

I understand that if a pass-through entity files a MO-PTE that they won't file a form MO-1065 or MO-1120S. If that's the case, how can we inform individuals of certain adjustments like their portion of added back taxable interest that is not taxable to Missouri?

I apologize for the misinformation. The entity will file the MO-PTE and the MO-1120S or MO-1065.

To clarify, if the entity elects to file MO-PTE, it is not required to file either a MO-1065 or a MO-1120S?

I apologize for the misinformation. The entity will file the MO-PTE and the MO-1120S or MO-1065.

Do you have to file a separate MO-7004 or will the Federal extension be accepted?

If the box for an approved federal extension is selected on the MO-PTE return and a copy of the federal extension is attached, you do not have to submit a separate MO-7004.

We are looking for clarification re: calculation of QBI on Form MO-PTE, Line 4.

- a. Is calc simply the sum of MO-PTE, Line 1, plus Line 2, minus Line 3 multiplied by 20%?
- b. It is my understanding that a specified service trade or business (SSTB) would not be eligible to deduct QBI on the MO-PTE form. Correct?

Section 143.436, RSMo, which creates the Missouri pass-through entity tax, provides that this deduction is "the deduction allowed under 26 U.S.C. Section 199A computed as if such deduction was allowed to be taken by the affected business entity for federal tax purposes". The computation called for by this statute is not 20% of the sum of separately and nonseparately computed items, plus additions and minus subtractions.

Regarding SSTBs, generally, the same federal limitations will apply to the Qualified Business Income Deduction taken on the Form MO-PTE. If, according to the federal limitations, the pass-through entity would have its qualified business income deduction phased out based on the pass-through entity's income, the qualified business income deduction reported on Form MO-PTE will be reduced.

Will MO accept e-signature on MO-PTE?

Yes.

- c. Per instructions, you compute the QBI as if the entity qualified. What does that mean in terms of the income level thresholds for application of the wage and property factors? How do we treat SSTBs? Instructions do say that the same limits that apply to individuals should be used for the business. I presume that means to treat the business as a non-married individual filer, but it does not state that directly.

When determining threshold(s) based on filing status, the single threshold is used.

Regarding SSTBs, generally, the same federal limitations will apply to the Qualified Business Income Deduction taken on the Form MO-PTE. If, according to the federal limitations, the pass-through entity would have its qualified business income deduction phased out based on the pass-through entity's income, the qualified business income deduction reported on Form MO-PTE will be reduced.

Do you have to file the MO 7004 to extend the MO-PTE, or will it extend automatically with the federal extension?

If the box for an approved federal extension is selected on the MO-PTE return and a copy of the federal extension is attached, you do not have to submit a separate MO-7004.

To also clarify, e-filing of MO-PTE is currently not available? These must be paper filed?

Correct.

What if you aren't sure that you will be filing a PTE return when filing the extension? Will a MO-7004 with the box checked extend a non-PTE return?

The pass-through entity can submit a MO-7004 regardless on if they will file the return or not. If the Pass-Through Entity box is selected on the MO-7004, it will only extend the time to file the MO-PTE return and does not extend non pass-through entity returns.

If only a federal extension is filed for a PTE, can they still elect PTET on an extended return, or do they need to file a Form 7004 separate in order to make that election on an extended return?

If the box for an approved federal extension is selected on the MO-PTE return and a copy of the federal extension is attached, you do not have to submit a separate MO-7004.

Is mo2827 required to be submitted at filing of PTE FORM?

The Form MO-2827 can be submitted before the MO-PTE return is filed or it can be attached to the MO-PTE return. In order for an election to become effective, an affected business entity representative must be on file. Form MO-2827 is used to appoint the affected business entity representative.

On the last page, where you enter each shareholders' respective percentage of the tax credit, it says not to enter anything if the shareholder itself is a pass-through entity. This seems to just make the credit go away, because the higher-tier entity doesn't really have a way of picking up their share of the credit on their own MO-PTE. Am I missing something?

Eligible members of the higher-tier affected business entity still receive their pro rata share of the PTE tax credit generated by the lower-tier affected business entity. The credit is distributed not only to direct members, but also indirect members, of the lower-tier affected business entity.

