

2025 Fall Handout – Partnerships and PTET

Pass-Through Entity Tax (PTET)

Estimated Tax Payments

I did not check any individual states- so please check with respective states to see if any changes in the laws have passed.

States That Require Estimated Tax Payments at Specific Thresholds

If you owe more than the amount listed, you may be subject to underpayment penalty:

\$1,000 Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Indiana, Illinois, Maine, Missouri, New Mexico, North Carolina, North Dakota, Oregon, South Carolina	\$600 West Virginia	\$500 California, Idaho, Kansas, Kentucky, Maryland, Michigan, Minnesota, Montana, Nebraska, Ohio, Oklahoma, Vermont, Wisconsin	\$400 Massachusetts, New Jersey
\$300 New York	\$250 Rhode Island	\$200 Iowa, Mississippi	\$100 DC

Which states have special instructions?

- Hawaii: You may owe a penalty for 2024 if your total withholding and timely estimated payments are less than the lesser of:
60% of your 2023 tax, or
100% of the tax shown on your 2023 return.
- Louisiana: You must make estimated payments if your estimated Louisiana income tax (after credits and withholding) exceeds:
\$1,000 for single filers, or
\$2,000 for joint filers (per Louisiana Revised Statute 47:116).

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- New Jersey: Estimated payments are required if:
Your total tax liability exceeds \$400 (after subtracting withholdings and credits), and
You did not pay at least 80% of your tax liability through withholding or estimated payments.
- Pennsylvania: You may be subject to penalties if:
You received more than \$9,500 in taxable income not subject to PA withholding,
Your credits do not fully offset the tax due on that income, and
You did not make timely estimated payments to cover the difference.
- Utah: Quarterly estimated payments are not required. However, penalties may apply for:
Late filing, or
Late payment of taxes due.
You can prepay taxes online or by mail at any time.
- Virginia: You must make estimated payments or adjust your withholding if:
You are required to file a Virginia return, and
Your expected tax liability (after withholding and credits) exceeds \$150.

State Specific Rules

Some Examples of state-specific rules – not all inclusive:

- **Iowa:** An electing PTE can avoid late-payment penalties if it pays at least 90% of its PTE tax liability by the original due date of its return. However, interest will still accrue on any unpaid amount after the original due date.

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- **Ohio:** For tax years beginning on or after January 1, 2023, an electing PTE is subject to interest penalties for failing to make timely estimated payments.
- **Oregon:** PTEs that will elect to pay the PTE-E tax must make estimated tax payments. Failure to do so can result in underpayment interest.
- **Hawaii:** Starting in 2024, penalties will be applied to any underpayment of estimated tax by electing PTEs.
- **California:** An underpayment of estimated PTE tax can result in applicable penalties and interest. For the 2025 tax year, an electing PTE must prepay 50% of its prior year's tax or \$1,000 to participate.

PTET Rates per State – Please check your state to determine if rate has changed.

34 States Enacted PTET Legislation

Alphabetical list of PTET states and rates

Alabama

- **Rate:** 5.0%.

Arizona

- **Rate:** 4.5%.
- **Effective:** Tax years beginning from 2022.

California

- **Rate:** 9.3%.
- **Notes:** The program is scheduled to expire at the end of 2025 unless extended.

Colorado

- **Rate:** 4.55%
- **Notes:** Each owner receives a Colorado tax credit for their share of the tax paid by the entity. If an owner's credit exceeds their individual

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Colorado income tax liability, they are entitled to a refund for the excess amount.

Connecticut

- **Rate:** 6.99%.
- **Notes:** Connecticut's PTET is mandatory for most pass-through entities, unlike other states where it is elective.

Georgia

- **Rate:** 5.49% for 2024, down from 5.75% in 2023.
- **Effective:** Tax years beginning from 2022.

Idaho

- **Rate:** 5.8%.
- **Effective:** Tax years beginning from 2022.

Illinois

- **Rate:** 4.95% on net income for partnerships and S corporations.
- **Notes:** This election is scheduled to be sunset on December 31, 2025.

Iowa

- **Rate:** 3.8% for 2025, down from 5.7% in 2024 and 6% in 2023.
- **Notes:** The election is set to expire after the 2025 tax year unless the federal SALT cap is extended.

