

Income/Franchise:

Arizona: New Law Revises Tax Rate on Entity-Level Taxation for Some Pass-through Entities

H.B. 2871, signed by gov. 6/28/22. Recently enacted legislation revises the tax rate applicable to Arizona's elective entity level tax for certain pass-through entities [see H.B. 2838 (2021) and previously issued Multistate Tax Alert for more details on this new tax as originally enacted, as well as S.B. 1579 (2022) and *State Tax Matters*, Issue 2022-21, for some subsequently enacted changes to this entity level tax] by removing the fixed "4.5%" tax rate from the statute and changing it to a rate "that is the same as the tax rate prescribed by Section 43-1011" applicable to the entire portion of the entity's taxable income that is attributable to its resident partners or shareholders, and the portion of its taxable income derived from sources within Arizona that is attributable to its nonresident partners or shareholders for that taxable year. Please contact us with any questions.

URL: <https://apps.azleg.gov/BillStatus/BillOverview/77994>

URL: <https://apps.azleg.gov/BillStatus/BillOverview/76039?SessionId=123>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-arizona-enacts-elective-arizona-small-business-tax-and-pass-through-entity-level-tax.pdf>

URL: <https://apps.azleg.gov/BillStatus/BillOverview/77561>

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/STM/220527_1.html

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