

Income/Franchise:

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

H.B. 149, signed by gov. 5/4/21. Available for tax years beginning on or after January 1, 2022, new law provides an annual irrevocable election for S corporations and partnerships to pay tax at the entity-level, which must be made on or before the due date for filing the applicable income tax return, including extensions. Electing entities (PTEs) must pay income tax at a 5.75% rate on their Georgia-source net income (*i.e.*, under the corporate allocation and/or apportionment rules of O.C.G.A. § 48-7-31). Under the new law, electing PTEs and their respective shareholders and partners must forego some otherwise applicable state tax deductions and credits. For instance, in computing their net income, electing PTEs will “not be allowed any deduction for taxes that are based on or measured by gross or net income or any variant thereof.”

URL: <https://www.legis.ga.gov/legislation/59024>

See forthcoming Multistate Tax Alert for more details on these law changes, and please contact us with any questions in the meantime.

— John Paek (Atlanta)
Principal
Deloitte Tax LLP
jpaek@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Gregory Bergmann (Chicago)
Partner
Deloitte Tax LLP
gbergmann@deloitte.com

Cari Sorsa (Atlanta)
Senior Manager
Deloitte Tax LLP
csorsa@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

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