



SCWA Legislative & Regulatory Update

July 3, 2023



SCWA Signs Joint Letter- 199A Main Street Tax Certainty Act of 2023

Dear Senator Daines and Congressman Smucker:

The undersigned business groups strongly support the introduction of your Main Street Tax Certainty Act of 2023, legislation to make permanent the 20-percent deduction for small- and individually-owned businesses (Section 199A).

Your legislation would provide certainty to the millions of S corporations, partnerships and sole proprietorships that rely on the Section 199A deduction to remain competitive both here and overseas.

Individually- and family-owned businesses organized as pass-throughs are the backbone of the American economy. They employ the majority of private-sector workers and account for 95 percent of all businesses. They also make up the economic and social foundation for countless communities nationwide. Without these businesses and the jobs they provide, many communities would face a more uncertain future of lower growth, fewer jobs, and more boarded-up buildings.

Despite this, Section 199A is scheduled to sunset at the end of 2025, even as the businesses it supports continue to recover from the COVID-19 pandemic and the price hikes, labor shortages, and supply chain disruptions that followed.

Making the Section 199A deduction permanent will help Main Street during this very difficult time, leading to higher economic growth and more employment. Separate studies by economists Barro and Furman, the American Action Forum, and DeBacker and Kasher found that making the pass-through deduction permanent would result in significantly improved parity and lower rates for Main Street businesses.

The more quickly Congress acts to make Section 199A permanent, the sooner Main Street businesses will benefit. We appreciate your introduction of this important legislation and look forward to seeing it enacted.

Sincerely,

Southwest Car Wash Association and other business associations



IRS Releases Guidance on Elective Payments and Transfers of Certain Credits Under the Inflation Reduction Act

The Internal Revenue Service issued proposed regulations and frequently asked questions today describing rules for applicable entities that earn certain clean energy credits and choose to make an elective payment election and rules for eligible taxpayers that elect to transfer of certain credits to unrelated parties.

For tax years beginning after Dec. 31, 2022, applicable entities can choose to make an elective payment election, which will treat certain credits as a payment against their federal income tax liabilities rather than as a nonrefundable credit. This payment will first offset any tax liability of the entity and any excess will be refundable.

Applicable entities generally include tax-exempt organizations, State and local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority and rural electric cooperatives. All other taxpayers may elect to be treated as an applicable entity for a limited number of credits.

Also, for tax years beginning after Dec. 31, 2022, certain eligible taxpayers (generally taxpayers that are not applicable entities) can make an election to transfer all or a portion of an eligible credit to unrelated taxpayers for cash payments.

The unrelated taxpayers are then allowed to claim the transferred credits on their tax return. The cash payments are not included in gross income of the eligible taxpayer and are not deductible by the unrelated taxpayers.

Temporary regulations were also issued today, providing rules that relate to a mandatory IRS pre-filing registration process, which will be through an electronic portal. The pre-filing registration process must be completed, and a registration number received, prior to making an elective payment election or an election to transfer eligible credits.

The process also applies prior to making an elective payment election related to advanced manufacturing investment credit amounts under the CHIPS Act of 2022. Proposed regulations were also issued today describing other issues related to the advanced manufacturing investment credit.



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