

Income/Franchise:

Kentucky: New Law Updates State Conformity to IRC and Creates Elective Pass-Through Entity Level Tax

H.B. 360, signed by gov. 3/24/23. Recently signed legislation incorporates some tax-related provisions, including generally updating Kentucky statutory corporate and personal income tax references to the Internal Revenue Code (IRC) for tax years beginning on or after January 1, 2023, to the IRC as in effect on December 31, 2022 – exclusive of any amendments made subsequent to this date, other than amendments that extend provisions in effect on December 31, 2022, that would otherwise terminate. The legislation also permits some pass-through entities (PTEs) to make an annual election to pay an entity level state income tax for taxable years beginning on and after January 1, 2022. Correspondingly, individual partners, members, or shareholders of an electing PTE may claim a nonrefundable credit against their individual income tax equal to 100% of the tax paid by the electing PTE based on the pro rata share of the individual partner's, member's, or shareholder's income from the PTE.

URL: <https://apps.legislature.ky.gov/record/23rs/hb360.html>

See recently issued Multistate Tax Alert (March 27, 2023) for more details on the new PTE tax, and please contact us with any questions.

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