



*For Immediate Release  
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## **S-CORP Response to H.R. 1**

WASHINGTON, D.C. – S-CORP has been a vocal supporter of the House Republican Blueprint and the unified tax reform framework. We have serious concerns though about the pass-through provisions in the tax reform draft released today. They fall well short of parity with the new 20-percent corporate rate, and, absent amendment, would result in tax hikes for a broad range of pass-through businesses. We look forward to working with the Committee and House leadership to address these concerns and move forward on tax reform.

We support the new 25-percent pass-through rate, but the guardrails that accompany the rate would severely limit its application to just a fraction of all active pass-through business profits. This ratio would take the business income of hundreds of thousands of pass-through businesses and treat them as if they are wages, subjecting them to rates nearly 20 percentage points above the rate applied to corporate profits. The bill also appears to expand the application of Obamacare taxes on S corporations.

The election to calculate an alternative “return on capital” does not appear to provide a reasonable estimate of true business profits. The capital calculation is limited to depreciable property and appears to be significantly less than the real investment an owner has in a business, while the proposed rate of return is well below ten-percent and would shortchange the ROI of many capital expenditures.

Our initial assessment is that many Main Street businesses will face higher taxes under this legislation than under current law. We are committed to continuing to work with the Committee to address these concerns and look forward to a pass-through rate that achieves better parity with the new, 20-percent corporate rate as we believed was part of the House Blueprint and unified framework.

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### **About S-CORP**

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 4.7 million S corporations. S-CORP was founded in 1996.