



S Corporation Association Update

June 5, 2019

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#### **1. S-Corp Member Survey**

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

If you haven't already, please be sure to fill out our 2019 S-Corp Member Survey. The goal of this survey is to attain a clear picture of Main Street's response to the tax overhaul. All responses to this survey are anonymous and will not be traced to any member or business. It will only take about 10 minutes and the information you provide will be invaluable to us in our advocacy efforts.

Click [here](#) to begin the survey.

#### **2. Bloomberg on Pending SALT Rules**

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

Word on K Street is the IRS will be releasing SALT guidance and rules within the week. The Bloomberg story below focuses on the pending release of the final SALT rules targeted at the charitable workaround that NY and other states have put forward. This story does not reference the pass-through parity SALT bills enacted by OK, WI and CT, although there's word the IRS soon could release a notice of its intent to issue rules there too.

##### **[SALT Battle Lines to Watch With IRS Rules Nearing](#)**

By [Kelly Zegers](#)

Jun. 04, 2019 1:26PM

- *New York, other high-tax states have tried workarounds to \$10,000 federal limit*
- *Congressional opponents like New Jersey Democrat Pascrell still dug in*

#### **3. S-Corp Comments on Section 4960 Excise Tax**

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

The S Corporation Association sent comments to the Department of Treasury today raising concerns that recent guidance it published has the potential to impose the new, Section 4960 excise tax onto private operating companies. The tax is supposed to be targeted at big non-profits and universities that pay their executives and coaches' salaries in excess of \$1

million per year, but due to expansive definitions of “employee” and “related organization” included in the department’s guidance ... [\(Read More\)](#)

#### 4. Tax Foundation Needs to Fix Their Map

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

The Tax Foundation has updated some of their data on pass-through businesses last week, including this nice map with state-by-state data on the percentage of jobs from pass-throughs, which is helpful.... On the other hand, this map purporting to show the marginal rates paid by pass-through businesses by state appears to illustrate only a small subset of pass-through businesses, and those towards the bottom end of the possible marginal rate range to boot. [\(Read More\)](#)

#### 5. S-Corp in the News

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

##### [Politico: S Corps fear they could be hit by new tax on nonprofits](#)

*Family businesses and other S Corps could be hit by a new excise tax for highly paid officials at nonprofits unless the Treasury Department and IRS make changes to interim guidance on the tax, a trade group said today.*

*The 21 percent tax could snag businesses with associated foundations and charities where business members contribute time or money, since the guidance defines employees of the nonprofits too broadly, the S Corporations Association said in a letter to a pair of top Treasury and IRS officials.*

*Nonprofit officers "could be considered employees of the Foundation even though they receive no compensation from the Foundation, are full-time employees of the business and provide limited services to the Foundation or otherwise serve the Foundation in a nominal capacity," the letter said.*

*The new tax applies to compensation above \$1 million for the five highest-paid officials at certain nonprofits. It was included in the 2017 tax overhaul, H.R. 1 (115).*

*The interim guidance, issued last January, could make companies liable for the tax even if a business employee or family member ends their association with the nonprofit, the association said in its letter to David Kautter, who is the top tax official at Treasury, and IRS Chief Counsel Michael Desmond.*

*Treasury and the IRS are planning to release proposed regulations that include elements of the guidance.*

#### 4. Social Media Update

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



**S Corp Association** @SCorpAssn · May 29

The S Corporation Association sent comments to the Department of Treasury today raising concerns that recent guidance it published has the potential to impose the new, Section 4960 excise tax onto private operating companies. You can read more here:

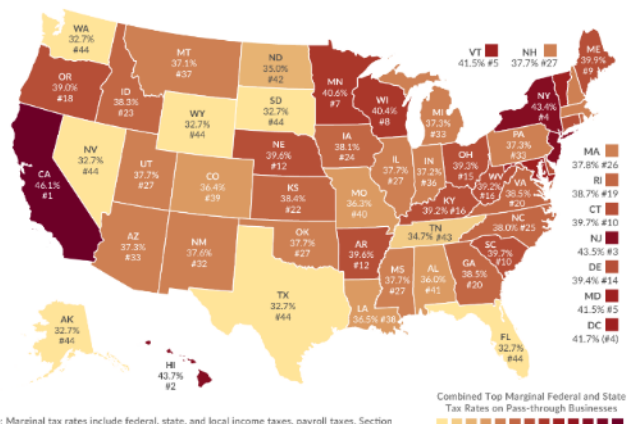


**S Corp Association** @SCorpAssn · May 22

The Tax Foundation has updated data on pass-through businesses, including a nice map with state-by-state jobs data, which is helpful. Their map showing pass-through marginal rates, however, understates the real rates paid by many businesses. Read more: [s-corp.org/2019/05/tax-fo...](https://s-corp.org/2019/05/tax-fo...)

### In Some States, Pass-Through Businesses Face Marginal Tax Rates over 40 Percent

Combined Federal and State Top Marginal Tax Rates by State for Pass-through Businesses, July 2018



Note: Marginal tax rates include federal, state, and local income taxes, payroll taxes, Section

Combined Top Marginal Federal and State Tax Rates on Pass-through Businesses



**Parity for Main Street Employers** @MainStEmployers · May 24

The Freedom for Small Businesses Act of 2019, introduced by Rep. Andy Biggs, R-Ariz., would increase and expand the section #199A business income deduction.



### Congressman Biggs Introduces the 'Freedom for S...

WASHINGTON, D.C. – Today, Congressman Biggs introduced the Freedom for Small Businesses Act to lower the maximum tax rate on small business revenue...

[biggs.house.gov](https://biggs.house.gov)

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**Parity for Main Street Employers** @MainStEmployers · May 22

Many pass-throughs pay tax rates significantly higher than what is on @taxfoundation map. In reality, tax rates for @MainStEmployers are all over the map, depending on who gets the #199A deduction. Why it needs to be broad, made permanent. #199Aperm.



**S Corp Association** @SCorpAssn

The Tax Foundation has updated data on pass-through businesses, including a nice map with state-by-state jobs data, which is helpful. Their map showing pass-through marginal rates, however, understates the real rates...

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