

Income/Franchise:

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

Important Notice Regarding North Carolina's Recently Enacted Pass-Through Entity Tax, N.C. Dept. of Rev. (updated 11/15/22). The North Carolina Department of Revenue (Department) issued an updated notice [see previously Multistate Tax Alert for details on the original version of this 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], and which includes answers to a series of implementation-related frequently asked questions (FAQs). Among the updates are answers on whether a partnership or a limited liability company that is classified for federal income tax purposes as a partnership and does business in North Carolina as a rental real estate company may make such election, and whether an "investment partnership" may make such election. While the former may make this election, the notice explains that for North Carolina income tax purposes an investment partnership is not considered doing business in North Carolina and is not required to file a North Carolina tax return; accordingly, an investment partnership cannot make North Carolina's PTE tax election. Please contact us with any questions.

[URL: https://www.ncdor.gov/media/13739/open](https://www.ncdor.gov/media/13739/open)

[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-north-carolina-issues-guidance-on-pass-through-entity-tax.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-north-carolina-issues-guidance-on-pass-through-entity-tax.pdf)

[URL: https://www.ncleg.gov/BillLookup/2021/sb105](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](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-multistate-tax-alert-north-carolina-enacts-pass-through-entity-tax-election.pdf)

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