Iowa Department of Revenue

Iowa Pass-Through Entity Tax (PTET)

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Disclaimer

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Overview

Pass-Through Entity Tax (PTET) Introduction

PTET for Tax Year 2022

PTET for Tax Year 2023 and Later

Questions
PTET Introduction
What is this?

• **Voluntary** election for Partnership or S Corporation to be subject to Iowa income tax at the entity level

• Owners receive a % of PTET as a refundable credit

• Applies to tax years beginning on or after January 1, 2022 (retroactive)

• Detailed website guidance available at: [tax.iowa.gov/pass-through-entity-tax](http://tax.iowa.gov/pass-through-entity-tax)
Why would a PTE make this election?

• PTET may be deductible on federal income tax return of partnership/S corporation without regard to $10K SALT deduction limit applicable to individual owners.

• Consult with a tax professional about availability and timing of federal PTET deduction.

• Iowa deduction?
  • **Not** deductible on a 2022 IA 1065/IA 1120S
  • Deductible on 2023 or later IA 1065/IA1120S
Making a PTET Election

• Must be made by someone with authority to sign the PTE’s Iowa income tax return and bind the PTE and owners for Iowa income tax purposes.

• Election is **irrevocable** and only applies to one tax year.
PTET Introduction

Interaction with IA PTE-C Composite Return

- Electing PTE is **not** required to file an IA PTE-C Composite Return for same tax year
  - PTEs that already filed their 2022 Composite Return will not be prohibited from making a 2022 PTET election
Information for PTE owners

- Each owner receives a refundable PTET credit equal to \% of electing PTE’s net PTET liability.
  - TY 2022: 91.47\% of net PTET liability (8.53\% reduction)
  - TY 2023: 94\% of net PTET liability (6\% reduction)

- PTET credits must be allocated to each owner in the same ratio that the entity’s taxable income was allocated to that owner.
PTET Introduction

Information for PTE owners

- PTET credits are claimed on owners’ Iowa returns for same tax year as related K-1 income.
  - 2 exceptions—the following are not eligible to claim their PTET credit
    - Insurance company owner
    - Credit union owner
  - Tiered PTEs claim these credits at entity level, and may receive a refund—credits not further allocated to tiered PTE owners (similar to composite credits).
Information for PTE owners

• Owners of electing PTE must still file Iowa tax returns and report distributive income from electing PTE
  • Exception: nonresident individual owner is not required to file IA 1040 if only Iowa-source income is from one or more electing PTEs, and their PTE credits equals or exceeds the individual’s Iowa tax liability.
TY 2022 Retroactivity

- **Forms—Making Election**
  - 2022 tax forms will not be modified
  - 2022 PTET form will be available on tax.govconnect.iowa.gov.
    - Expected by October 1.
  - Will be supplement to 2022 IA 1065 or 1120S. Entities must file their 2022 income tax return on or before day they file 2022 PTET form.

- **Owners’ Credits**
  - Will report 2022 PTET credits to owners on separate schedule (not amended K-1s)
  - Owners will claim their PTET credits in similar manner as composite credits
Who can file the 2022 PTET form on GovConnectIowa?

- “Authorized person” from PTE: Individual from PTE with authority to sign the PTE’s Iowa income tax return and bind the PTE and its owners for Iowa income tax purposes.
- OR
- 3rd party individual (preparer) if authorized person completes the 2022 Iowa Pass-Through Entity Tax Electronic Filing Authorization Form.
PTET for Tax Year 2022 – PTET Form

Choose a Return Filing Option

Log In And File
Log in to take full advantage of GovConnectIowa including viewing up-to-date balance and return status.

- File a Return (Requires Logon)
- Sign-Up for GovConnectIowa
- File a 2022 PTET Form

Quick Deposit
Make a deposit for monthly or semimonthly filers without logging in.

- Make a Quick Deposit
Information

The Iowa 2022 Pass-Through Entity Tax (PTET) form is available for a partnership or S corporation (i.e., a “pass-through entity”). Visit our website for detailed information and frequently asked questions.

The 2022 Iowa PTET form applies only to a pass-through entity’s tax year that began in 2022, or to its short tax year (less than 12 months) that began in 2023. This 2022 PTET form will do all of the following for the tax year:

- Record the pass-through entity’s voluntary election to be subject to Iowa tax at the entity level.
- Compute the pass-through entity’s Iowa tax due.
- Compute the refundable credits available to the pass-through entity’s owners, and provide a letter template for reporting those credits to the owners.
PTET for Tax Year 2022 – PTET Form

Additional Information

Is there a prerequisite to filing this form?
Yes. The pass-through entity must file its Iowa Partnership Income Tax Return (IA 1065) or Iowa S Corporation Income Tax Return (IA 1120S) for tax year 2022, or for short tax year 2023, prior to completing this 2022 PTET form. You will need information from that filed return in order to complete this 2022 PTET form.

