

Income/Franchise:

Indiana: New Law Includes Elective Entity-Level Taxation for Pass-through Entities

S.B. 2, signed by gov. 2/22/23. Effective retroactively for taxable years beginning on or after January 1, 2022, new law permits some pass-through entities to make an election to pay an entity-level state income tax in Indiana based on each owner's aggregate share of adjusted gross income. Correspondingly, the new law provides a refundable individual income tax credit equal to the amount of tax paid by the electing entity with regard to the owner's share. The legislation addresses how and when to make the election, as well as how to calculate the new tax.

URL: <https://iga.in.gov/legislative/2023/bills/senate/2>

Other provisions in the bill apply to some taxpayers filing a combined return under Indiana's financial institutions tax, and revise Indiana's process for reporting final federal tax adjustments to the Indiana Department of Revenue to conform with federal law changes involving partnership audit and administrative adjustments.

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

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