

Income/Franchise:

Ohio: Benefit of Prior Year Bonus Depreciation Addbacks are Disallowed for Some PTET Filers

Update Regarding Ohio's PTE Tax for Electing Entities, Ohio Dept. of Tax. (4/6/23). Pursuant to Ohio legislation enacted in 2022 that permits qualifying pass-through entities (PTEs) to make an annual election to pay an entity-level state income tax for taxable years beginning on or after January 1, 2022 [see S.B. 246 (2022) and previously issued Multistate Tax Alert for more details on this Ohio tax], the Ohio Department of Taxation (Department) explains that only an individual investor/owner and/or entity that has made a depreciation add-back in a previous tax year may claim the subsequent depreciation deduction in the current year. According to the Department, it is "seeing entities who have never filed an Ohio PTE return for a previous tax year (IT 1140 or IT 4708) attempt to claim a depreciation deduction on their initial 2022 IT 4738." In response, the Department clarifies that "only the entity that made the depreciation add-back on a previous year PTE return (IT 1140 or IT 4708) can claim the depreciation deduction on the 2022 IT 4738 return due April 18, 2023 (or the extended due date)." Please contact us with any questions.

URL: https://tax.ohio.gov/static/pass-through_entities/tax-alerts/pte-salt-40623.pdf

URL: <https://www.legislature.ohio.gov/legislation/legislation-documents?id=GA134-SB-246>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-ohio-enacts-pass-through-entity-tax-election.pdf>

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