



Larger Georgia Tax Credit Opportunity Beginning in 2022

There is a brand-new benefit for pass-through businesses (such as limited liability corporations or “S” Corporations), allowing a SALT (state and local income tax) limit workaround, coupled with a more generous GRACE tax credit opportunity than the present \$10,000 maximum limit, per Georgia HB 149.

Pass-through businesses may elect to pay state income tax at the entity level and may contribute to GRACE Scholars at the same generous limits as C Corporations.

This workaround may not be appropriate for every pass-through entity and this tax law change should be discussed with a tax advisor prior to making the election.

What is Georgia House Bill 149? This bill was passed during the 2021 legislative session and signed into law. It allows pass-through entities to pay state tax at the entity level rather than through individual owners’ and partners’ personal income tax returns. This helps minimize the negative impact of the \$10,000 SALT cap restriction. It applies to tax years beginning on or after January 1, 2022.

How do GRACE Schools benefit from this new tax law? If the pass-through makes this election, they are eligible to apply for a tax credit as a C-corp in an amount up to 75% of the entity’s 2022 Georgia income tax liability. This could result in a significantly larger contribution than the present \$10,000 maximum limit for pass-through businesses.

GRACE Scholars does not provide tax advice. Please contact your tax professional to discuss this tax planning opportunity.