Construction Industry Round Table

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Business News

08/03/2018 – S-Corporations Still Seeking Tax Parity

The S Corporation Association reported on a Congressional briefing held to highlight a new report by Ernst & Young (EY) on the challenges to achieve parity for pass-through taxation. The analysis, authored by Robert Carroll of EY, focused on all the complexities confronting pass-through businesses under the Tax Cuts and Jobs Act, and the resulting matrix of possible tax outcomes for pass-through businesses. The report found that effective tax rates on successful S-corporations (and other pass-through businesses) are consistently higher than the average C-corporation, even after adjusting for the double corporate tax and other variables. These findings are particularly important right now, as Treasury and the Office of Management & Budget are working on new regulations that would detail how business owners are to calculate the new 20-percent pass-through deduction under Section 199A. The EY analysis demonstrates that how Treasury determines the deduction should be calculated could mean the difference between getting the full deduction or none at all for some businesses.