



What is PTE?

Pass-Through Entity (PTE)

The pass-through entity (PTE) tax strategy is a work around to the limitation on the State and Local tax (SALT) deduction created by the *Tax Cuts and Jobs Act* (TCJA). Prior to the TCJA, individuals could deduct, subject to alternative minimum tax and overall itemized deduction limits, state and local taxes on their personal returns.

Qualified PTE Entity



In general, a **qualified PTE entity** – an entity taxed as an S corporation, partnership, or an LLC taxed as either of the two – can make an election to pay a PTE tax on behalf of the owner's/partner's share of their qualified net income from the entity.



A **qualified entity PTE payment** would be equal to 9.3% of the company's profit for that year and the owners receive a tax credit on their personal state returns for that amount. The most beneficial part is now the company can take a federal deduction for that tax payment. This gives you a way to make your personal state tax payments a business deduction.

