

S-Corp Member Call

December 11th, 2018



Defending America's Small & Family Owned Businesses

S-Corp Member Call

Agenda

- Post-Election Update
- Tax Reform Implementation
- SALT Efforts
- 2019 Advocacy Plan

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Election Recap

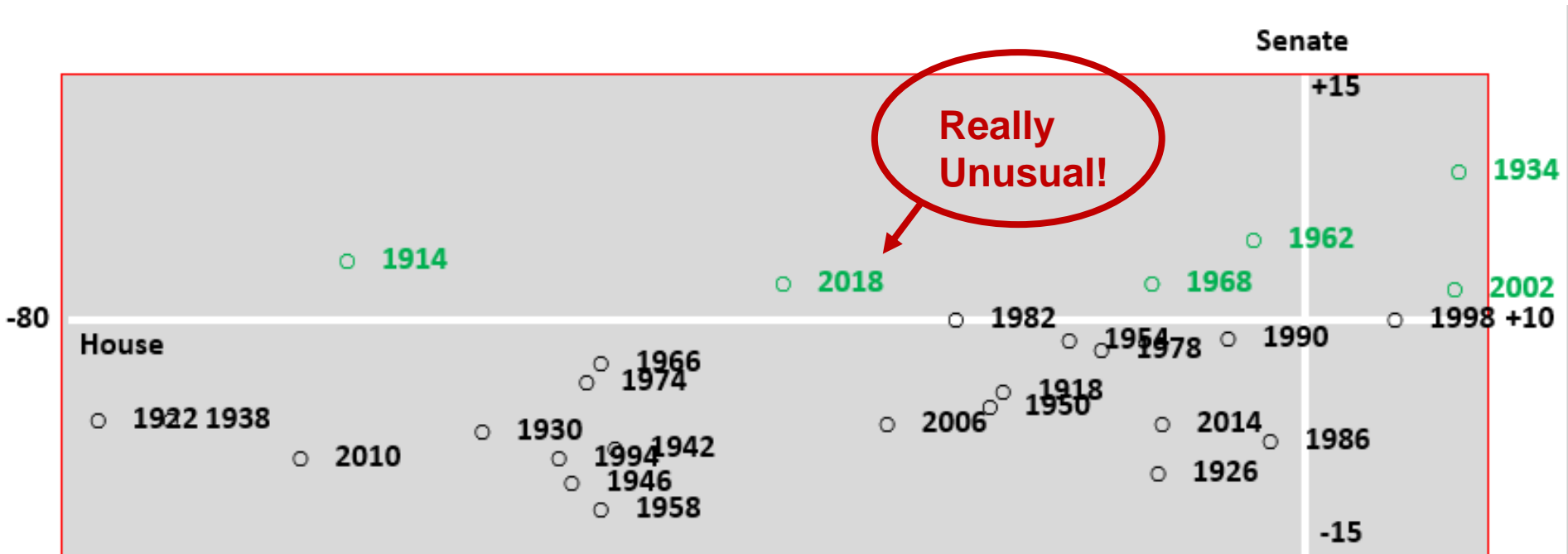
- For once, the conventional wisdom was right... Democrats took the House and added Governors while Republicans increased their majority in the Senate

	<u>Democrat</u>	<u>Republican</u>	<u>Dem Net Change</u>
House	234	199	39
Senate	47	53	-2
Governors	23	27	7

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Election Recap

- How unusual is this House-Senate Divergence?



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Ways & Means

Richard Neal (MA) - Chairman

~~Sander Levin (MI)~~

John Lewis (GA)

Lloyd Doggett (TX)

Mike Thompson (CA)

John Larson (CT)

Earl Blumenauer (OR)

Ron Kind (WI)

Bill Pascrell (NJ)

~~Joseph Crowley (NY)~~

Danny Davis (IL)

Linda Sanchez (CA)

Brian Higgins (NY)

Terri Sewell (AL)

Suzan DelBene (WA)

Judy Chu (CA)

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

Kevin Brady (TX) - Ranking Member

~~Sam Johnson (TX)~~

Devin Nunes (CA)

~~Dave Reichert (WA)~~

~~Peter Roskam (IL)~~

Vern Buchanan (FL)

Adrian Smith (NE)

~~Lynn Jenkins (KS)~~

~~Erik Paulsen (MN)~~

Kenny Marchant (TX)

~~Diane Black (TN)~~

Tom Reed (NY)

Mike Kelly (PA)

