



S.F. No. 3405 – Extension of pass-through entity tax provisions

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Date: April 28, 2025

Under current law, pass-through entities (PTEs) may elect to file and pay tax at the entity level, rather than individual owners paying taxes on their share of income. The tax equals the sum of liability for each owner, multiplied by 9.85%. This election was enacted in part as a response to the \$10,000 federal limitation on state and local taxes paid for individual taxpayers, which was enacted as part of the Tax Cuts and Jobs Act (TCJA). The PTE election is scheduled to expire when the TCJA limitation expires after tax year 2025.

Section 1. Pass-through entity tax. Extends the expiration of the PTE tax election by two years, through tax year 2027. Effective the day following final enactment.

Section 2. Pass-through entity tax paid to another state. Extends the expiration of the PTE tax credit for PTE taxes paid to another state by two years, through tax year 2027. Effective the day following final enactment.

