



MULTISTATE INCOME/FRANCHISE TAX

Louisiana enacts changes to pass-through entity tax election

Tax Alert

Overview

On June 29, 2023, Louisiana [House Bill 428](#) (“H.B. 428”) was enacted. It includes certain amendments to Louisiana’s election for eligible pass-through entities to be taxed under the corporate rules at the entity level. This Tax Alert summarizes some of the provisions of H.B. 428 applicable for tax years beginning on or after January 1, 2023.

Louisiana H.B. 428

Louisiana law allows an eligible pass-through entity to elect to be taxed under corporate rules at the entity level (“PET Election”) and allows a corresponding pass-through entity income exclusion for an individual who is a shareholder, partner, or member in an electing pass-through entity. This exclusion applies to an individual to the extent that net income or loss is received from an electing pass-through entity, thereby alleviating the double taxation that would otherwise occur by reason of the electing pass-through entity being subject to tax under corporate rules.

H.B. 428 makes the following changes to Louisiana’s PET Election, effective for taxable years beginning on or after January 1, 2023:

- Eligibility for the pass-through entity income exclusion is extended to estates, trusts, and partnerships. An estate, trust, or partnership that is a shareholder, partner, or member in an electing pass-through entity shall exclude net income or losses received from the electing pass-through entity if the electing pass-through entity properly filed a Louisiana corporation income tax return, which included the net income or loss.
- An estate, trust, or partnership that is a shareholder, partner, or member in an electing pass-through entity may not claim the pass-through entity exclusion for any income of an electing pass-through entity that, for any reason, will not bear entity level tax notwithstanding the PET Election.

- An estate, trust, or partnership that is a shareholder, partner, or member of an electing pass-through entity must disclose adjustments made to its federal income tax return on account of the pass-through entity income exclusion. The estate, trust, or partnership must furnish a statement disclosing the details of the federal adjustments within 60 days after the federal adjustments have been accepted by the estate, trust, or partnership. However, if the estate, trust, or partnership does not receive a statement of the federal adjustments until after it accepts the adjustments, it shall have 60 days from the receipt of such statement to furnish the required statement to the state.
- The legislation provides for an application for prospective termination of the PET Election. The application for prospective termination of the election will be effective automatically for the subsequent taxable year upon completion of the following:
 - The shareholders, partners, or members holding more than 50% of the ownership interest in the electing pass-through entity consent, in writing and maintained in the pass-through entity's records, to the application for prospective termination.
 - The pass-through entity timely submits the application for prospective termination, in a manner prescribed, no later than November 1st prior to the close of the taxable year for calendar year filers or 60 days prior to the close of the taxable year for fiscal year filers.
- Upon completion of the application for prospective termination, no election otherwise shall apply for the succeeding 5 taxable years of the entity or its successor.

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Have a question relating to this or any other pass-through entity tax regime? Reach out to one of our national multistate pass-through entity tax specialists.

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