~~Jim Renacci (OH)~~

~~Kristi Noem (SD)~~

George Holding (NC)

Jason Smith (MO)

Tom Rice (SC)

David Schweikert (AZ)

Jackie Walorski (IN)

~~Carlos Curbelo (FL)~~

~~Mike Bishop (MI)~~

Darin LaHood (IL)

Brad Wenstrup (OH)

1. _____

2. _____

3. _____



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Finance

~~Orrin Hatch (UT) - Chairman~~

Chuck Grassley (IA)*

Michael Crapo (ID)*

Pat Roberts (KS)

Michael Enzi (WY)

John Cornyn (TX)

John Thune (SD)

Richard Burr (NC)

Johnny Isakson (GA)

Rob Portman (OH)

Pat Toomey (PA)

~~Dean Heller (NV)~~

Tim Scott (SC)

Bill Cassidy (LA)

+1/2?

Ron Wyden (OR) - Ranking Member

Debbie Stabenow (MI)

Maria Cantwell (WA)

~~Bill Nelson (FL)*~~

Bob Menendez (NJ)

Thomas Carper (DE)

Ben Cardin (MD)

Sherrod Brown (OH)

Michael Bennet (CO)

Bob Casey (PA)

Mark Warner (VA)

~~Claire McCaskill (MO)~~

Sheldon Whitehouse (RI)

+1/2?



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Washington Update

- New House Tax Bill
 - Delays Medical Device, HIT, Cadillac taxes
 - Repeals Tanning Tax!
 - No Extenders
 - Some Technical Corrections
 - More...
- Outlook: Dim – Including technical corrections, excluding extenders makes for a very difficult path in the Senate



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Washington Update

- Treasury Roll-Out Continues:
 - Aggregation
 - De Minimis
 - Lots of recent public commentary
 - IRS' narrow interpretation of "involving"
 - A higher De Minimis solves lots of problems!
- Section 965
 - Treasury/IRS digging on their position
 - Mnuchin defends Treasury position
 - Technical Fix continues to ignore S Corps
- Gift Limits



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SALT Efforts

- Michigan
 - MI bill passed the Senate, up in the House this week
 - Could be signed as part of year-end negotiations
- Wisconsin
 - Bill passed legislature last week
 - Awaiting Governor's signature!
- Arkansas
 - Pass-Through SALT fix part of Tax Reform panel recommendations
 - Legislation being drafted in time for new legislative session
- New York
 - Department of Taxation continues to work on its proposal
 - Shooting for Governor's 2019 budget proposals

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2018 Review

- Member Communications
 - 8 Association Member Lunches
 - 6 Member Calls
 - Over a Dozen SWAT Team Calls
 - 2 new Websites
 - Two dozen Wires and Bi-Weekly Updates
 - 1 Survey

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2018 Review

- External Communications
 - Three dozen news articles
 - Seven trade association speeches
 - Five agency comments
 - Four trade association letters
 - Three tax panels
 - Two testimonies
 - Two new studies
 - 1 Congressional briefing
 - 1 WSJ Editorial Board meeting
 - 1 Whiteboard

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PMSE Whiteboard



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2019 Advocacy

- 199A
 - Implementation
 - Permanence
- SALT
- Message Development
 - Revisit 2018 Survey
- Broadening the Coalition
 - PMSE Expansion
 - IC-DISC
 - S-Corp Mod

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S Corp Modernization

- Accomplishments:
 - 2017: ESBT NRA (Permanent)
 - 2017: ESBT Charitable Donations (Permanent)
 - 2015: 5-Year Recognition Period for Built-In Gains (Permanent)
 - 2015: Donations of Appreciated S Corporation Property (Permanent)
 - 2007: Removed Capital Gains from Passive Income “Sting” Tax Test (Permanent)
- Remaining S-Corp Mod Provisions:
 - Basis Step-up for S Corporation Assets
 - Modifications to Passive Income Rules
 - S Corporation IRA Shareholders
 - ~~Streamlined Procedures for S Corporation Elections~~

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Conclusion

- Rebuilding Subchapter S and making the world safe for family businesses is a multi-year effort
- We made real progress in 2018:
 - We have our messaging in place to appeal to a broad coalition of policymakers
 - Multiple states enacted our SALT reform
 - We expect Treasury guidance to move in our direction on aggregation and De Minimis
- For 2019, we intend to build on that progress:
 - Expand our SALT efforts
 - Expand the PMSE coalition
 - Build the case for permanence

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