

Income/Franchise:

New York Department of Taxation and Finance Explains Implementation of New York City PTET

TSB-M-22(1)C, (1)I, N.Y. Dept. of Tax. & Fin. (10/11/22). The New York Department of Taxation and Finance (Department) issued a memorandum addressing the newly created New York City (City) pass-through entity tax (NYC PTET) [see previously issued Multistate Tax Alert for more details on original enactment of the NYC PTET earlier this year], which took effect beginning with tax year 2022 [see SB 9454, signed by gov. 8/31/22, and previously issued Multistate Tax Alert for more details on subsequent legislation which revised the NYC PTET's effective date]. The Department explains that under new Tax Law Article 24-B, the NYC PTET is an optional tax that City partnerships or City resident New York S corporations that have elected to participate in the New York State pass-through entity tax (NYS PTET) may annually elect to pay on certain income for tax years beginning on or after January 1, 2022. If an eligible City partnership or eligible City resident New York S corporation elects to pay the NYC PTET (electing entity), partners, members, or shareholders who are subject to the New York City personal income tax under Article 30 may be eligible for a NYC PTET credit against New York City personal income taxes on their New York State income tax returns.

URL: <https://www.tax.ny.gov/pdf/memos/ptet/m22-1c-1i.pdf>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-new-york-2022-2023-budget-includes-revisions-to-pass-through-entity-tax-and-creates-new-york-city-pass-through-entity-tax.pdf>

URL: <https://www.nysenate.gov/legislation/bills/2021/s9454>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-new-york-enacts-economic-nexus-for-nyc-business-corporation-tax-and-accelerates-nyc-ptet-to-tax-year-2022.pdf>

The memorandum addresses how and when to make such an election; how to calculate City pass-through entity taxable income; how to calculate the NYC PTET; making estimated tax payments for the NYC PTET; filing the annual PTET return and calculating the NYC PTET credit; and claiming the NYC PTET credit. The memorandum also explains that an eligible taxpayer claiming the NYC PTET credit must make an addition modification to federal adjusted gross income or federal taxable income on the eligible taxpayer's New York State personal income tax return for an amount equal to the amount of the NYC PTET credit claimed.

See forthcoming Multistate Tax Alert for more details on this memorandum, and please contact us with any questions in the meantime.

— Jack Trachtenberg (New York)
Principal
Deloitte Tax LLP
jtrachtenberg@deloitte.com

Don Roveto (New York)
Partner
Deloitte Tax LLP
droveto@deloitte.com

Dennis O'Toole (New York)
Managing Director
Deloitte Tax LLP
deotoole@deloitte.com

Mary Jo Brady (Jericho)
Senior Manager
Deloitte Tax LLP
mabrady@deloitte.com

Gregory Bergmann (Chicago)
Partner
Deloitte Tax LLP
gbergmann@deloitte.com

Robert Waldow (Minneapolis)
Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Todd Hyman (Philadelphia)
Partner
Deloitte Tax LLP
thyman@deloitte.com

Shirley Wei (Los Angeles)
Senior Manager
Deloitte Tax LLP
shiwei@deloitte.com

Alyssa Keim (Philadelphia)
Senior Manager
Deloitte Tax LLP
akeim@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.