Who is authorized to complete and submit this form?
This 2022 PTET form must be completed and filed by an authorized person from the pass-through entity. An “authorized person” is any individual with the authority to sign the pass-through entity’s Iowa Partnership Income Tax Return (IA 1065) or Iowa S Corporation Income Tax Return (IA 1120S) and bind the electing pass-through entity and its owners for Iowa income tax purposes. However, this 2022 PTET form may be completed and filed on behalf of the pass-through entity by a tax return preparer or other person who is not an “authorized person” if the other person obtains a completed 2022 Iowa Pass-Through Entity Tax (PTET) Electronic Filing Authorization Form from the pass-through entity’s authorized person prior to filing. This 2022 Iowa Pass-Through Entity Tax (PTET) Electronic Filing Authorization Form should not be filed with the Iowa Department of Revenue, but it should be kept with the taxpayer’s records and provided to the Department upon request.

Do you wish to proceed to the 2022 PTET form? *
Yes
No
PTET for Tax Year 2022 – PTET Form

Choose a Return Filing Option

File a 2022 PTET Form

Tax Year

Select the entity's tax year that this PTET election is for, and enter the tax year's beginning and ending dates exactly as they appear on your entity's filed 2022 IA 1090 or 2022 IA 1120S, as applicable. You will be asked to enter this information twice.

- Tax Year 2022: MM/DD/2022 to MM/DD/YYYY
- Tax Year 2023 (short years only): MM/DD/2023 to MM/DD/2023

Tax Period From

Tax Period To

Required

Re-Enter Tax Year

- Tax Year 2022: MM/DD/2022 to MM/DD/YYYY
- Tax Year 2023 (short years only): MM/DD/2023 to MM/DD/2023

Re-Enter Tax Period From

Re-Enter Tax Period To
PTET for Tax Year 2022 – PTET Form

Main Return

1. Iowa-source distributive items. Enter the amount from 2022 IA 1065, Part 4, line 28, or 2022 IA 1120S, Part 4, line 27, as applicable.
   0.00

2. Gross Iowa PTET.
   0.00

3. Franchise Tax Credit. If you are a financial institution, subtract your 2022 IA 1120F, line 13, from your 2022 IA 1120F, line 14, and enter the difference here. If zero or less, enter zero.
   0.00

4. Net Iowa PTET. Subtract line 3 from line 2. If zero or less, enter zero.
   0.00
**Payments and Refundable Credits.**

5a. Other tax year 2022 voucher payments made to your partnership or S corporation account that were not already reported on your 2022 IA 1065 or 2022 IA 1120S.  
0.00

5b. Refundable PTET credits received from other entities for tax year 2022, to the extent they were not claimed on your 2022 IA PTET-C or 2022 IA 1120F. Complete Schedule CC.  
0.00

5c. Refundable composite credits received from other entities for tax year 2022, to the extent they were not claimed on your 2022 IA PTET-C or 2022 IA 1120F.  
0.00

5d. Total of payments and refundable credits. Add lines 5a through 5c.  
0.00
Total Amount

6. Total amount due. Subtract line 5d from line 4. If negative (overpayment), go to line 7.

7. Report negative amount (overpayment) from line 6 as a positive amount.

8. Overpayment on line 7 to be applied to next period's IA 1065 or IA 1120S return.

9. Overpayment on line 7 to be REFUNDED. Subtract line 8 from line 7.
PTET for Tax Year 2022 – PTET Form

Owners’ credit calculation and reporting

Upload an Owner’s spreadsheet, or manually enter your employees information below.

Total PTET credits available to be reported to owners. Multiply the Net Iowa PTET from line 4 of the Main Return by 91.47% (0.9147).

Owners’ Information

<table>
<thead>
<tr>
<th>Owner's Name</th>
<th>ID Type</th>
<th>ID</th>
<th>Owner’s credit</th>
</tr>
</thead>
</table>

Upload
PTET for Tax Year 2022 – PTET Form
Confirmation

By entering the following information and clicking [OK], I declare under penalties of perjury or false certificate that one of the following is true, as applicable:

1) That I am an authorized person or pass-through representative of the pass-through entity for which this form is being submitted, I have the authority to make a pass-through entity tax election under Iowa Code section 422.16C for the pass-through entity, and I have examined the information being submitted and, to the best of my knowledge and belief, the information is true, correct, and complete.

2) That I am not an authorized person or pass-through representative of the pass-through entity for which this form is being submitted, but I have authority to submit this form on behalf of the pass-through entity pursuant to a duly executed 2023 Iowa Pass-Through Entity Tax Electronic Filing Authorization form, and I have examined the information being submitted and, to the best of my knowledge and belief, the information is true, correct, and complete.

Email: 
Required

Confirm Email: 
Required

[OK] [Cancel]
PTET for Tax Year 2022 – PTET Form

Confirmation

Your request has been successfully submitted.

Your request confirmation code is 54gs7w. Please retain this number for future reference.

Email: test@test.com
Request Type: File a 2022 PTET Form
Submitted Date: 15-Sep-2023 4:000 PM

What's Next?

The Department will contact you if additional information is needed.

