



# State of Hawaii

## Department of Taxation

Ka 'Oihana 'Auhau



### Pass-Through Entity Taxation

Act 50, Session Laws of Hawaii 2023

#### What is Pass-Through Entity (PTE) Taxation?

Act 50 establishes a state tax law to allow certain entities to elect to **pay Hawaii income tax at the entity level**.

#### Act 50 Effective Date:

Act 50 takes effect on **January 1, 2024**, and applies to taxable years beginning after **December 31, 2022**.



#### Who Is Eligible to Elect PTE Taxation?

##### Partnerships

##### S Corporations

#### Standard Partnership and S Corp Tax Structure

- No entity level taxes.
- Income flows through to individual members.

#### New Entity Level Taxation for Partnerships and S Corps

Now have the option to elect to pay taxes at entity level.

#### PTE Taxation Calculation

The Electing PTE will be liable for Hawaii state income tax on the sum of all Qualified Member's distributive shares and guaranteed payments of Hawaii taxable income. The PTE elective rate is currently 11%, and there is no separate tax rate for capital gains.

Here's an example that shows how **PTE elective tax** is calculated.

##### Scenario

**Entity:** Partnership A  
**Qualified Members:** 2 (John & Jane)  
**John's Distributive Share:** \$50,000  
**Jane's Distributive Share:** \$50,000  
**PTE Elective Tax Rate:** 11%  
**Total Amount of Elective Tax:** \$100,000 X 11% = \$11,000

Here's an example depicting the calculation of PTE credit a qualified individual member can claim.

##### Scenario

**Qualified Member:** John  
**Distributive Share of PTE Credit:** \$50,000 x 11% = \$5,500  
**Eligible PTE Credit:** \$5,500\*

\*Actual PTE credit allowed may be lower based on tax liability.

#### Important Note:

- The tax scenario provided is a simplified example for illustrative purposes only.
- Tax laws are complex and subject to change. Consult with a tax professional for your specific situation.

#### Payments Due Dates

##### Tax Year 2023




##### Tax Years 2024 and Later

Tax Year 2023		Tax Years 2024 and Later	
Tax Payments	Due Date for Calendar Year Taxpayers	Tax Payments	Due Date for Calendar Year Taxpayers
Balance of PTE Tax Payment	4/20 of the next year	1st Estimated Payment	4/20 of the current year
		2nd Estimated Payment	6/20 of the current year
		3rd Estimated Payment	9/20 of the current year
		4th Estimated Payment	1/20 of the next year
		Balance of PTE Tax Payment	4/20 of the next year

#### Important Note:

Electing PTE payments must be made **electronically** via Hawaii Tax Online (HTO), at <https://hitax.hawaii.gov>







## Forms for PTE Election and Credit

Taxpayer	Entity Definition	Form Number	Form Name	Form Description
 Electing PTE Entity	Entity electing to pay PTE taxes	N-362E	Pass-Through Entity Tax Election	<ul style="list-style-type: none"> <li>Election form that must be signed by all members or one authorized member.</li> <li>Submit electronically with N-20/N-35 return.</li> </ul>
		Schedule PTE	Pass-Through Entity Tax Calculation	<ul style="list-style-type: none"> <li>Documents the total PTE Tax Credit for all qualified members, and each member's pro-rata share of the PTE Tax Credit.</li> <li>Submit electronically with N-20/N-35 return.</li> </ul>
 Upper-Tiered Entity Passing on PTE Credit	PTE that is a member of an electing PTE that is passing on PTE credits to its members.	Schedule PTE-U	Upper-Tier Pass-Through Entity Tax Credit Allocation	<ul style="list-style-type: none"> <li>Documents the PTE Tax Credit received from a lower-tiered PTE and being passed on to the upper-tiered PTE's members.</li> <li>Submit with N-20/N-35 return.</li> </ul>
 Qualified Member Claiming PTE Credit	Members of an entity, that are receiving PTE credits.	N-362	Pass-Through Entity Tax Credit	<ul style="list-style-type: none"> <li>Documents the PTE Tax Credit a qualified member receives from electing or upper-tiered PTEs.</li> <li>Submit with N-11/N-15 return and Schedule-CR.</li> </ul>

### Important Note:

- Electing PTEs are required to file all returns, schedules, statements, and other documents, and remit payments **electronically**.
- An electing PTE may also be an Upper-Tiered PTE.

## PTE Taxation Submission Summary

Taxpayer	Required Payments and Forms		
 Electing PTE Entity	 <b>Estimated Payments</b>	 <b>PTE Full Payment</b> (Due 4/20)	 <b>File Return</b> (Due 4/20 or 10/20 with extension)
	Make estimated payments on Hawaii Tax Online (starting Tax Year 2024)	Pay full amount of PTE taxes	E-file income tax return with Schedule PTE, and PTE Election form (N-362E)
 Upper-Tiered Entity Passing on PTE Credit			File income tax return with Schedule PTE-U
 Qualified Member Claiming PTE Credit			File income tax return with Schedule CR and PTE Tax Credit form (N-362)

## For Additional Information or Questions

**Department of Taxation**  
**Email:** [Tax.Rules.Office@hawaii.gov](mailto:Tax.Rules.Office@hawaii.gov)  
**Phone:** (808) 587-4242  
**Website:** <https://tax.hawaii.gov/PTE>  
**Hawaii Tax Online:** <https://hitax.hawaii.gov>