

Income/Franchise:

Hawaii Department of Taxation Adopts Temporary Rules Implementing Pass-Through Entity-Level Tax

Temporary Administrative Rules 18-235-200-01 through 18-235-200-09, Haw. Dept. of Tax. (eff. 12/23/24). The Hawaii Department of Taxation repealed and adopted new temporary administrative rules, some of which reflect state law allowing qualifying pass-through entities to make an annual election to pay an entity level state tax (PTET) applicable to taxable years beginning after December 31, 2022 [see S.B. 1437 (2023) and previously issued Multistate Tax Alert for more details on this PTET]. Among the topics addressed in the rules are making the election, underlying income tax credit eligibility and allowance, filing and calculating the new tax, and making estimated payments. The new temporary rules took effect on December 23, 2024, and are scheduled to expire on June 23, 2026. Additionally, permanent administrative rules on the same are simultaneously being proposed for formal adoption. Please contact us with any questions.

URL: https://files.hawaii.gov/tax/legal/har_temp/Pass_Through_Entity_temporary_RAMSEYER_eff_20241223.pdf

URL: https://www.capitol.hawaii.gov/session/measure_indiv.aspx?billtype=SB&billnumber=1437&year=2023

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

— Ashley Yamada (Honolulu)
Senior Manager
Deloitte Tax LLP
ayamada@deloitte.com

Bryan Yi (Seattle)
Senior Manager
Deloitte Tax LLP
bryi@deloitte.com

Olivia Chatani (Washington, DC)
Senior Manager
Deloitte Tax LLP
ochatani@deloitte.com

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