When do you file the MO 2827? With the paper MO PTE return? Do you need to file every year?

You can submit the MO-2827 with the MO-PTE return or it can be submitted before the return is filed. You do not have to file a new MO-2827 every year unless the affected business entity representative needs updated. If it is the same representative there is will be a box on the MO-PTE return to reauthorize the representative.

Does MO agree that a grantor trust using individual

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Why is the 2827 required if the person is the same as the tax matters partner?

For the election to become an affected business entity to become effective, an entity must designate an affected business entity representative. The Form MO-2827 is used to designate the affected business entity for the first year.

If we made an anticipated payment for 2022 and a Trust was one of the members, what do we do with their percentage share of the payment?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

We e-file all of our clients' Missouri business returns. Should we pdf the MO-PTE and the MO-2827 to the e-file or just mail in the 2 forms?

Send the MO-PTE return and the MO-2827 to Taxation Division, P.O. Box 3080, Jefferson City, MO 65105 or you can email them to corporate@dor.mo.gov.

If a PTE elects and files MO-PTE, do they still have to file the MO-1065 or 1120S? Or is the MO-PTE the only form they file in that year?

Yes, they will have to file MO-PTE and Forms MO-1065/MO-1120S.

How do we calculate the Federal Qualified Business Income Deduction for a partnership? Does the qualified business income get reduced by 1/2 of the self-employment tax, self-employed health insurance, and retirement contributions like a Schedule C on an individual return?

The pass-through entity calculates the Form MO-PTE, Line 4 Federal Qualified Business Income Deduction as though it (the partnership or S corporation) was allowed to take the deduction on the federal level. For example, the income figures (e.g. the net capital gain, the taxable income as that term is used in IRC § 199A) of the partnership or S

corporation itself are used to prepare the pro forma Form 8995 or 8995-A. The figures of a particular partner or shareholder are not used; the pass-through entity's figures are used. When determining threshold(s) based on filing status, the single threshold is used, not the joint threshold. The filing status of the shareholders, partners, or members is not used or referenced.

What tax year does the member claim the credit on their individual return for 2022 partnership and s-corporation returns that make the election

The credit should be claimed on the tax year the tax was paid.

What is the timing of the use of the tax credit for an accrual basis S-corporation?

The members of an S corporation can claim the PTE tax credit on the tax year the tax was paid.

What is the process for implementation of 199A? How do we apply individual threshold to the entity? Do we do a single 8995 for the whole entity? Do we do a separate one for each owner? Help!

The pass-through entity calculates the Form MO-PTE, Line 4 Federal Qualified Business Income Deduction as though it (the partnership or S corporation) was allowed to take the deduction on the federal level. For example, the income figures (e.g. the net capital gain, the taxable income as that term is used in IRC § 199A) of the partnership or S corporation itself are used to prepare the pro forma Form 8995 or 8995-A. The figures of a particular partner or shareholder are not used; the pass-through entity's figures are used. When determining threshold(s) based on filing status, the single threshold is used, not the joint threshold. The filing status of the shareholders, partners, or members is not used or referenced.

How is pro rata share calculated on a partnership with special allocations? By Income allocated? By ownership %

The Department will allow the PTE credit to be claimed for the amount that was reported on the MO-PTE return which is based on the member's/partner's pro rata share of the tax paid. The member's/partner's percentage that is entered on the MO-PTE should match what is reported on the K1.

2. The instructions to the 2022 MO-TC includes a code for the SALT Parity credit and says to attach in support of it a "Pass Through Entity Report" – what is that?

The entity should supply a report/statement to the member showing their share of the tax paid for the member to claim on their return.

If a pass-through entity made an anticipated tax payment in 2022, and decided they didn't want to elect to file a MO-PTE, can they just fill out the form, not check the election box, and request all of the payment to be refunded?

If the entity does not choose to file the MO-PTE, they can send in a written request to refund the payment(s).

Does using federal extension only (not filing MO-7004) eliminate the failure to pay penalty as well?

