

MA Pass-through Entity

Pass-through entities that conduct a trade or business in Massachusetts have a new withholding tax in 2009. This withholding tax is on the income passed through to the owners of the pass-through entities. Entities that are affected include partnerships, limited partnerships, limited liability partnerships, limited liability companies, S-corporations, and certain trusts and estates. The withholding tax is due to be paid electronically, via the Massachusetts Webfile for Business website, on a quarterly basis beginning with the first payment due on April 30, 2009.

The good news is that most, if not all of the owners of pass-through entities can be exempted from the withholding requirement, if they so choose, and if they sign the appropriate forms and return them to the pass-through entity before April 30, 2009. Individual owners of pass-through entities that are Massachusetts residents are exempt, and Non-MA residents can be exempt if they promise to file Massachusetts income tax returns and pay their tax timely, or if they elect to be included in a composite tax return filing at the pass-through entity level. Entities that are owners of other pass-through entities can also be exempt from the withholding requirements if all of their owners are already exempt. These are just a sample of the ways that individuals and entities can be exempt from the withholding requirements.

If you would like to find out how your pass-through entity can take advantage of the exemptions to this required withholding, please contact your Tonneson + Co representative, or John Parker at 781-245-9999

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