



## Benefit Meets Opportunity

There is a brand-new benefit for pass-through businesses, allowing a SALT (state & local income tax) limit work-around, coupled with a more generous PEACH Education tax credit opportunity, per Georgia HB 149.

Pass-through businesses may elect to pay state income tax at the entity level and may contribute to the Georgia Foundation for Public Education PEACH Education Tax Credit at the same generous limits as C corporations (effective in 2022).

### Federal Action:

Through [IRS Notice 2020-75](#), issued on November 9, 2020, the IRS has allowed for a “SALT Workaround” for pass-through entities paying state income tax. In other words, the IRS will allow for state and local income taxes imposed on and paid by a pass-through entity with respect to its income to be taken as a deduction by the pass-through entity in computing its taxable income or loss for the year. These taxes are not subject to the SALT limitation for partners and shareholders who itemize deductions.

### Georgia Action:

[HB 149](#), which the Georgia General Assembly passed during its 2021 legislative session, represents Georgia’s response to this IRS Notice, and provides that pass-through entities may make an annual election to pay the tax due on income earned by the entity at the entity level at the rate of 5.75%.

### PEACH Impact:

HB 149 specifically provides that the electing entity shall be eligible for the PEACH Education tax credit and will be treated as an “other entity” that is eligible for a credit in an amount up to 75% of the entity’s Georgia income tax liability. Additionally, the electing pass-through entity will not be required to claim any business purpose for the payment besides satisfying the entity’s Georgia tax liability.

We recommend that you consult with your tax professional about this tax planning opportunity, as the Georgia Foundation for Public Education does not provide tax advice.

For more information, visit [www.gfpe.org/tax-credit](http://www.gfpe.org/tax-credit).