Yes, as long as the box for an approved federal extension is selected on the MO-PTE return and a copy of the federal extension is attached.

Do we have to figure out the QBI deduction that would be taken on the personal returns and do this on the MO-PTE?

The pass-through entity will calculate the IRC § 199A deduction as though it (the pass-through entity) was allowed to take the deduction on the federal level. For example, the income figures (e.g. the net capital gain, the taxable income as that term is used in IRC § 199A) of the partnership or S corporation itself are used in preparing the pro forma federal Form 8995 or 8995-A to be attached to the Form MO-PTE. Generally, the same limitations found in 26 U.S.C. Section 199A that apply when computing the federal qualified business income deduction for individuals will also apply to the affected business entity. When determining threshold amount(s) based on filing status, the single threshold is used, not the joint threshold. The filing status of the shareholders, partners, or members is not used or referenced for this purpose.

How is an excess tax credit at the individual level that is partially due to a MO-PTE credit handled? I believe it is a non-refundable credit, but is it simply carried over to a subsequent year? If so, how long is the carryover period?

The excess of the PTE tax credit will be carried forward until fully used.

Why would a flow through entity want to file as a PTE?

The decision is up to the pass-through entity on if it has any taxation benefits.

The MO-1065 and MO-1120S have pass through adjustments for Partnership/S Corp additions and subtractions, and other adjustments, of particular concern, the Agriculture Disaster Relief deduction.

As it appears the MO-PTE uses the ADR deduction at arriving at the allowable credit, but there is no guidance for the individual partner/shareholder to adjust their Mo gross income for the ADR deduction in arriving at the individual Missouri taxable income and tax, against which the MO-PTE credit is applied.

The MO-1065 and MO-1120S should be filled out which would report what the member needs to claim on their individual income tax return.

Are software companies going to have this form available?

Please contact your software company.

So, a SSTB with \$2,000,000 of partnership income should enter \$0 for QBI deduction regardless of if there are 20 partners who would report \$100,000 each of income and possibly get a QBI deduction on their personal return

Correct. The QBI or taxable income of any one or more of the particular shareholders is not relevant; the income figures of the S corporation itself are used.

Can you send us the Code sections re: the deductions, please?

[Sections 143.436 RSMo.](#)

12 CSR 10-2.436 SALT Parity Act Implementation - Attached

Form 8995 pro forma should be attached based upon individual

The pro forma Form 8995 should be filled out as if the entity was allowed to take the deduction. The QBI or taxable income of any one or more of the particular shareholders is not relevant; the income figures of the S corporation itself are used. The single threshold should be used.

Do you know if an accrual basis tax paper can deduct the MO SALT tax on the current federal return even though the tax is technically paid in the subsequent year

Please refer to federal. However, if a partnership or S corporation would properly include its Missouri PTE tax as a federal deduction on its tax year 2022 federal Form 1065 or federal Form 1120S, then the partnership or S corporation would deduct its Missouri PTE tax in determining its taxable income for purposes of the pro forma Form 8995 or 8995-A.

Is the election made annually or one election binds the PTE going forward?

The election is made annually.

If the PTE is not elected on the extension, can you still elect the PTE when filing in September

The election to become an affected business entity should be made on or before the due date or on or before the extended due date.

Is the amount paid for the PTE a deductible expense on the Federal form?

Please refer to federal. However, if a partnership or S corporation would properly include its Missouri PTE tax as a federal deduction on its tax year 2022 federal Form 1065 or federal Form 1120S, then the partnership or S corporation would deduct its Missouri PTE tax in determining its taxable income for purposes of the pro forma Form 8995 or 8995-A.

If a member is a Trust and the PTE is elected. What happens to those funds?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Does the MO Power of Attorney Form 2827 have to be filed prior to filing the MO-PTE?

The Form 2827 can be filed prior to filing the MO-PTE or it can be sent in with the MO-PTE return.

Can you clarify how MO tax credits such as Historical credits are applied to PTE and credit at personal level

Tax credits applied at the pass-through entity level will reduce the amount of tax paid and will therefore reduce the amount of the PTE tax credit claimed by each member. The HPC credit can be distributed to the shareholders/members of the PTE return versus being claim on the MO-PTE return.