Kansas

- **Rate:** 5.7%.
- **Effective:** Retroactive tax years beginning from 2022.

Kentucky

- **Rate:** 4.5%.
- **Effective:** Retroactive tax years beginning from 2022.

Louisiana

- **Rate:** 4.25%.

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Maryland

- **Rate:** 8.00%.
- **Notes:** Maryland imposes both an entity-level tax and a tax on individual partners, though the PTET is an elective workaround for the SALT cap.

Massachusetts

- **Rate:** 5.0%.
- **Notes:** The program is scheduled to expire at the end of 2025 unless extended.

Michigan

- **Rate:** 4.25%.
- **Effective:** Tax years beginning from 2022.
- **Notes:** Scheduled to expire at the end of 2025 unless extended.

Minnesota

- **Rate:** 9.85%.
- **Notes:** The election will continue as long as the federal SALT deduction is limited.

Mississippi

- **Rate:** 4.7% for 2024.
- **Effective:** Tax years beginning from 2022.

Missouri

- **Rate:** 5.3% for 2024.
- **Effective:** July 9, 2024.

New York (State)

- **Rate:** Variable, based on the resident individual income tax brackets.
- **Notes:** The rate applies to the aggregate income of electing partners.

Oklahoma

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- **Rate:** 4.85%.
- **Effective:** April 29, 2024.

Oregon

- **Rate:** 9.9%.
- **Notes:** The election will continue as long as the federal SALT deduction is limited.

Rhode Island

- **Rate:** 5.99%.

South Carolina

- **Rate:** 3.00%.

Utah

- **Rate:** 4.7%.
- **Effective:** Tax years beginning from 2022.
- **Notes:** Scheduled to expire at the end of 2025 unless extended.

Virginia

- **Rate:** 5.75%.
- **Effective:** Optional for tax years 2021 through 2025.

West Virginia

- **Rate:** 6.5%.
- **Effective:** Retroactive tax years beginning from 2022.

Wisconsin

- **Rate:** 7.9%.
- **Effective:** Retroactive tax years beginning from 2022.

Important considerations

- **Elective vs. mandatory:** Most state PTETs are elective, but a few, like Connecticut, are mandatory for pass-through entities.

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- **Sunset dates:** Several PTET programs, including those in California, Illinois, and Iowa, have 2025 sunset dates tied to the federal SALT cap.
- **Variable rates:** Some states' PTET rates depend on the income bracket of the pass-through entities' owners, so the rate listed may not be universal.
- **Eligibility and rules:** State-specific rules regarding eligibility, election deadlines, and payment schedules can vary widely. Always consult a tax professional to determine the best strategy for your business.

Partnerships

Eligibility to Elect out of partnership audit regime

<https://www.irs.gov/businesses/partnerships/elect-out-of-the-centralized-partnership-audit-regime>

