# Treasury and IRS to Issue Proposed Regulations Clarifying that Businesses Structured as Pass Through Entities May Deduct Certain State and Local Income Taxes Similar to C Corporations

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WASHINGTON – Today the U.S. Treasury Department and Internal Revenue Service (IRS) released a notice regarding proposed regulations that will clarify that State and local income taxes imposed on and paid by a pass-through entity are allowed as a deduction by the pass-through entity in computing its non-separately stated taxable income or loss for the taxable year of payment. The notice is consistent with the longstanding position of the Treasury Department and IRS.

The forthcoming proposed regulations will apply to these types of income taxes starting today, and will also allow taxpayers to elect to apply the rules described in the notice to specified income taxes paid in a taxable year of a pass-through entity ending after December 31, 2017, and before the date the forthcoming proposed regulations are published in the Federal Register.

"The Department of the Treasury and IRS are taking the necessary steps to provide fairness for America's small businesses," said Secretary Steven T. Mnuchin. "These proposed regulations will offer clarity for individual owners of pass-through entities."

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