

Income/Franchise:

Idaho: New Law Provides for Elective Passthrough Entity-Level Taxation

H.B. 317, signed by gov. 4/15/21. Responding to the \$10,000 cap on the federal individual income tax deduction for state and local taxes that was enacted in the 2017 federal tax overhaul legislation known as the Tax Cuts and Jobs Act (*i.e.*, P.L. 115-97), new law permits certain passthrough entities (PTEs) – including some partnerships, limited liability companies and S corporations – to elect to pay Idaho income tax at the entity level, applicable retroactively to January 1, 2021. Under the new law, such an election may be made for any taxable year by filing the election with a timely filed original return for that taxable year. The legislation includes a corresponding income tax credit for corporate or individual members of electing qualifying PTEs in the amount equal to the member’s pro rata share of the tax paid by the PTE. A direct or indirect member of an electing qualifying PTE that is also an electing qualifying PTE must subtract its distributive share of income or add its distributive share of loss from the PTE in which it is a direct or indirect member to the extent the income or loss was derived from sources within Idaho. Please contact us with any questions.

URL: <https://legislature.idaho.gov/sessioninfo/2021/legislation/H0317/>

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