

Income/Franchise:

North Carolina DOR Issues Guidance on Pass-through Entity Tax Election

Important Notice Regarding North Carolina's Recently Enacted Pass-Through Entity Tax, N.C. Dept. of Rev. (4/14/22). The North Carolina Department of Revenue (Department) issued a notice reflecting state budget legislation enacted in 2021 that allows certain pass-through entities (PTEs) to elect to pay North Carolina income tax at the entity level effective for tax years beginning on or after January 1, 2022 [see S.B. 105 (2021) and previously issued Multistate Tax Alert for more details on this new tax]. The Department explains that this new PTE tax was established 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). The notice includes answers to a series of implementation-related frequently asked questions (FAQs), and explains that an eligible PTE has the option to make this election on its timely filed annual North Carolina tax return, which must be made by the due date of the PTE's annual return, including extensions.

URL: <https://www.ncdor.gov/media/13359/open>

URL: <https://www.ncleg.gov/BillLookup/2021/sb105>

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

See forthcoming Multistate Tax Alert for additional details on this new PTE tax, and please contact us with any questions in the meantime.

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