Will e-signatures be accepted on Form 2827

Yes.

Will partnerships owned by grantor trusts that are disregarded for tax purposes (so that tax is at individual level) be able to claim the PTE credit?

Yes. The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

If a 2827 is not on file is the MO_PTE rejected, or will a letter be generated from DOR?

The Department will issue a letter requesting a MO-2827 to be submitted.

Section 199A is an individual level Federal below the line deduction that does not even affect Missouri taxable income at the individual level and has many limitations that can only be calculated at the individual level. How does it make sense that this should affect Missouri taxable income for PTE tax purposes at the pass-through entity level? Why would this not be the 15% Missouri Business Income Deduction?

The Missouri Department of Revenue must administer Missouri's tax statutes as they are written.

If you have a trust as a 25% owner, do you calculate the PTE on 75% of the income or 100% of the income?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax. The trust can claim the PTE tax credit for the pro rata share of the taxes paid by the entity.

If you already have a Form 2827 file, do you need re-submit with the Mo PTE return?

A Form MO-2827 must be submitted to elect an affected business entity representative. If the 2827 on file is just for the accountant to have access to confidential information, then you will need to submit a 2827 to elect the affected business entity representative.

If you have a non-grantor type trust as a partner will you be able to elect the PTE, basically all or nothing?

All members must agree to elect to file the MO-PTE. The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Do we complete a tax credit form at the time of doing the MO-PTE to give to shareholders or it is just completed at time of doing the personal return?

The MO-TC should be completed by the member claiming the credit.

If the business is owned by a disregarded revocable trust, can the PTE flow through to the grantor/trustor?

Yes. The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

What line on the Missouri form MO 1040 do you claim the credit?

MO-1040, Line 42.

Can you deduct accrued PTE for accrual taxpayers or only for taxes paid in current year

If a partnership or S corporation would properly include its Missouri PTE tax as a federal deduction on its tax year 2022 federal Form 1065 or federal Form 1120S, then the partnership or S corporation would deduct its Missouri PTE tax in determining its taxable income for purposes of the pro forma Form 8995 or 8995-A.

So, if it is a single for the entire entity the is it Single or MFJ threshold

The single limit is used.

What if the partners change at 1/1/23 and the Form PTE is filed in 2023? DO the 2022 partners get the deduction?

The PTE credit is for the pro rata share of the tax paid by the pass-through entity. If a partner is reporting income from a pass-through entity on their income tax return that they are no longer a partner of, then they should receive a credit for the taxes paid.

Can you confirm filing PTE is annual election?

Yes it is an annual election.

If the business is owned by QSST (qualified subchapter S trusts), can you use the PTE and flow it to the beneficiary (a QSST trust is treated as a grantor trust).

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Does a cash basis taxpayer deduct the state taxes paid in the year they are paid? So individual would receive the tax credit on the 2022 return and the tax deduction for the expense would be taken on the 2023 return?

If a partnership or S corporation would properly include its Missouri PTE tax as a federal deduction on its tax year 2022 federal Form 1065 or federal Form 1120S, then the partnership or S corporation would deduct its Missouri PTE tax in determining its taxable income for purposes of the pro forma Form 8995 or 8995-A.

How do you use only 1 8995 when you have multiple members and you stated earlier that we would need to limitations at the personal le

The pass-through entity calculates the Form MO-PTE, Line 4 Federal Qualified Business Income Deduction as though it (the partnership or S corporation) was allowed to take the deduction on the federal level. For example, the income figures (e.g. the net capital gain, the taxable income as that term is used in IRC § 199A) of the partnership or S corporation itself are used to prepare the pro forma Form 8995 or 8995-A. The figures of a particular partner or shareholder are not used; the pass-through entity's figures are used. When determining threshold(s) based on filing status, the single threshold is used, not the joint threshold. The filing status of the shareholders, partners, or members is not used or referenced.

Will the Missouri website have a form that actually calculates?

Not at this time.

