

Income/Franchise:

South Carolina: New Law Provides for Elective Passthrough Entity-Level Taxation

S.B. 627, signed by gov. 5/17/21. 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 qualifying partnerships, limited liability companies and S corporations – to elect to pay South Carolina income tax on active trade or business income at the entity level applicable to tax years beginning after 2020. Under the new law, such an election must be made no later than the due date for filing the applicable income tax return, including any extensions. Correspondingly, in computing South Carolina taxable income, a qualified owner of such electing PTE must exclude active trade or business income from the PTE, provided that the PTE properly filed its South Carolina entity-level income tax return and paid the applicable taxes that included the active trade or business income or loss.

URL: https://www.scstatehouse.gov/sess124_2021-2022/bills/627.htm

See recently issued Multistate Tax Alert for more details on this new law, and please contact us with any questions.

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