



Parity for Main Street Employers

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Main Street Employers Coalition Comments on Proposed Section 199A Rules

Welcomes Guidance on Main Street Deduction – Suggests Improvements

Today, the Parity for Main Street Employers coalition of national trade groups submitted [comments](#) to Treasury and the IRS in response to the notice of proposed rulemaking on the qualified business income deduction under Section 199A.

PMSE commends Treasury for crafting rules that will help Main Street businesses get the pass-through deduction Congress intended. To improve the rules, PMSE recommends that Treasury streamline the test for aggregating trades or businesses by dropping the “majority ownership” requirement and eliminating the requirement that all aggregated trades or businesses use the same tax year.

The comments further request that Treasury amend the proposed rules to treat loss-generating businesses fairly – if their losses are included in calculations that reduce the 199A deduction, they should also be included in calculations that increase it.

“PMSE is pleased that the proposed rules permit aggregation of business entities in a broad range of circumstances,” stated Chris Smith, Executive Director of the Parity for Main Street Employers coalition. “A robust aggregation approach is essential to ensure that pass-through businesses get the full 199A deduction, regardless of how they are organized.

“And the deduction is essential for Main Street Employers to move closer to tax parity with publicly traded corporations. However, the majority ownership and taxable year requirements needlessly complicate the rules and would exclude many businesses that should otherwise get the deduction.”

PMSE has led business community efforts to ensure the rules coming out of Treasury are pro-Main Street. An new EY study released this summer by PMSE demonstrates that the Section 199A deduction is essential to maintaining parity between large, public corporations and Main Street businesses organized as S corporations, partnerships, and sole proprietorships.

For a copy of the full comment letter, please visit mainstemployers.org.

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Main Street Employers are the backbone of the American economy—employing the majority of U.S. workers, and comprising 95% of all U.S. businesses. By organizing as S corporations and other pass-through businesses, they help keep family businesses in the family, and make America more innovative and competitive. That is why we need a federal tax code that restores parity between corporations and pass-through businesses. For more, see mainstreetemployers.org.