

Income/Franchise:

Missouri: New Law Provides Annual Election for Pass-Through Entity-Level Taxation

H.B. 2400, signed by gov. 6/30/22. Applicable for taxable years ending on or after December 31, 2022, new law permits certain pass-through entities to make an election to pay an entity-level state income tax in Missouri. In turn, electing pass-through entity owners may claim a credit against their income tax equal to their direct and indirect pro rata share of the Missouri pass-through entity tax; such tax credit is nonrefundable but may be carried forward to subsequent tax years until such credit is fully taken. The new law allows a Missouri resident or part-year resident to claim a credit for taxes paid to another state that is substantially similar to the Missouri pass-through entity tax. The legislation is enacted in response to the \$10,000 cap on the federal individual income tax deduction for state and local taxes that was enacted under the 2017 federal tax overhaul legislation known as the Tax Cuts and Jobs Act (i.e., P.L. 115-97).

URL: <https://house.mo.gov/Bill.aspx?bill=HB2400&year=2022&code=R>

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

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