

## State Tax Observations

# Pass the SALT Please: Massachusetts Pass-Through Entity Excise Tax Update

By Brenda Russell, CPA, Partner

The Massachusetts Department of Revenue recently revised frequently asked questions (FAQs) addressing several items that were unresolved relating to Massachusetts' new Pass-Through Entity Excise Tax (PTEET). Initially issued in November 2021, the FAQs have been revised.

For an overview of the PTEET, refer to our [previously published article](#).

### Eligibility

The FAQs clarified that trusts are allowed to make the PTEET election, to the extent income passes through to beneficiaries that are subject to MA personal income tax on that income.

Sole proprietors and single member limited liability companies (SMLLCs) are not eligible to elect PTEET.

A disregarded entity can be a qualified member if the owner would otherwise be a qualified member if the ownership interest was held directly.

### Annual Election

While the election is made with the timely filing of the original tax return, including extensions, a Form 63D-ELT must also be completed.

### Qualified Income

The FAQs clarified that qualified income includes guaranteed payments. Qualified income also includes **net** capital gains.

### Filing and Tax Due Date

The Form 63D-ELT is due at the same time as the Pass-Through Entity (PTE) original, timely-filed Form 3, Form 355S or Form 2, including extensions. These forms must be electronically filed.

### Estimated Tax Payments

Estimated tax payments for tax years beginning January 1, 2021, the first year of the election, were due by January 18, 2022.

For tax years beginning on or after January 1, 2022, estimated payments must be equal to the lesser of: 1) 80% of current year PTEET or 2) 100% of prior year PTEET from Form 63D-ELT.

The PTE must register for 63D Entity Level Tax payments via MassTaxConnect. Once registered, estimated tax payments are made via MassTaxConnect.

The Department of Revenue will not apply other types of estimated tax payments to the PTEET such as previously paid PTE withholding tax payments or individual partners'/owners' estimated payments.

## Composite

A PTE that elects the PTEET may still file a non-resident composite tax return and claim the credits allocable to the non-resident members electing to participate in the composite tax return. As a result, the PTEET and composite tax return can both be filed. This allows non-resident owners with no other Massachusetts income to avoid filing a Massachusetts tax return. It is important to note that since the refundable credit is equal to 90% of the tax paid, the remaining 10% will need to be made as a composite tax payment.

## Contact Us

If you have questions or need assistance regarding the Massachusetts PTEET, or state taxes generally, contact:

[Sandy Weinberg](#), JD  
Principal  
[sweinberg@pkfod.com](mailto:sweinberg@pkfod.com)

[Steven J. Eller](#), JD, CPA  
Partner  
[seller@pkfod.com](mailto:seller@pkfod.com)

[Brenda Russell](#), CPA  
Partner  
[brussell@pkfod.com](mailto:brussell@pkfod.com)

Scott R. Thomas, JD, LL.M.  
Senior Advisor  
[sthomas@pkfod.com](mailto:sthomas@pkfod.com)

Jill Cantor, JD, CPA  
Senior Manager  
[jcantor@pkfod.com](mailto:jcantor@pkfod.com)

Nicholas Rochedieu, JD  
Senior Manager  
[nrochedieu@pkfod.com](mailto:nrochedieu@pkfod.com)

Our Firm provides the information in this e-newsletter for general guidance only, and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.