

## Income/Franchise:

### Idaho State Tax Commission Addresses New Passthrough Entity-Level Tax Election

*Notice: More SALT Guidance*, Idaho State Tax Comm. (12/20/21). The Idaho State Tax Commission (Commission) issued guidance reflecting state legislation enacted in 2021 that permits certain passthrough entities (PTEs) to elect to pay Idaho income tax at the entity level applicable retroactively to January 1, 2021 [see H.B. 317 (2021) and previously issued Multistate Tax Alert for more details on this new law], which was enacted in response 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). In doing so, the Commission explains that Idaho allows certain PTEs to annually elect and pay an elective tax in the amount of 6.5% of the pro-rata or distributive share of the entity's partners, shareholders, or members; in turn, the partners, shareholders, and members receive a tax credit equal to that amount.

**URL:** <https://tax.idaho.gov/n-feed.cfm?idd=4436>

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

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-idaho-enacts-pass-through-entity-level-tax-election.pdf>

Furthermore, the Commission explains that election to pay the new tax must be made on the qualifying PTE's original, timely-filed return and is irrevocable for the taxable year. The guidance additionally provides that members still report on their federal and state tax returns their share of the income that passes through to them from the PTE, but they can claim a credit for the tax paid by the entity equal to the amount of their share of ownership in the entity multiplied by the tax paid by the affected business entity. Such credit is available to individual and corporate members of the affected PTE. Please contact us with any questions.

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