



S Corporation Association Update

March 7, 2019

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#### **1. Tax Foundation Panel**

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

S-Corp participated in a panel hosted by the Tax Foundation on Friday, February 22. The panel took place in the Senate Finance Committee room and focused on 199A and the recent rules finalized by Treasury.

As you know, those rules are complicated and uneven, but also necessary if pass-through businesses are to maintain some sort of parity with their C corporation competitors. Our [EY study](#) from last summer does a nice job of making the case.



*Nicole Kaeding, Tax Foundation Director of Federal Projects, moderated the panel with Tony Nitti, Partner, RubinBrown; Andy Phillips, Director, Tax Institute at H&R Block; Kyle Pomerleau, Director of Quantitative Analysis, Tax Foundation; and Brian Reardon, President, S Corp Association*

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

#### **2. S-Corp Comments on 163(j)**

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

Last week the S Corporation Association submitted its formal comments to the IRS on the pending Section 163(j) rules. The revised Section 163(j) would impose the new, 30-percent cap on interest deductions as part of the Tax Cuts and Jobs Act (TCJA), but for manufacturers, they included an unwelcome surprise!

Read the comment letter and learn about the surprise [here](#) and the related *Washington Wire* [here](#).

### 3. S-Corp In the News

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

[Michigan Proposes Tax Deduction Cap Workaround with Tax Increase BNA](#), Bloomberg March 5, 2019

*This isn't the parity pass-through entities were hoping for when they proposed a workaround bill last year, Brian Reardon, S-Corporation Association of America president, told Bloomberg Tax Mar. 5. That bill would have saved pass-through entities about \$190 million annually in reduced federal income taxes.*

*Former Gov. Rick Snyder (R) vetoed that workaround bill out of concerns the state was moving too quickly and the Internal Revenue Service might short-circuit the workaround.*

*"This is a workaround for the treasurer of Michigan, not the employers of Michigan," Reardon said. "It looks like what she's proposing is, at no cost to the state of Michigan, we're going to take this benefit that goes to employers and put it in the treasury instead."*

*Reardon said he would work with the governor's office and the GOP-controlled Legislature to seek a version of the workaround.*

### 4. Social Media Update

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



S Corp Association  
@SCorpaAssn

Following

Great chart shows how wealth taxes target employers. Chart: What Assets Make Up Wealth? [visualcapitalist.com/chart-assets-m](http://visualcapitalist.com/chart-assets-m) ... via @Visualcap



7:04 AM - 26 Feb 2019

S Corp Association  
@SCorpaAssn

Following

A Stanford economist tries smearing pass-through owners by comparing them to Leona Helmsley, the infamous "Queen of Mean" and tax evader. But Helmsley used a C corporation to cheat. Whoops. The rest of the paper is similarly misguided. [siepr.stanford.edu/research/publi](http://siepr.stanford.edu/research/publi) ...

12:28 PM - 6 Feb 2019

Parity for Main Street Employers  
@MainStEmployers

Instead of "Impermanence" we need to make Main Street tax relief permanent. via @LydsONeal



**Tax Executives Fear Overhaul Impermanence as Dems Mull Tweaks**  
Tax executives have their eyes on the 2017 tax overhaul's instability as Democrats now in control of the House are set to begin a thorough review of the law and cons...  
[news.bloombergtax.com](http://news.bloombergtax.com)

3:21 PM - 5 Mar 2019

1 Retweet

Parity for Main Street Employers  
@MainStEmployers

Instead of a growing litany of job killing tax increases, how about making tax relief for @MainStEmployers permanent instead? #199A charts via @laurapdavis0n

Kirsten Gillibrand	<b>FINANCIAL TRADE TAX</b> A top 0.01% tax on stock trades and a 0.1% tax on bond trades	via	<b>INCOME TAX</b> Tax at 70% on income over \$1
Kamala Harris	<b>INCOME TAX</b> Tax credits paid through ending back some tax cuts		
Bernie Sanders	<b>TAX ON ASSETS</b> Tax on estates that have a value above \$10 million		<b>INCOME TAX</b> Make maximum marginal tax r
Elizabeth Warren	<b>FINANCIAL TRADE TAX</b> A top 0.01% tax on stock trades and a 0.1% tax on bond trades		<b>FINANCIAL TRADE TAX</b> Tax securities
	<b>TAX ON ASSETS</b> Tax households with a wealth above \$10 million		

12:27 PM - 5 Mar 2019



Parity for Main Street Employers  
@MainStEmployers

Making the section #199A QBI deduction permanent would be a big economic winner.

**199A Pass-Through Deduction**  
Economic Benefits of Permanence – Barro-Furman

Table 1  
Summary of the Major Government Receipts for Taxpayer Payments

Category	Current Law	Proposed Law	Change
<b>Losses (Losses)</b>			
Corporate tax payments	0.0%	4.0%	4.0%
Pass-through payments	0.0%	0.0%	0.0%
<b>Losses (Losses)</b>			
Loss of income after 10 years	0.0%	0.0%	0.0%
Change in annual growth rate	0.0%	0.0%	0.0%
<b>Expected Government Receipts, 2018-2027</b>			
Loss of income after 10 years	\$0.0	\$0.0	\$0.0
Change in annual growth rate	\$0.0	\$0.0	\$0.0

9:18 AM - 26 Feb 2019

1 Retweet 1 Like



Parity for Main Street Employers  
@MainStEmployers

When it comes to complexity and uncertainty, #199A QBI deduction is "50 shades of grey". And a big penalty for failure to comply. So to speak...Why we need to make 199A simpler broader & permanent.

**199A Pass-Through Deduction**

	199A	Non-199A
<b>Below Threshold (\$313k)</b>	<ul style="list-style-type: none"> <li>Must be a real section 1361 trade or business</li> <li>Rental property faces a 250-hour test</li> <li>20% deduction on all QBI</li> <li>Limited to 30% taxable income less cap gains</li> <li>Reasonable comp. guaranteed payments excluded</li> <li>No cap requirements for S-Corps &amp; sole prop.</li> <li>3-Year Independent Contractor Limit</li> </ul>	
<b>Above Threshold (\$413k)</b>	<ul style="list-style-type: none"> <li>Long list of service businesses disqualified from 199A</li> <li>May break up into multiple trades or businesses</li> </ul>	<ul style="list-style-type: none"> <li>Wage &amp; Capital guarantees apply</li> <li>May aggregate multiple trades &amp; businesses</li> <li>5/10% de minimis threshold</li> </ul>
<b>Between Thresholds</b>		<ul style="list-style-type: none"> <li>Deduction is phased out for 199A</li> </ul>

1:19 AM - 26 Feb 2019

2 Retweets



Parity for Main Street Employers  
@MainStEmployers

Great #talkingtax discussion by tax pros @taxfoundation @SCorpassn @HRBlock @nittiaj on all the ins and outs of the new #199A QBI deduction. Key points:

**199A Pass-Through Deduction**  
Key Points

- Pass-Through businesses need to maintain parity with the new 21-percent corporate rate
- Under TCJA, effective top tax rates paid by C-corps and pass-throughs depend on remarkable number of variables
- Final regulations out of Treasury do a good job of taking 199A and crafting workable rules
- Next Task: Make 199A permanent

7:28 AM - 25 Feb 2019

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