



February 20, 2023

### **SPECIAL UPDATE**

#### **Department of Revenue Revises Guidelines for Pass-Through Entity Credit for Trusts and Estates**

The biggest news last week for MOCPA was not in the Legislature but was a decision by the Missouri Department of Revenue. Based on significant input from MOCPA and its members, the Department revised its guidance on how the pass-through entity credit was used by trusts and estates.

Last year, MOCPA worked with a coalition of business organizations to pass the Salt Parity Act, which allows pass-through entities to elect to pay a state-level tax that is deductible at the federal level. This measure was effective for tax year 2022, but the law was not final until August.

After the bill was passed, the DOR began working on guidance. Much of that guidance was not available until December. MOCPA began an extensive education process on this new tax program hosting several CPE events in December and January with presentations from the Department. During those sessions, MOCPA members had numerous questions on this program. The Department formulated some of those questions into a frequently asked questions section on its website.

One question that sparked significant concern and disagreement from CPAs was a decision by the Department that the credit was not available to trusts or estates that were owners in pass-through entities. This would have created an inequitable situation among the partners and greatly complicated returns.

MOCPA and its members began to express their concern over this decision. MOCPA member Steve Gorin and his firm prepared a memo outlining the legal support for changing this guidance. After receiving additional input from members on MOCPA's Tax Listserve, the government advocacy team shared the memo with the Department and began discussions on changing their position. Last week, the Department issued a memo to MOCPA announcing that the credit would be allowed for trusts and estates.

While this is a positive development, there remains a lot of confusion and uncertainty around the use of the pass-through entity credit. The Department has issued other guidance that not all CPAs agree with. Some of the disagreements may require legislation to correct. Some may be able to be handled by further discussions with the Department. Unfortunately, it is unlikely that all of these issues will be resolved before the end of this tax season.

This may be one of the situations where the guidance is not clear, and CPAs will have to read the law, existing guidelines, and use their professional judgment in advising clients. Anticipating that there might be issues surrounding implementation, MOCPA worked to make the program voluntary on an annual basis. In this way, if existing guidance is not favorable to a particular taxpayer, they are not forced to use the program.

MOCPA will continue to work with the Department on resolving differences of opinion and clarifying the guidance on this program. We realize that this is a frustrating situation for our members and ask for your patience as we work through this. Please watch for additional information from MOCPA as it becomes available.

### **Legislation of Interest**

[Click here](#) to view the complete list of high-priority bills MOCPA is currently tracking. New bills are filed daily, and the list is updated each week. Be sure to check the list regularly to look for legislation that may be of interest to you or your clients.

### **For Additional Information**

This *Government Advocacy Update* will continue weekly through the legislative session. If you have any questions on MOCPA's government advocacy efforts, please visit the [Web page](#), or contact [Dena Hull](#) at (800) 264-7966, ext. 105.

### **Register Today!**

Attend a complimentary, virtual mid-session **Legislative Update on March 31**; 9 to 9:50 a.m. You'll receive an update from Chuck Pierce on bills MOCPA is following that could impact your business, clients and the profession. [Click here](#) to sign up!

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