

Pass-through entity tax (PTET)

PTET – Pass Through Entity Tax overview

- A tax saving paradise for business owners.
- A workaround of the SALT limitations.
- It's complicated – and it is cumbersome and voluntary.
- What's the outcome: consider if your share of net income in an NY S-Corp is \$500,000, then you could deduct \$34,250 from this income for federal income tax purposes – saving an estimated \$12,675.
- Now imagine combining this with the 20% eligible business deduction of the net income (\$500,000-\$34,250) of \$93,150 which is another \$34,470 in federal tax savings.
- Can it get any better for the business owner – sure can if you're eligible for the ERTC credit or maybe you got some forgiven PPP money.



Pass-through entity tax (PTET)

Eligibility

- Any Partnership or S-Corp that is subject to NYS tax under Article 22 (that's it – nothing else)

Voluntary

- Why you ask – no good reason other than maybe Gov Cuomo wanted to stick it to us before he left
- Unfortunately, by definition, we (PSW) cannot make the election for you as we are prohibited from doing it
- For a NYS S corporation: Any officer, manager, or shareholder of the NYS S corporation who is authorized under the law of the state where the corporation is incorporated or under the S corporation's organizational documents to make the election and who represents to having the authorization under penalties of perjury.
- For a Partnership: Any member, partner, owner, or other individual with authority to bind the entity or sign returns under Tax Law §653.



Pass-through entity tax (PTET)

PERIOD

For tax years beginning on or after January 1, 2021

The election must be made by October 15, 2021

You can only do this ONLINE (like banking, your portfolio, our portal)

Then every year thereafter, you have to elect by March 15th.



Pass-through entity tax (PTET)

RATES

If the PTE taxable income is:	Then the PTET due is:
\$2 Million or Less	6.85% of PTE Taxable Income
Greater Than \$2 Million But ≤ To \$5 Million	\$137,000 plus 9.65% of the excess PTE taxable income over \$2 million
Greater Than \$5 Million But ≤ To \$25 Million	\$426,500 plus 10.30% of the excess PTE taxable income over \$5 million
Greater Than \$25 Million	\$2,486,500 plus 10.90% of the excess PTE taxable income over \$25 million



Pass-through entity tax (PTET)

PAYMENTS

- Want a tax deduction for 2021, you must pay the tax by December 31, 2021
- Must be paid ONLINE
- For 2022 and beyond, the PTET tax must be paid quarterly – let's say 100% of the PTET tax due in the preceding year
- If you don't pay quarterly, penalties and interest will be due



Pass-through entity tax (PTET)

Where does that leave us

- Juicy deduction for taxes payable for the business
- Cash flow strain as taxes must be paid quarterly
- Cumbersome filing to do online on a yearly basis
- We can't do it for you
- No single member LLC need apply – not a partnership – think about letting your kid own 1% of the business – now you get a possible deduction
- Confused, disillusioned, despair? Don't worry there's always remote desktop.



Employer Retention Tax Credit (ERTC) 2021

- Refundable tax credit against certain employment taxes equal to 70% of qualified wages
 - Max eligible wages \$10,000 quarterly per employee
 - Can include allocable health care costs and pay bonuses
 - Max credit available is \$5,000 per quarter
- ERTC period extended from January 1 through to December 31, 2021
- An evaluation of eligible quarter and eligible wages must be performed to determine amount of costs to be claimed
 - Eligible quarter must show either
 - Shut down by the government (fully or partially) OR
 - Experience a large drop in YOY Gross receipts (80% or lower when as compared to same quarter in 2019)
 - Eligible wages costs include
 - For Organization employing more than 500 FTEs in 2019, only wages paid to an employee during eligible quarter not to provide services are eligible
 - For other Organizations, ALL wages paid to the employee during the eligible quarter qualify for the credit
 - REMEMBER: If you qualify as a result shut down by the government, only wage costs paid during the period of shutdown are eligible, NOT THE WHOLE QUARTER

