

Income/Franchise:

South Carolina DOR Summarizes Newly Enacted Elective Pass-through Entity Tax

Information Letter No. IL 21-24, S.C. Dept. of Rev. (9/15/21). The South Carolina Department of Revenue issued a summary of recently enacted state tax-related legislation [see S.B. 627 (2021) for details on enacted legislation that creates the pass-through entity tax election], including legislation that creates an annual election for some qualifying pass-through entities (PTEs) to pay South Carolina income tax on active trade or business income at the entity level [see previously issued Multistate Tax Alert for more details on South Carolina's new elective pass-through entity tax], applicable for 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. Please contact us with any questions.

URL: <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/IL21-24.pdf>

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

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-south-carolina-enacts-a-pass-through-entity-level-tax-election-and-updates-irc-conformity.pdf>

— Art Tilley (Charlotte)
Managing Director
Deloitte Tax LLP
atilley@deloitte.com

Meredith Morgan (Charlotte)
Senior Manager
Deloitte Tax LLP
mmorgan@deloitte.com

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

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