



S-CORP

THE S CORPORATION ASSOCIATION
OF AMERICA

“Defending America’s Small and Family-Owned Businesses”

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S-CORP Opposes Eleventh-Hour Payroll Tax Hike

(Washington, D.C.) – As the only national association charged with protecting the interests of America’s 4.5 million S corporations, the S Corporation Association (*S-CORP*) today expressed serious concerns about an untested proposal to increase payroll taxes on service sector businesses by \$11 billion.

Late Thursday evening, Ways and Means Committee Chairman Sander Levin (D-MI) and Senate Finance Committee Chairman Max Baucus (D-MT) released the text of the American Jobs and Closing Tax Loopholes Act that would, among other items, impose a permanent and significant payroll tax increase on service sector S corporations. In response, the Chairman of the S Corporation Association Advisory Committee, Jim Redpath, issued the following statement:

“We understand the Committee’s interest in going after taxpayers who abuse the S corporation structure, but the provision released last week will impact firms with numerous shareholders and numerous employees who are fully complying with the law. As such, it represents an \$11 billion tax hike on employers in the middle of a very difficult economy, and it should be rejected. The IRS already has the tools necessary to go after ‘John Edwards’-like cases and they have done so on numerous occasions.

“From a compliance perspective, the provision adds significant complexity and uncertainty for certain service S corporations, requiring them to annually conduct a ‘principal asset’ test that is extremely subjective and will be the basis for extensive litigation. The provision arbitrarily discriminates against firms with ‘three or fewer’ principal employees, even if those employees are not owners and are fully compensated for their work.

“Finally, we are troubled by the lack of legislative process that preceded the introduction of this tax hike. It was never reviewed in committee; it was not subject to debate on the House or Senate floors; it was released for the first time last Thursday; and it is going to be attached to a major bill that already has cleared both houses. While we appreciate the fiscal challenges the Committee faces, we believe the lack of a review process has resulted in an excessively vague proposal that invites litigation and imposes unfair costs on law-abiding American businesses.”

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The S Corporation Association (S-CORP) is the only organization in Washington D.C. exclusively devoted to promoting and protecting the interests of America’s 4.5 million S corporations. S-CORP was founded in 1996.