

HB 149 – Breaking it Down



How can I maximize my business tax benefit and my HEART contribution?

Georgia's elected officials have just enacted a SALT deduction workaround for pass-through businesses. HB 149 allows your pass-through business to elect to pay state income taxes at the entity level, resulting in significant federal tax savings, of up to \$21 thousand on Georgia taxable income of \$1 million, as illustrated in this [example](#).

This election also expands the positive impact your business can have through the HEART program, as your pass-through business **can now contribute up to 75% of its annual Georgia income tax liability to an eligible rural hospital during the first six months of the year (whereas the limit was previously \$10,000)**, resulting in a meaningful double-tax benefit of federal tax savings and a Georgia tax credit. See our one-pager entitled [Benefit meets Opportunity](#) for further detail.

The significance of this new legislation:

- Since 2018, individual taxpayers have been limited to a \$10,000 federal deduction for their state and local taxes (SALT).
- IRS Notice 2020-75, issued 11/9/20, allows for a "SALT Workaround" for pass-through entities paying state income tax, allowing for state and local income taxes paid by a pass-through entity to be taken as a deduction by the pass-through entity in computing its taxable income or loss for the year.
- Georgia enacted HB 149, effective in 2022, providing that pass-through entities may make an annual election to pay state tax due on income earned at the entity level at the rate of 5.75%.
- The IRS will allow the entire amount of these state and local income taxes to be taken as a deduction in computing the electing entity's taxable income.
- Electing pass-through entities will be treated the same as C corporations for purposes of the HEART Program – meaning that they are able to contribute at a much more impactful level early in the year. Rather than being limited to \$10,000 per pass-through owner until June 30, the pass-through entity may contribute up to 75% of its annual tax liability.
- **This development could mean that the entire cap on the HEART rural hospital tax credit program could be met very early in 2022.** For more information contact Carmen Tanner, 478-289-1274 or cfagler@emanuelmedical.org

**Should I race to get in line?
Yes, says HB 149!**