Is there an ETA on when additional guidance on how to calculate the Federal QBI deduction will be made available?

The pass-through entity calculates the Form MO-PTE, Line 4 Federal Qualified Business Income Deduction as though it (the partnership or S corporation) was allowed to take the deduction on the federal level. For example, the income figures (e.g. the net capital gain, the taxable income as that term is used in IRC § 199A) of the partnership or S corporation itself are used to prepare the pro forma Form 8995 or 8995-A. The figures of a particular partner or shareholder are not used; the pass-through entity's figures are used. When determining threshold(s) based on filing status, the single threshold is used, not the joint threshold. The filing status of the shareholders, partners, or members is not used or referenced.

Can the 2827 be attached to the PTE when submitting?

Yes.

Can we just submit the signed Form 2827 with the tax return when it is filed?

Yes.

Why is Form 2827 required to be filed

For the election to become an affected business entity to become effective, an entity must designate an affected business entity representative. The Form MO-2827 is used to designate the affected business entity for the first year.

Can you please clarify/explain claiming miscellaneous tax credits applying against the tax liability but do not qualify as payments for purposes of calculating the PTE credit.

Under the SALT Parity Act, miscellaneous tax credits generally reduce the PTE tax liability rather than constituting tax paid, and therefore generally do not qualify as a payment for purposes of calculating the PTE Credit. As an example, if a MO-PTE has a liability of \$10,000, and the PTE claims a miscellaneous tax of \$2,000, it reduces the amount of the tax paid to \$8,000. The PTE tax credit for members to claim on their return would be \$8,000.

Do you have to pay the full 5.3% or can you pay less?

The liability is determined by the highest rate of tax used to determine Missouri income tax liability for an individual. Currently for tax year the rate is 5.3%.

How do we get a refund if we paid the anticipated voucher already if we decide not to do the MO PTE because this is a mess

You can send in a written request to corporate@dor.mo.gov or mail a request to P.O. Box 3080, Jefferson City, MO 65105.

Is there any way to share answers to questions with entire group?

You previously said that if a trust owns 25% of a business, you still calculate and pay PTE based upon 100%. But you also said that you can get a refund at the PTE level for any tax paid on behalf of the trust. Can you please clarify this?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

What do we need to attach to MO-TC to receive the credit? Is there a "pass thru entity report" to attach

A report/statement/K-1 with a note from the entity that shows the amount of the member's tax.

What would the business give to the shareholders to prove how much of the PTE tax was paid on their behalf

A report/statement/K-1 with a note from the entity that shows the amount of the member's tax.

What are the required attachments to the MO-1040 to claim the PTE credit?

Form MO-TC and a report/statement/K-1 from the entity that shows the amount of the member's tax.

Do you have to file Form MO2827 annually or only if the representative changes.

Only if the representative changes. To re-elect the same representative a box can be selected on the MO-PTE return next year.

If an entity does not need to file a MO-1065, the partners will not have a MO-addition on form 1040 for the PTE tax. Therefore, the PTE will be deductible for federal and MO individual income tax purposes. Is this an unintended benefit for the partners?

During the presentation I misinformed the participants. The entity will still file the Form MO-1120S/MO-1065 when they elect to file the MO-PTE.

It's January 31 and there are still a number of important unknowns regarding PTET. How are preparers supposed to meet our deadlines?

The pass-through entity can continue to file their MO-1120S/MO-1065 as in previous years as the election to file a pass-through entity tax return is optional.

Is the 2827 filing one time, or do we need to file that annually?

You do not have to file a new MO-2827 every year unless the affected business entity representative needs updated. If it is the same representative there is a box on the MO-PTE return to reauthorize the representative.

Can the preparer be the affected business entity representative or should one of the partners/shareholders be the representative? Or does it matter?

Under Section 143.436.13, the affected business entity representative is given the sole authority to act on behalf of the affected business entity regarding every action required or permitted under the SALT Parity Act, including tax disputes with DOR or in tax appeals. It is up to the entity who they elect but I would assume they would want a member to be elected.

The entity can add the accountant as a Power of Attorney versus an Affected Business Entity Representative.

