

## Income/Franchise:

### Illinois DOR Posts More Guidance on New Entity-Level Taxation for Some Pass-through Entities

*Publication 129: Pass-through Entity Information*, Ill. Dept. of Rev. (2/22). The Illinois Department of Revenue (Department) issued additional guidance on new law [see Public Act 102-0658 (S.B. 2531 (2021))] and previously issued Multistate Tax Alert for more details on this new law] allowing certain partnerships and S corporations to elect to pay an entity level state tax on income (PTE tax). According to the Department, the PTE tax is an elective tax on partnerships (other than a publicly traded partnership under Internal Revenue Code section 7704) and subchapter S corporations effective for tax years ending on or after December 31, 2021, and beginning before January 1, 2026. An electing pass-through entity is subject to this PTE tax for the privilege of earning or receiving income in Illinois in an amount equal to 4.95% of the taxpayer's net income for the taxable year. In turn, each partner or shareholder of an electing pass-through entity is allowed a credit against their Illinois income tax for their share of the PTE tax paid by the electing entity, determined by the partner or shareholder's distributive share of the net income of the electing partnership or subchapter S corporation. The Department's publication includes additional procedural guidance and relevant definitions. Please contact us with any questions.

**URL:** <https://www2.illinois.gov/rev/research/publications/pubs/Documents/PUB-129.pdf>

**URL:** <https://www.ilga.gov/legislation/publicacts/102/PDF/102-0658.pdf>

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

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