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fund Washington's future"*

# Corporate Conversions

Models for personal and corporate income taxes

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# Should we adjust models for corporate conversions?

## Federal tax reforms have caused behavior change

- Some pass-through businesses may be converting to C corporations.
- Implications for our models of PIT and corporate income/net receipts tax.

## Explored possibility of describing trend

- Results would be indeterminate.

## Certain businesses more likely to convert, including:

- Service sector.
- Higher-income shareholders/partners.
- Priority on retaining earnings (high-growth fields).

# We continue to explore possibilities for quantifying conversions

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## Possibilities include:

- Looking for an uptick in services companies changing FEINs.
  - Examining relative trends in state corporate income tax receipts, based on whether state applies corporate tax to S corporations.
  - Rely on external research that quantifies corporate conversions.
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**We welcome your suggestions!**

# For more information...

## Model Review document



### Model Review: Corporate Conversions (adjustment to PIT model and CIT model)

<b>Date</b>	March 19, 2020
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<b>Model Purpose</b>	Describe the extent to which pass-through entities in the Washington tax base have converted to C corporations. If appropriate, adjust models for the personal income tax (PIT) and the corporate income tax (CIT) accordingly.
<b>Data Sources</b>	Not applicable. This document discusses possible methods but does not list data sources.
<b>Requirements Model Used to Fulfill</b>	This would be a supplemental analysis, to support development of the models for a personal income tax and a corporate income tax, as required under ESHB 1109 (2019), Sec. 137(B) (c)(vii).
<b>Questions for Technical Advisory Group</b>	We welcome suggestions relating to data sources, background reading, and methods.
<b>Questions from Technical Advisory Group</b>	Text goes here – captured and meeting and recorded here

## Contact us:

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