

Income/Franchise:

Ohio: Press Release Addresses New Law on Ohio Resident Credit for Pass-Through Entity SALT Cap Taxes Imposed by Other States

Press Release: Guidance for Claiming the Ohio Resident Credit for Pass-Through Entity SALT Cap Taxes Imposed by Other States for Tax Year 2022, Ohio Dept. of Tax. (10/13/23). The Ohio Department of Taxation issued a press release explaining recently enacted operating budget legislation [see H.B. 33 (2023) and previously issued Multistate Tax Alert for more details on this legislation] that, applicable to taxable years ending on or after January 1, 2023, requires an Ohio resident taxpayer to generally:

URL: <https://tax.ohio.gov/static/ohiotaxalert/archivedalerts/pte-saltcap22-101223.pdf>

URL: <https://www.legislature.ohio.gov/legislation/135/hb33>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-ohio-passes-fy2024-fy2025-operating-budget-enacting-various-tax-changes.pdf>

1. Include taxes levied by other states and the District of Columbia, either through a composite tax or pass-through entity tax ("PTET"), in the calculation of the taxpayer's Ohio income tax resident credit; and
2. Add back to Ohio adjusted gross income PTET imposed by another state and the District of Columbia that was deducted from the taxpayer's federal adjusted gross income or Ohio adjusted gross income (note: if the income on which the tax is based qualifies as business income under Ohio law, the addback also qualifies as business income; any portion of the tax remaining in Ohio adjusted gross income, after accounting for the Business Income Deduction, is then eligible for the Ohio resident credit.)

For those taxpayers who wish to claim this Ohio resident credit for other states' PTETs on their 2022 returns, the press release addresses which adjustments must be made and how such taxpayers should include a detailed statement with the return explaining that these adjustments have been made to claim the Ohio resident credit and/or report the portion of taxes added back that qualify as business income. Please contact us with any questions.

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