

Income/Franchise:

Hawaii: New Law Revises PTET Provisions Pertaining to Qualified Members' Credits for Taxes Paid

H.B. 1146, signed by gov. 5/15/25. Applicable to taxable years beginning after December 31, 2024, new law revises certain provisions under Hawaii law allowing qualifying pass-through entities to make an annual election to pay an entity-level state tax (PTET) [see S.B. 1437 (2023) and previously issued Multistate Tax Alert for more details on this PTET], specifically those provisions entitling each qualified member of an electing pass-through entity whose distributive share or guaranteed payment of Hawaii taxable income is subject to the PTET to a credit equal to the qualified member's share of the tax paid under the PTET. Under the new law, any qualified member claiming such a credit "shall add to the qualified member's taxable income the qualified member's share of taxes paid by an electing pass-through entity." Please contact us with any questions.

URL: https://www.capitol.hawaii.gov/session/measure_indiv.aspx?billtype=HB&billnumber=1146&year=2025

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>

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