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Form 8979 (December 2018) Department of the Treasury Internal Revenue Service	Partnership Representative Revocation, Designation, and Resignation ▶ Go to www.irs.gov/Form8979 for instructions and the latest information.	OMB No. 1545-0123		
Type or Print	Name of Partnership		Employer identification number	
	Number, street, and room or suite no. If a P.O. box, see instructions.		Tax Year Ending	
	City or town, state, and ZIP code. If a foreign address, enter city, province or state, postal code, and country. Follow the country's practice for entering the postal code.			
Check here if this form is being filed with an Administrative Adjustment Request (Form 8082 or Form 1065X) ▶ <input type="checkbox"/>				
Part I Reason for Filing				
The person signing this form affirmatively states that (check applicable boxes):				
1 <input type="checkbox"/> The partnership is revoking (check box 1a, 1b, or 1c):				
a <input type="checkbox"/> The entity partnership representative and (check box 1a(i) or 1a(ii)):				
i <input type="checkbox"/> Designating an entity partnership representative and appointing a designated individual . Complete Part II, Section A and Part III, Section A. Sign Part IV, Section A.				
ii <input type="checkbox"/> Designating an individual partnership representative . Complete Part II, Section A and Part III, Section B. Sign Part IV, Section A.				
b <input type="checkbox"/> The individual partnership representative and (check box 1b(i) or 1b(ii)):				
i <input type="checkbox"/> Designating an entity partnership representative and appointing a designated individual . Complete Part II, Section B and Part III, Section A. Sign Part IV, Section A.				
ii <input type="checkbox"/> Designating an individual partnership representative . Complete Part II, Section B and Part III, Section B. Sign Part IV, Section A.				
c <input type="checkbox"/> The designated individual and appointing a successor designated individual . Complete Part II, Section A and Part III, Section A. Sign Part IV, Section A.				
2 <input type="checkbox"/> The partnership representative is resigning (check box 2a or 2b).				
a <input type="checkbox"/> The entity partnership representative is resigning. Complete Part II, Section A and sign Part IV, Section B.				
b <input type="checkbox"/> The individual partnership representative is resigning. Complete Part II, Section B and sign Part IV, Section C.				
3 <input type="checkbox"/> The designated individual is resigning. Complete Part II, Section A and sign Part IV, Section D.				
4 <input type="checkbox"/> There is no partnership representative designation in effect so the partnership is (check box 4a or 4b):				
a <input type="checkbox"/> Designating an entity partnership representative and appointing a designated individual . Complete Part III, Section A and sign Part IV, Section E.				
b <input type="checkbox"/> Designating an individual partnership representative . Complete Part III, Section B and sign Part IV, Section E.				
Part II Revocations or Resignations				
Section A—Revocation or Resignation of an Entity Partnership Representative or Designated Individual				
If the entity partnership representative or the designated individual is being revoked or is resigning, complete this entire section.				
Name of entity partnership representative				Taxpayer identification number
Street address				
City or Town	State or Province	Country Code	ZIP or Postal Code	Area code and telephone number
Last Name of Designated Individual		First Name	Middle Initial	Suffix
Street address				Taxpayer identification number

How to file an AAR

- For electronically filed returns, file the following:
 - [Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request \(AAR\)](#)
 - [Form 1065, U.S. Return of Partnership Income](#), check box G(5) 'Amended return' section [required for transmission purposes]

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- If making a Push Out Election OR if the AAR contains adjustments that do not result in an IU, also include the following forms with the AAR submission (links to forms and instructions):
 - [Form 9985, Pass-Through Statement – Transmittal/Partnership Adjustment Tracking Report \(Required under Sections 6226 and 6227\)](#)
 - [Forms 9986, Partner's Share of Adjustments\(s\) to Partnership-Related Items \(Required Under Sections 6226 and 6227\)](#)

If a BBA partnership files an AAR and it needs to make its partners aware of their allocable share of adjustments, it will furnish to each partner of the partnership for the reviewed year a Form 9986 reflecting the partner's share of the adjustments (and should not provide amended Schedules K-1 or K-3). The partnership is also required to file with the AAR any Forms 9986 required to be furnished to partners along with Form 9985. See links above for Forms 9985 and 9986 and related instructions.

Note: Currently certain tax software requires two Schedules K-1 to be transmitted electronically with any Form 1065. These Schedules K-1 are for electronic submission only and are not to be taken into account by the partnership's partners or by the Service.

- We recommend that you complete the following fields:
 - Schedule K-1 Part I - Information about the Partnership
 - Schedule K-1 Part II Line E – Enter all zeros
 - Schedule K-1 Part II Line F – Enter "Required eFile K-1 for transmission purposes only" and use the partnership's address, city, state, and ZIP
 - Schedule K-1 Part II Line H1 – Check "Domestic partner" checkbox
 - Schedule K-1 Part II Line I1 – Enter "Corporation"
 - Schedule K-1 Part II Line M – Select "No"
- For Paper Filed Returns, file the following:
 - [Form 1065-X, Amended Return or Administrative Adjustment Request \(AAR\)](#)
 - If making a Push Out Election OR if the AAR contains adjustments that do not result in an IU, also include the following forms with the AAR submission (links to forms and instructions):

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- [Form 8985, Pass-Through Statement – Transmittal/Partnership Adjustment Tracking Report \(Required under Sections 6226 and 6227\)](#)
- [Forms 8986, Partner's Share of Adjustments\(s\) to Partnership-Related Items \(Required Under Sections 6226 and 6227\)](#)