



Parity for Main Street Employers

July 11, 2018

New York State Department of Taxation and Finance
Building 9, W. A. Harriman Campus
Albany, NY 12227

Re: Comments on Discussion Draft for an Unincorporated Business Tax

New York Department of Tax and Finance:

The Parity for Main Street Employers coalition--representing more than one hundred national business groups and millions of Main Street employers--strongly supports efforts across the states to restore the ability of employers organized as pass-through businesses to deduct their State and Local income taxes (SALT) on their federal tax returns.

S-corps, partnerships, and LLCs across America face a massive tax increase from the loss of the SALT deduction. It's just not fair that C corporations traded on Wall Street can continue to deduct SALT, but Main Street employers can't. Fortunately, there is a clear legal path for states to fix this problem.

With states like New York in mind, PMSE released model state [legislation](#) that would:

- Provide for an annual election for pass-through businesses to be subject to an entity level tax;
- For pass-throughs making the election, change the incidence of tax on pass-through business income from the owner to the entity, making those taxes deductible at the Federal level;
- Give those owners a credit for the taxes paid at the entity level to protect them from double taxation; and
- Recognize the value of similar credits paid by other states to pass-through owners.

The New York State Department of Taxation and Finance's recently proposed Unincorporated Business Tax (UBT) legislation represents a good start to implement these key principles. However, to fully restore this critical deduction, the New York legislation needs three adjustments:

1. Include all pass-through businesses, including S corporations;
2. Include an annual election, so that employers wishing to retain their current passthrough treatment may do so; and
3. Be revenue neutral, to ensure that taxpayers are no worse off than under current law.

With these refinements, the PMSE coalition supports the New York effort and looks forward to working with its sponsors to see this important reform enacted early next year.

Sincerely,

Christopher Smith
PMSE Executive Director