



TaxNewsFlash

United States



No. 2022-118
April 13, 2022

New York City: SALT cap “workaround” enacted for 2023

Legislation enacted by New York State will allow a New York City (City) partnership or resident S corporation to elect to be subject to a new 3.876% entity level tax. An owner of the electing entity is entitled to a credit against his/her City personal income tax equal to the owner’s direct share of City passthrough entity tax (PTET) paid.

The new tax, which is included in Budget [Bill A09009C](#), is effective for tax years starting on or after January 1, 2023.

- An “eligible City partnership” means any entity, including an LLC, treated as a partnership for federal income tax purposes with at least one partner or member who is a City resident individual.
- An “eligible City resident S corporation” means any New York S corporation with only City resident individual shareholders.
- Any eligible City partnership or resident S corporation that makes the New York State PTET election may also make the City PTET election for the same tax year.

Similar to the mechanics of the New York State PTET, the City PTET election must be made by the date the first estimated payment is due or by March 15, 2023. The tax base includes the sum of all items of income, gain, loss or deduction to the extent they are included in the City taxable income of a partner, member or shareholder of the electing City partnership or resident S corporation that is a City taxpayer.

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