

Michigan Enacts Pass-Through Entity Tax

January 11, 2022

On December 20, 2021, Michigan Governor Whitmer signed legislation that creates a special pass-through entity (PTE) tax and allows a credit under the individual income tax for taxes paid under the new pass-through entity tax.

Members of pass-through entities currently are taxed under the individual income tax. The new PTE tax is to be levied at the same rate and distributed in the same manner as the individual income tax, and the tax would be paid at the business-entity level, if the flow-through entity elects, rather than the level of individual members of the business entity.

L. 2021, H5376 (P.A. 135) effective retroactively for tax years beginning on and after 01/01/2021.

The Michigan Department of Treasury has indicated they will provide further guidance and information on the pass-through entity tax in early 2022.

If you have questions or concerns about how this legislation could affect your 2021 tax planning, contact your CPA to determine your eligibility.

