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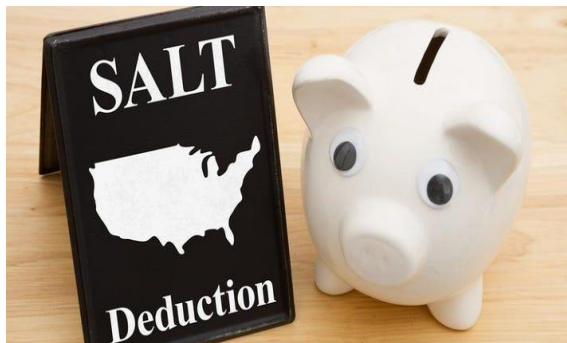
Balance sheet

Ohio SALT Work Around

By Terry Schleucher

On June 14, 2022, Governor Mike DeWine signed Amended Senate Bill 246 into law. With the enactment of this legislation, Ohio joins the growing list of states to create “SALT cap workarounds” to the \$10,000 state and local tax (SALT) deduction cap imposed by the *Tax Cuts and Jobs Act* of 2017. The new legislation allows qualifying pass-through entities (PTEs) to elect to be subject to a new entity-level state tax paid by the business and fully deductible at the federal level which lowers the income that passes through to the individual owners and not be subject to the federal \$10,000 state and local tax cap for itemized deductions.

The elective pass-through entity (PTE) tax allows S corporations, partnerships, or limited liability companies treated as S corps or partnerships for federal income tax purposes to pay Ohio income taxes at the entity level beginning in 2022. The election must be made annually on or before the 15th day of April (or the extended due date of the federal return) following the end of the entity’s taxable year in the preceding calendar year and the election is irrevocable for the tax year that the election is made. Ohio business income will be taxed at a 5% rate in 2022 and 3% for tax years thereafter. This could provide a significant benefit to taxpayers with substantial business operations in Ohio.



Under the new law, resident and non-resident owners are included in the PTE-level tax filing. Non-resident and trust investors do not have to file a separate Ohio return if the PTE elects to pay entity-level tax and they have no other Ohio-sourced income. For resident owners who continue to file an Ohio return, they can claim a refundable credit on their IT-1040 for their proportionate share of the PTE-level tax paid.

Making this election can ultimately save the owners of PTEs substantial tax dollars. If you need help understanding Ohio’s SALT Cap Workaround and its application or have any other questions, please contact our offices.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.
You cannot rely upon this information for avoiding tax penalties.