

CHAPMAN LAW REVIEW SYMPOSIUM 2014

INTEGRATING SUBCHAPTERS K AND S

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□ IN 1996 I WROTE MY FIRST ARTICLE RECOMMENDING THE REPEAL OF SUBCHAPTER S.

□ I BELIEVE IN THE POWER OF PERSISTENCY.

□ H.R. 4137.

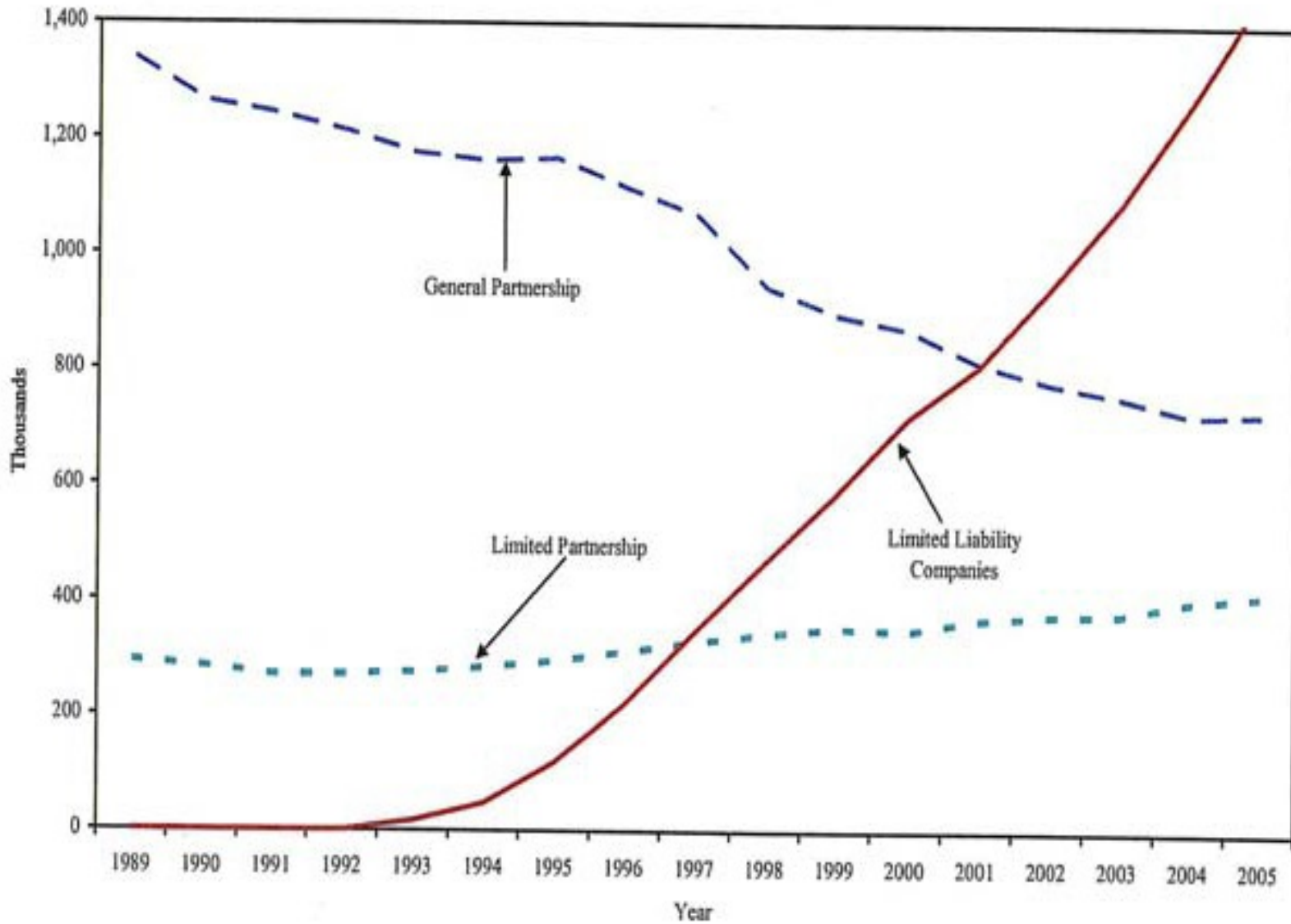
**□ GENERALLY, TAX PARTNERSHIPS
ARE A BETTER TAX DEAL THAN S
CORPORATIONS.**

**■ TWO BIGGIES: SPECIAL
ALLOCATIONS AND SECTION 752.**

□ WHILE SOME TAX PARTNERSHIPS ARE STUNNINGLY COMPLEX, IT IS VERY POSSIBLE TO HAVE A SIMPLE PARTNERSHIP.

■ MUCH OF THE COMPLEXITY IS VOLUNTARY.

Domestic Partnership Returns by Type of Partnership , 1989-2005 (Source JCT JCX-48-08)



**□ MAIN S CORPORATION
ADVANTAGES:**

□ NEAR TERM PUBLIC OFFERING.

**□ CAPITAL GAIN FREEZE
TECHNIQUE.**

□ NESE GAMBIT.

- SOCIAL SECURITY TAXES (12.4%) AND MEDICARE TAXES (2.9%).**
 - WATSON.**
 - OBAMACARE TAXES: .9% ON NESE, 3.8% ON NET INVESTMENT INCOME.**
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**□ SERVICE/NONSERVICE
BUSINESSES**

**□ WHEN IS INCOME FROM CAPITAL,
WHEN FROM SERVICES.**

RECOMMEND NONPUBLIC CORPORATIONS BE ALLOWED TO ELECT SUBCHAPTER K.

NUTS AND BOLTS.

CAMP PROPOSALS

□ OPTION 2

- NEW SUBCHAPTER K.
 - NO SPECIAL ALLOCATIONS.
 - NO CAPITAL GAIN FREEZE TECHNIQUE.
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- **MAY OR MAY NOT ALLOW NESE GAMBIT.**
 - **GAIN ON DISTRIBUTIONS.**
 - **WITHHOLDING TAX ON DISTRIBUTIONS.**
 - **NOT FULLY THOUGHT OUT.**
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■ **DOA.**

■ **PROBABLY DISCOURAGES BUSINESS
ENTITY TAX REFORM.**

TRA 2014

- DOES NOT JUST PLAY FAVORITES.**
 - TAKES ON A LOT OF SACRED COWS.**
 - MAKES SECTION 754 ELECTIONS MANDATORY AND REMOVES TIME LIMIT ON MIXING BOWL DEALS.**
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**□ ADDRESSES NESE GAMBIT AND
INCOME FROM CAPITAL.**

■ 70/30% SPLIT.

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- WHEN LIBERAL LAW PROFESSORS CAN FIND THINGS THEY LIKE IN A REPUBLICAN TAX PROPOSAL,**
 - COMPREHENSIVE TAX REFORM IS OFF TO A GOOD START.**
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**☐ CAUTION: BIG TAX REFORM CAN
LEAD TO UNEXPECTED
CONSEQUENCES.**