If your 2022 PTET form shows a balance due, submit payment immediately to the Iowa Department of Revenue. Payments may be submitted electronically on GovConnectIowa, or by check using a printed payment voucher available on GovConnectIowa.
When your balance due, if any, has been paid, you must report available PTET credits to your owners using the 2022 Iowa PTET Credit Schedule.

If you discover errors or omissions on your 2022 PTET form you must file an amended 2022 PTET form on GovConnectIowa.

If you would like to appoint third party representatives to communicate with the Department or perform actions on your behalf, you may do so when logged in to your GovConnectIowa under the “Add Third Party Authorization” section.

Printable View
OK
PTET for Tax Year 2022 – PTET Credits

- Report PTET credits to each owner using the 2022 Iowa PTET Credit Schedule.
- Owners may claim a 2022 PTET credit on their Iowa tax return in the same manner as a composite credit.
- Claim 2022 PTET credit for the same tax year you report your related K-1 income.
- May be claimed on an original or amended tax return.
- Must be claimed within the statute of limitations for requesting a refund (generally 3 years from return due date).
What is the deadline for filing a 2022 PTET form?

• Deadline for filing 2022 PTET form will be later of:
  • January 2, 2024
  • Due date of 2022 IA 1065 or 2022 IA 1120S, including extensions

• Late PTET elections are subject to rejection by the Department
Is an electing PTE required to make estimated PTET payments for Tax Year 2022?

No
Will PTE be subject to penalties and interest related to PTET election for tax year 2022?

• If PTE’s 2022 tax year ends prior to May 11, 2023:
  • No penalty or interest if 2022 PTET form is filed and paid by later of:
    • January 2, 2024, or
    • Due date for filing 2022 IA 1065/IA 1120S, including extensions

• If PTE’s 2022 tax year ends on or after May 11, 2023:
  • No penalty or interest if 2022 PTET form is filed and paid by due date for filing 2022 IA 1065/IA 1120S, including extensions

Extension – automatic if PTE pays 90% of Iowa tax due (including PTET) by original due date of income return
If an electing pass-through entity did not file an IA PTE-C Composite Return, can it transfer a composite tax payment to its partnership or S corporation account to be applied against its PTET liability?

Yes. If an electing pass-through entity has not filed an IA PTE-C Composite Return for a tax year, it may request a transfer of a composite tax payment made for that tax year to the pass-through entity’s partnership or S corporation account to satisfy its PTET liability. Transfer requests may only be made by an authorized individual who has a valid IA 2848 Iowa Department of Revenue Power of Attorney (14-101) or Representative Certification form (14-108) on file with the Department for the pass-through entity’s composite tax account.

Transfer requests may be made over the phone by calling the Department at 515-281-3114 or 800-367-3388.
If an owner of an electing PTE made an estimated or other voucher payment to their own Iowa tax account, may that owner request that the prior payment be transferred to the electing pass-through entity’s partnership or S corporation account?

Yes, provided the owner has not already filed their return and requested a refund of the payment or credited the payment to tax due or to a later tax period. Transfer requests may only be made by the account owner (in the case of individuals) or by another authorized individual who has a valid IA 2848 Iowa Department of Revenue Power of Attorney (14-101) or Representative Certification form (14-108) on file with the Department for that owner’s account.

Transfer requests may be made over the phone by calling the Department at 515-281-3114 or 800-367-3388.
PTET For Tax Year 2023 and Later
How can PTET election be made?

Two methods:

1. Can be made before income tax return is filed on GovConnectIowa
   a. Election method still in development
   b. Must be logged into GovConnectIowa
   c. Only records election, PTET calculation is made on IA 1065/IA 1120S return

2. Can be made directly on IA 1065 or IA 1120S return
When must PTET election be made?

- Due date for filing IA 1065/IA1120S return, including extensions
  - Extension – automatic if PTE pays 90% of Iowa tax due (including PTET) by original due date of IA 1065/IA 1120S
    - **Important note:** PTEs that fail to make PTET election or pay 90% of Iowa tax due (including PTET) by original due date of IA 1065/IA1120S will lose ability to make a PTET election on an extended Iowa return.

- Late PTET elections are subject to rejection by the Department
Penalties and Interest

- If timely PTET election is made, PTE will incur late file and pay penalties if 90% of Iowa tax due not paid by original due date of IA 1065/IA 1120S.
- Interest on PTET is computed from original due date of IA 1065/IA 1120S.

Quarterly Estimated PTET Payments

- If PTE tax year begins between 1/1/23 and 5/10/23: Not required.
- If PTE tax year begins after 5/10/23: Required.
  - Underpayment penalties may apply. Use IA 2220 Underpayment of Estimated Tax.
**PTET for Tax Year 2023 and Later**

- **PTET credits:**
  - Total PTET credits available to owners will be computed and reported on IA 1065/IA 1120S.
  - Each owner’s share of PTET credits will be reported on IA Schedule K-1.
  - PTET credits will be claimed similar to composite credits. Schedule CC is revised to account for both credit types.
Questions?