

Income/Franchise:

Indiana DOR Updates Guidance on Elective Entity-Level Tax for Pass-through Entities

Information Bulletin #72B, Ind. Dept. of Rev. (rev. 10/24). The Indiana Department of Revenue (Department) issued an updated bulletin addressing implementation of legislation enacted in 2023 that allows some pass-through entities to make an election to pay an entity-level state income tax (PTET) in Indiana based on each owner's aggregate share of the electing entity's adjusted gross income for taxable years beginning on or after January 1, 2022 [see S.B. 2 (2023), signed by gov. 2/22/23, and previously issued Multistate Tax Alert for more details on this PTET]. The guidance addresses topics such as eligibility to make the PTET election, how to make the election, applicable forms and/or schedules to file, how to calculate the PTET (including under tiered structures) and making estimated payments. According to the Department, the bulletin has been revised:

URL: <https://www.in.gov/dor/files/reference/ib72b.pdf>

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

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

- To reflect that the revised computation of income subject to withholding and PTET will be used for 2025 and later, rather than 2024 and later,
- To reflect that grantor trusts should treat PTET as flowing through to the grantor,
- To reflect that estimated tax penalties will not be imposed for 2023 and 2024, and
- To clarify that a safe harbor for payments will be determined based on the combined PTET and composite withholding tax due, as opposed to just PTET.

Please contact us with any questions.

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