

Income/Franchise:

Oregon DOR Posts Guidance on New Elective Pass-Through Entity-Level Tax

Pass-Through Entity – Elective Tax, Or. Dept. of Rev. (2/22). The Oregon Department of Revenue (Department) issued guidance on Oregon’s new elective pass-through entity level tax (PTE-E), which is a business alternative income tax based on the amount of an eligible pass-through entity’s (PTE) distributive proceeds [see S.B. 727 (2021) and previously issued Multistate Tax Alert for more details on this new law]. The Department explains that for tax years beginning on or after January 1, 2022, entities taxed as S corporations and partnerships whose members/owners are individuals, or pass-through entities wholly owned by individuals, that are subject to Oregon’s personal income tax may elect annually to be subject to this new tax. The election may be made on a timely filed return. The PTE-E is imposed at a rate of 9% on the first \$250,000 of distributive proceeds and 9.9% on any amount exceeding \$250,000. Qualifying members of an electing PTE are eligible for a credit equal to 100% of the member’s distributive share of the PTE-E paid. The Department’s guidance includes examples to illustrate related tax calculations. Additionally, the guidance provides that while estimated payments for the PTE-E are currently not required, “there is pending legislation to require estimated tax payments” and the ability to make estimated tax payments “will be available by the payment due on June 15, 2022.” Please contact us with any questions.

URL: <https://www.oregon.gov/dor/programs/businesses/Pages/Pass-Through-Entity-Elective-Tax.aspx>

URL: <https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/SB727>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-oregon-enacts-temporary-elective-pass-through-entity-business-alternative-income-tax.pdf>

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