

Example: New California Pass-Through Entity Tax Election

Partnership - No Election			Individual Tax Return - Federal - Single Filing Status		Individual Tax Return - California - Single Filing Status			
Partnership Income	\$	4,000,000	K-1 Income	\$	2,000,000	Federal AGI	\$	1,964,365
Pass-Through Entity Tax	0.00%	-	Self-Employment Tax	(35,635)	State Modification	-		
Net Income	\$	4,000,000	AGI	\$	1,964,365	Standard Deduction	(4,601)	
Partner's Share	50.00%	\$ 2,000,000	Standard Deduction	(12,550)	Taxable Income	\$	1,959,764	
Pass-Through Entity Tax	50.00%	-	Taxable Income	\$	1,951,815	Income Tax	\$	225,600
			Income Tax	\$	686,244	Mental Health Tax		9,598
			Self-Employment Tax		71,270	Total Taxes	\$	235,198
			Other Taxes		14,823			
			Total Taxes	\$	772,337			
Total Federal and California Income Taxes \$ 1,007,535								

Partnership - PTE Tax Election			Individual Tax Return - Federal - Single Filing Status		Individual Tax Return - California - Single Filing Status			
Partnership Income	\$	4,000,000	K-1 Income	\$	1,814,000	Federal AGI	\$	1,780,855
Pass-Through Entity Tax	9.30%	(372,000)	Self-Employment Tax	(33,145)	State Modification	186,000		
Net Income	\$	3,628,000	AGI	\$	1,780,855	Standard Deduction	(4,601)	
Partner's Share	50.00%	\$ 1,814,000	Standard Deduction	(12,550)	Taxable Income	\$	1,962,254	
Pass-Through Entity Tax	50.00%	186,000	Taxable Income	\$	1,768,305	Income Tax	\$	225,907
			Income Tax	\$	618,345	Mental Health Tax		9,623
			Self-Employment Tax		66,289	Total Taxes	\$	235,530
			Other Taxes		13,277			
			Total Taxes	\$	697,911			
Total Federal and California Income Taxes \$ 933,441								

<u>Tax Savings</u>			
	Federal	California	Total
No Election	\$ 772,337	\$ 235,198	\$ 1,007,535
Election	(697,911)	(235,530)	(933,441)
Tax Savings	\$ 74,426	\$ (332)	\$ 74,094

Disclaimer: This illustrative example is our interpretation of California Assembly Bill 150. Our example is subject to change based on future Franchise Tax Board guidance and regulations; therefore, you should not make tax decisions based on our example. We recommend contacting us before taking any action concerning Assembly Bill 150.