

State of Hawai'i Department Taxation Ka 'Oihana 'Auhau



Pass-Through Entity Taxation

HRS §235-51.5; Act 50, SLH 2024

What is Pass-Through Entity (PTE) Taxation?

PTE Taxation allows certain entities to elect to pay Hawai'i income tax at the entity level.

PTE Taxation Updates

PTE taxation was last updated by Act 50, SLH 2024, which is effective for tax years beginning after December 31, 2023.



Who Is Eligible to Elect PTE Taxation?

- ✓ Partnerships
- ✓ S Corps
- ✗ Multi-tiered Entities with no qualified members

Who are Qualified Members of PTEs?

- ✓ Individuals
- ✓ Trusts
- ✓ Estates

PTE Taxation Calculation

The Electing PTE will be liable for Hawai'i state income tax on the sum of all Qualified Member's distributive shares and guaranteed payments of Hawai'i taxable income. The PTE elective tax rate is 9%. 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: 9%
Total Amount of Elective Tax: \$100,000 X 9% = \$9,000

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

Scenario:

Qualified Member: John
Distributive Share Credit = \$50,000 x 9% = \$4,500
Eligible Credit: \$4,500*

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

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 regarding your specific situation.




Payments Due Dates

Tax Year 2024

Tax Years 2025 and Later







Tax Payments	Due Date for Calendar Year Taxpayers	Tax Payments	Due Date for Calendar Year Taxpayers
1/2 of estimated taxes due	9/20 of the current year	1/4 of estimated taxes due	4/20 of the current year
1/2 of estimated taxes due	1/20 of the next year	1/4 of estimated taxes due	6/20 of the current year
Important Note: Electing PTE payments must be made electronically via Hawai'i Tax Online (HTO), at https://hitax.hawaii.gov		1/4 of estimated taxes due	9/20 of the current year
		1/4 of estimated taxes due	1/20 of the next year
	Balance of PTE Tax Payment	4/20 of the next year	

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"> • Election form that must be signed by all members or one authorized member. • Submit electronically with N-20/N-35 return.
		Schedule PTE	Pass-Through Entity Tax Calculation	<ul style="list-style-type: none"> • Document the total PTE Tax Credit for all qualified members, and each member's pro-rata share of the PTE Tax Credit. • Submit electronically with N-20/N-35 return.
 Trust/Estate Passing on PTE Credit	Trust/Estate that is a member of an electing PTE that is passing on PTE credits to a beneficiary.	Schedule PTE-U	Upper-Tier Pass-Through Entity Tax Credit Allocation	<ul style="list-style-type: none"> • Document the PTE Tax Credit received from an electing PTE and being passed on to a beneficiary. • Submit with N-40 return.
 Qualified Member or Beneficiary 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"> • Document the PTE Tax Credit a qualified member receives from an electing PTE. • Document the PTE Tax Credit received by a beneficiary of a trust/estate that is a member of an electing PTE. • Submit with N-11/N-15 return and Schedule-CR.

Important Note: Electing PTEs are required to file all returns, schedules, statements, and other documents, and remit all payments **electronically**.

PTE Taxation Submission Summary

Taxpayer	Required Payments and Forms		
 Electing PTE Entity	 Estimated Payments Make estimated payments on Hawai'i Tax Online	 PTE Full Payment (Due 4/20) Pay full amount of PTE taxes	 File Return (Due 4/20 or 10/20 with extension) E-file income tax return with Schedule PTE, and PTE Election form (N-362E)
 Trust/Estate Passing on PTE Credit	<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;">File income tax return with Schedule PTE-U</div>		
 Qualified Member or Beneficiary Claiming PTE Credit	<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;">File income tax return with Schedule CR and PTE Tax Credit form (N-362)</div>		

For Additional Information or Questions

Department of Taxation
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Phone: (808) 587-1530
Website: <https://tax.hawaii.gov/PTE>
Hawaii Tax Online: <https://hitax.hawaii.gov>