If the entity electing is PTE, owned 50% by a trust. So, the entity pays tax on 100% of the income for PTE, the trust cannot get the credit so are those funds then loss.

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Is the PTE credit only go against the owner's liability on a MFJ return?

The member's liability.

Who can be an affected business entity representative? The tax preparer or must be a member?

Under Section 143.436.13, the affected business entity representative is given the sole authority to act on behalf of the affected business entity regarding every action required or permitted under the SALT Parity Act, including tax disputes with DOR or in tax appeals. It is up to the entity who they elect but I would assume they would want a member to be elected.

The entity can add the accountant as a Power of Attorney versus an Affected Business Entity Representative.

On the 2787, who should be the designated affected entity rep? The CPA or Officer of the entity?

Under Section 143.436.13, the affected business entity representative is given the sole authority to act on behalf of the affected business entity regarding every action required or permitted under the SALT Parity Act, including tax disputes with DOR or in tax appeals. It is up to the entity who they elect but I would assume they would want a member to be elected.

The entity can add the accountant as a Power of Attorney versus an Affected Business Entity Representative.

Can you file a federal extension or MO extension, file a MO-1065 or MO-1120S by March 15, 2023, and then amend either return to make the MO-PTE election and file MO-PTE by Oct. 15, 2023?

Yes to both questions. However, you won't have to amend the MO-1120S or MO-1040.

Is there a specific form number for the report given to the members?

No. The report or statement is created by the entity to give to the member.

So, if you elect to do the PTE and have a partial owner that is not eligible to use the PTE (like a trust), what happens to the portion of PTE paid on behalf of the ineligible owner? Is it just lost or can it be refunded at the PTE level?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

If someone has contributed to receive the MO Scholars Credit, how does that impact when claiming the PTE Credit that is passed thru to the individual?

The tax credits will be redeemed in the order they are listed on the MO-TC form. Taxpayers have some flexibility when claiming most tax credits. The MoScholars tax credit and the PTE tax credit do not specifically state the order in which they must be claimed. The MoScholars can only be carried forward for four subsequent tax years, where the PTE tax credit may be carried forward to any subsequent tax year until the credit is fully utilized. As a result, the taxpayer may choose to redeem the MoScholar tax credit first.

Does MO PTE need to be marked on the form 2827?

Yes.

So basically, a regarded trust (i.e. a trust which is not a grantor trust) or a non-profit entity that owns an interest in an electing PTE forfeits their share of the PTE payment?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Can a MO-1040 be electronically filed if claiming the MO-PTE credit?

Yes.

Is there a special code on Missouri TC to claim the PTE

No.

A little more clarification... when filing the 2827 we typically designate our office as the power of attorney and signed by a member. Is that still applicable?

Yes.

Does the federal 7004 automatically extend the Missouri PTE or does the MO-7004 have to be filed and the box checked?

The approved federal extension box and a copy of the federal extension should be attached when filing the MO-PTE return to extend the time to file.

Does the individual or business entity claim a refund of overpayment? How can a business claim a refund if a member is a trust since the business reports and pays tax on 100% of the business income?

The Department has determined that Trusts and Estates may claim the PTE credit against fiduciary tax.

Is there a "benefit number" for the PTE tax to use on the TC form?

No.

When do you anticipate guidance on this so returns can be filed this season? Sounds to me like there are more questions than answers at this point?

The pass-through entity can continue to file their MO-1120S/MO-1065 as in previous years as the election to file a pass-through entity tax return is optional.

Won't the MO-TC form reject if there is no benefit number?

No, DOR credits do not have benefit numbers until the returns are received. Software vendors require a number. We have the taxpayers enter the year of the credit in the benefit field.

To clarify, does filing only a federal extension for the MO-PTE (not the MO-7004), does this remove the failure to pay penalty?

If the entity has an approved federal extension and checks the box on the MO-PTE return, the time to file and time to pay is extended. There will be no failure to pay penalty charged if the return is filed and paid before the extended due date. However, interest will still be charged from the original due date of the return until the date the tax is paid.