

## Income/Franchise:

### Ohio: New Law Creates Elective Pass-Through Entity-Level Tax with Refundable Owner Credits

S.B. 246, signed by gov. 6/14/22. 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), recently signed legislation permits qualifying pass-through entities to make an annual election to pay an entity-level state income tax for taxable years beginning on or after January 1, 2022. The tax rate for the pass-through entity-level tax is equal to 5% for the taxable year beginning in 2022; for taxable years beginning in 2023 and thereafter, the tax rate is equal to the Ohio individual business income deduction tax rate applicable for that taxable year, which is currently equal to 3%. Under the new law, owners of an electing pass-through entity may claim a refundable credit against the owner's Ohio income tax liability equal to the owner's proportionate share of the entity-level tax paid by the electing pass-through entity.

**URL:** <https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA134-SB-246>

See recently issued Multistate Tax Alert for more details on this new tax, and please contact us with any questions in the meantime.

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