



Guidance for Claiming the Ohio Resident Credit for Pass-Through Entity SALT Cap Taxes Imposed by Other States for Tax Year 2022

Per Ohio H.B. 33 and effective for tax year 2023, an individual investor's proportionate share of taxes paid by a pass-through entity (PTE) that are related to IRS notice 2020-75 (i.e., SALT cap taxes) must be added to federal adjusted gross income (AGI) as part of the calculation of Ohio AGI. Additionally, if the income on which the tax is based qualifies as business income under Ohio law, the add-back also qualifies as business income. Any portion of the tax remaining in Ohio AGI, after accounting for the Business Income Deduction, is then eligible for the Ohio resident credit.

The 2023 Ohio individual income tax forms and instructions will be updated to allow for these adjustments. However, H.B. 33 also allows taxpayers to apply the above adjustments to tax year 2022 by filing an amended or original return. Because this law was passed after the 2022 forms and instructions were finalized, there are no designated lines to make these adjustments.

Taxpayers who wish to claim the Ohio resident credit for other states' PTE SALT cap taxes on their 2022 return should make the adjustments as follows:

- Add the other states' PTE SALT cap tax amount to Ohio AGI, to the extent it was deducted or excluded from federal AGI, using line 2 of the Ohio Schedule of Adjustments.
- Enter any portion of those taxes added back that qualify as business income on line 7 of the Ohio Schedule IT BUS. This includes both the taxpayer's proportionate share of PTE SALT cap taxes paid to another state and on Ohio's IT 4738.
- Any portion of other states' PTE SALT cap taxes remaining in Ohio AGI after accounting for the Business Income Deduction can be used to calculate the Ohio resident credit on form IT RC.

Additionally, taxpayers should include a detailed statement with the return explaining that these adjustments have been made to claim the Ohio resident credit and/or report the portion of taxes added back that qualify as business income.

The Ohio Department of Taxation has updated its frequently asked questions to address these changes, available at [Income – Ohio Residency and Residency Credits](#) and [Income – Business Income and the Business Income Deduction](#).

Ohio Department of Taxation

Individual and School District Income Tax

P.O. Box 182847

Columbus, Ohio 43218-2847

Telephone: 888-405-4091

TTY: 800-750-0750