



2023-2024 General Assembly

HOUSE BILL 259: 2023 Appropriations Act, Sec. 42.21: Allow Certain Trusts and Corporations to be Partners of a Taxed Partnership

Committee:
Introduced by:
Analysis of: Sec. 42.21 of S.L. 2023-134

Date: November 29, 2023
Prepared by: Trina Griffin
Staff Attorney

OVERVIEW: Section 42.21 of S.L. 2023-134 allows certain trusts and corporations to be partners of a taxed partnership.

This section is effective for taxable years beginning on or after January 1, 2022.

CURRENT LAW & BILL ANALYSIS: This section adds certain trusts and all corporations to the list of permissible owners of a partnership electing to be taxed at the entity level for the SALT cap workaround. The SALT cap workaround allows a partnership to pay State income tax at the partnership level (i.e., pay the tax on behalf of partners). The partners can deduct the full amount of the State tax payment on the partners' federal income tax returns – avoiding the federal state and local tax (SALT) cap of \$10,000.

The changes are effective for the 2022 tax year, and partnerships that could not make the election at the time of filing their returns are allowed to file an amended return on or before October 15, 2023. Section 1.5(b) of S.L. 2023-12 previously added partnerships (i.e., tiered partnerships) and S corporations to the list of permissible owners of a partnership electing to be taxed at the entity level for the SALT cap workaround.

EFFECTIVE DATE: This section is effective for taxable years beginning on or after January 1, 2022.

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578