \$415,000 of taxable income if they are specified service businesses, generally skilled professionals. Much will depend on details supplied in coming proposed regulations, but rough estimates based on industry data suggest that probably about half of all pass-through businesses are not specified.*

You can read the whole post [here](#). Just more evidence that getting the rules out of Treasury right is the first step in making the 199A deduction workable.

### 3. S-Corp in the News

[And don't forget the pass-throughs!](#) Politico

Jul. 31, 2018:

*OMB has been taking a look at initial rules for the 20 percent deduction for pass-through income, an area of TCJA where tax pros are most eagerly waiting for guidance. Robert Carroll of EY has new research to be released today suggesting that S corporations will face higher effective tax rates under the new law than traditional C-corporations, to be presented at an event sponsored by Parity for Main Street Employers. That group and other pass-through advocates have argued that the regulations fleshing out the 20 percent deduction will be key to keeping those businesses within shouting distance of corporations when it comes to taxes.*

[Another Round at Finance](#), Politico

Jul. 26, 2018:

**CLOCK'S TICKING:** Big news on the tax law implementation front — the White House's Office of Management and Budget, in its new role helping to oversee regulations from the Tax Cuts and Jobs Act, [H.R. 1 \(115\)](#), is [currently examining](#) a proposed rule governing the 20 percent deduction for pass-through income. The budget office's Office of Information and Regulatory Affairs revealed on its website that it received the rule from the Treasury Department on Monday, starting a 10-day clock for OMB review, as Pro Tax's Aaron Lorenzo reported.

*The rules on OMB's desk aren't expected to be the only regulations dealing with the pass-through deduction but could go a ways in deciding what businesses will be eligible for the tax relief. Business group officials closely watching for pass-through regulations said Wednesday that it was tough to say exactly what the "computational" guidance out of the executive branch will entail, but that aggregation would be one of the issues*

*dealt with in the rules. What's aggregation? As it stands, pass-through owners with multiple companies aren't sure whether they can combine those interests for the purpose of the pass-through deduction, and advocates say those businesses could pay higher taxes if that's not allowed.*

#### 4. Washington Post with a Rare Good Idea

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

Good [read](#) in the *Washington Post* the other day – author argues for true corporate integration and a single layer of tax on American businesses. Perhaps the editors at the *Post* will read it and learn?

*My friends on the left would be aghast at the notion of businesses paying no tax. But the truth is that they have never paid tax — no, not even when rates were higher and IRS agents meaner. Those who insist that companies pay their “fair share,” just as wealthy people should pay their “fair share,” misunderstand what corporations are. They’re imagining a corporation as something like a really rich person. But a corporation is just a legal fiction that temporarily holds money ultimately destined for real people. And it’s those people — shareholders, employees, customers — who end up paying any tax levied on a corporation.*

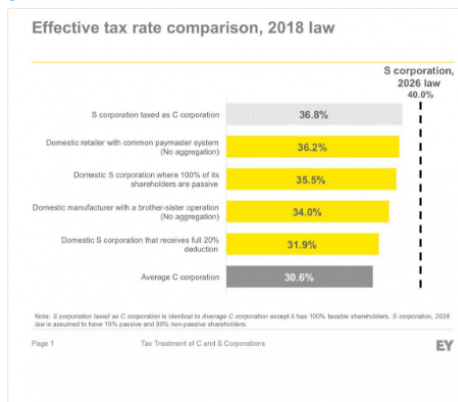
#### 5. Social Media Update

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



Watch our new video of all-star panel on taxation of [@MainStEmployers](#). [@EY](#) shows need to apply [#TCJA](#) [#199A](#) 20% deduction broadly, make it permanent. Hear:

-[@WSJ](#)'s [@RichardRubinDC](#)  
-[@RonJohnsonWI](#)  
-[@EY\\_USTaxPolicy](#)'s Bob Carroll  
-[@djheakin](#)  
-[@SCorpAssn](#)  
[youtube.com/watch?v=Q-z1fM...](https://youtube.com/watch?v=Q-z1fM...)



**Parity for Main Street Employers**  
@MainStEmployers

Following

Great @MainStEmployers panel discussion today with @RonJohnsonWI @EY\_USTaxPolicy @djheakin @SCorpAssn and @WSJ @RichardRubinDC.



12:49 PM - 31 Jul 2018

**Parity for Main Street Employers** @MainStEmployers · Jul 13

C corp tax cut draining US revenues but "for pass-throughs, the biggest benefits of the tax cuts may not be felt until later this year or until after they file their 2018 taxes sometime in 2019" due to complexity/delay in rules. via @RichardRubinDC



#### U.S. Government Revenues Drop in Wake of Tax Cuts

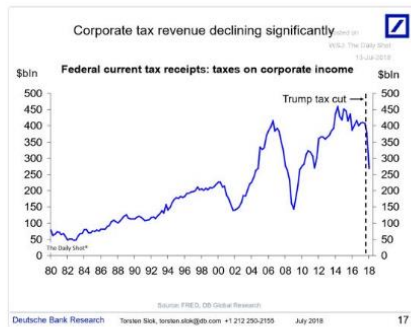
The Treasury Department on Thursday said government receipts fell 7% in June compared with the same month a year earlier, including a 33% drop i...  
wsj.com

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**Parity for Main Street Employers**  
@MainStEmployers

Following

@MainStEmployers are asking: where's our tax cut?



10:46 PM - 13 Jul 2018

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