

Income/Franchise:

New Mexico: New Law Offers Elective Entity-Level Taxation for Some Pass-through Entities

H.B. 102, signed by gov. 3/8/22. Applicable for tax years beginning on or after January 1, 2022, recently signed legislation provides an annual election for some pass-through entities to pay a new entity-level income tax. If elected, the new PTE tax would be imposed on the distributed net income of the electing pass-through entity for the taxable year at a tax rate equal to the higher of the maximum tax rate imposed pursuant to section 7-2-7 NMSA 1978, or the maximum tax rate imposed pursuant to section 7-2A-5 NMSA 1978 for the taxable year (i.e., at the highest New Mexico corporate and/or individual income tax rate, as applicable). The net income subject to the new PTE tax is exempt from both New Mexico corporate and individual income taxation. The legislation also addresses how to make the PTE tax election, when to file the return, and how to calculate the entity's distributed net income.

URL: <https://www.nmlegis.gov/Legislation/Legislation?Chamber=H&LegType=B&LegNo=102&year=22>

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

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