



S Corporation Association Update

May 1, 2019

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1. Oklahoma Enacts Pass Through SALT Parity!

Brian Reardon, BReardon@S-Corp.org

This week, Oklahoma became the third state to enact legislation restoring the deduction of state and local taxes paid on the business' income. Connecticut and Wisconsin passed similar legislation last year, while a number of states are actively debating bills this year.

Here's the current list of states who have enacted bills or are considering action, according to Bloomberg's [SALT Blog](#):

- Arkansas [H.B. 1714](#) (recommended for study by the Joint Interim Committee on Revenue and Taxation on March 26, 2019)
- Connecticut [S.B. 11](#) (enacted May 31, 2018)
- Michigan [S.B. 1170](#) (vetoed on Dec. 31, 2018)
- Michigan Governor's [Budget Proposal](#) (presented March 5, 2019)
- Minnesota [H.F.871/S.F. 304](#) (introduced on Feb. 2, 2019, and Jan. 22, 2019, respectively)
- New Jersey [S. 3246](#) (passed the Senate on Dec. 17, 2018, second reading in the Assembly on March 18, 2019)
- Oklahoma [H.B. 2665](#) (enacted April 29, 2019)
- Rhode Island [H. 5576](#) (introduced Feb. 27, 2019)
- Wisconsin [S.B. 883](#) (enacted Dec. 14, 2018)

2. Main Street Businesses Need Permanent Tax Relief to Grow

Chris Smith, csmith@mainstreetemployers.org

Executive Director of the Main Street Employers coalition hit the pages of *The Hill* last week to highlight the benefits of a robust Main Street business sector and the need for 199A permanence.

Main Street employers have long been the backbone of the American economy. Companies organized as S corporations, partnerships, and sole proprietorships comprise

95 percent of all the businesses in the United States, earn the majority of income from businesses, and employ the majority of American workers. While they are often referred to under the umbrella of small businesses, not all Main Street employers stay small, and neither does their contribution to the economy. In fact, the increased investment and higher wages we have seen since tax reform has occurred in substantial part due to the increased efforts of these many businesses.

A thriving Main Street industry helps spread the benefits of a growing economy more widely. Main Street employers are just that. They are the businesses that provide the critical economic security and employment opportunities to people in thousands of communities of all sizes across the country. They form the social fabric of these communities. They get involved by sponsoring little league teams and scout troops, financing local charities and foundations, and partnering with local educational institutions to provide workers with much needed job skills training.

You can read the full op-ed [here](#).

3. Former JCT Head Ken Kies on 199A and Double Taxation

Brian Reardon, BReardon@S-Corp.org

The 199A deduction has taken its share of criticism, so it was refreshing to see Ken Kies, former Chief of Staff at both Ways and Means and the Joint Committee on Taxation, take to the pages of *The Hill* with some much-needed 199A defense! Welcome to the pass-through team, Ken! Key points:

The notion that corporate income is subject to double-taxation is one of the great myths of tax policy. In fact, very little corporate income is ever (or currently) subject to a second level of tax.

Because so little corporate income is in fact subject to a current, second-level of tax, it is simply incorrect that the taxation of an individual's earned income (i.e., the treatment that applies to pass-through owners) would, but-for the section 199A deduction, be in "rough parity" with the taxation of corporate income.

First, the myth of the double-taxation of corporate income ignores the fact that the imposition of the tax is generally optional. For corporations that choose not to pay dividends and instead retain their earnings, the second-level of tax can be deferred in perpetuity.

Second, the myth of the double-taxation of corporate income ignores the fact that in many cases, dividends from a corporation are not subject to current tax....

In contrast, owners of a pass-through business are always currently subject to full, current taxation at a maximum rate significantly higher than the corporate rate.

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

4. Section 4960 Update

Brian Reardon, BReardon@S-Corp.org

Private companies beware, the new excise tax on high salaries paid by non-profits could hit you, and its due May 15th! If you have a private company and a “related” charity or foundation that shares its leadership, then under [guidance](#) issued by the IRS last December, you might owe this tax. Here are a couple helpful summaries:


- [JD Supra](#)
- [KPMG](#)
- [Ivins, Phillips & Barker](#)


Expect to hear more about this in coming weeks.

4. Social Media Update

[@SCorpAssn](#), [@MainStEmployers](#)





Tweets **Tweets & replies** **Media**


**S Corp Association** @SCorpAssn · now


 Oklahoma becomes the third state to enact pass-through SALT parity legislation! Rhode Island, New Jersey, Arkansas, Minnesota and Louisiana are all considering similar bills.


Tax Notes @TaxNotes

#Oklahoma @GovStitt (R) has signed into law a bill designed to enable passthrough entities to skirt the #SALT deduction cap. #statetax #OKleg bit.ly/2V7JmUK





   


**S Corp Association** @SCorpAssn · Apr 30


 Ken Kies makes a strong statement in favor of Main Street parity, including and solid analysis of what he calls “the myth of the double-taxation of corporate income”.




'Congress' worst tax idea ever'? Hardly.
For many reasons described, I respectfully (and completely) disagree.
thehill.com





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**Parity for Main Street Employers** @MainStEmployers · 17h

 Thanks @IMFNews for verifying what we've known for a long time: taxes matter. Why features like #199A are essential for Main Street business survival.



Tax Foundation @taxfoundation
A new @IMFNews study finds that high tax rates lower the chance of business survival, and gives lawmakers another reason to to focus on how reforms to tax policy can increase American #entrepreneurship....



Parity for Main Street Employers @MainStEmployers · Apr 25

Potential Main Street impact buried in #TCJA #IRS guidance: on May 15, some business owners and employees might face a stiff excise tax for related charity work. Read the details here ->
[pwc.com/us/en/services...](https://www.pwc.com/us/en/services...) via @PwCTax



Guidance for Section 4960 exempt organization co...

IRS Notice 2019-09 provides interim guidance to assist taxpayers in applying Section 4960.
[pwc.com](https://www.pwc.com)



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