



GEORGIA STUDENT SCHOLARSHIP ORGANIZATION, INC.

For Pass-through businesses, there is a brand-new benefit for allowing a state & local income tax (SALT) limit workaround. This means LLCs, Partnerships and all S-Corps can now increase their \$10,000 limit to the GaSSO Scholarship Program with NEW Legislation, Georgia House Bill 149.

Pass-through businesses may elect to pay state income tax at the “entity” level and may contribute to GaSSO Scholarship Program at the same limit as C-Corporations – 75% of the entity’s GA Income Tax Liability (beginning in pledge year 2022)

**Federal Level:** 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. Meaning, 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.)

**State Level:** The Georgia General Assembly passed HB 149 during its 2021 legislative session. **HB 149** legislation allows the pass-through business to be classified as an “Other Entity” and allows that entity to be eligible for a credit amount up to 75% of the “entity’s” Georgia Income Tax Liability. There is no qualifying condition necessary for the entity to contribute to the GaSSO Scholarship Program.

This 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%.

*This information is provided by GaSSO to assist with knowledge of recent tax changes. GaSSO does not provide tax advice. GaSSO recommends that you consult with your designated tax or accounting advisor to determine eligibility for this program.*