

Income/Franchise:

North Carolina DOR Explains New Law Expanding Eligibility for Pass-Through Entity Tax Election

Directive TA-23-1, N.C. Dept. of Rev. (10/4/23). The North Carolina Department of Revenue issued partnership tax guidance addressing recently enacted legislation that, among other tax law changes, expands eligibility for making North Carolina's pass-through entity tax election to partnerships with partners that include an entity classified as a corporation for federal income tax purposes [see H.B. 259 (Session Law 2023-134), enacted into law without governor's signature 10/3/23, and *State Tax Matters*, Issue 2023-40, for more details on this legislation]. The guidance addresses the following important information:

URL: <https://www.ncdor.gov/directive-ta-23-1/open>

URL: <https://www.ncleg.gov/BillLookup/2023/H259>

URL: https://dhub.deloitte.com/Newsletters/Tax/2023/STM/231006_3.html

- An explanation of how a provision included in Session Law 2023-134 expanded the list of eligible partners for a partnership that is allowed to elect to be taxed for North Carolina income tax purposes at the partnership level ("Taxed Partnership Election");
- Information on a special provision included in Session Law 2023-134 that allows an eligible partnership to amend its North Carolina Partnership Income Tax Return for tax year 2022 to make the Taxed Partnership Election; and
- Important reminders for partnerships that are eligible to make the Taxed Partnership Election for tax year 2022.

See forthcoming Multistate Tax Alert for more details on these recent law changes, and please contact us with any questions in the meantime.

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