

Expiration of Minnesota Pass-Through Entity Tax Looming

Alert

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On November 21, 2025, the Minnesota Department of Revenue (MDOR) updated its website to remind taxpayers that the Minnesota pass-through entity tax (PTET) regime expires for tax years beginning after December 31, 2025. A PTET election must be made by a qualifying entity's extended tax return due date for tax years beginning before January 1, 2026. A "qualifying entity" is a partnership, S corporation, or limited liability company taxed as a partnership or S corporation.

The MDOR will not accept late-filed elections, nor will it accept elections made for tax years beginning after December 31, 2025. (However, for entities filing a fiscal year return that begins before January 1, 2026, the qualifying owner can claim the PTET credit on the owner's relevant income tax return, which could be a 2026 income tax return.) Any PTET payments made by a pass-through entity after the December 31, 2025, expiration will be treated as estimated payments of other entity-level taxes.

A PTET election allows pass-through entities to pay income tax on behalf of their partners, members or shareholders. Minnesota law allows the partners, members or shareholders of the pass-through entity to then take a credit for taxes paid on their behalf. The credit can be claimed for: (1) the partner's, member's or shareholder's allocable share of net income tax passed through to them from the pass-through entity, as provided in Minn. Stat. section 290.06, subd. 22(g) or (h); or (2) pass-through entity taxes paid to another state for taxable years that begin before January 1, 2026, as provided in Minn. Stat. section 290.06, subd. 23a. Shareholders, members or partners claim the credit by filing Schedule M1REF, "Refundable Credits," or Form M2, "Income Tax Return for Estates."

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Because of the expiration of the Minnesota PTET election, owners of pass-through entities having income allocated to Minnesota will revert to the prior way of paying Minnesota income tax at the owner level, subject to the federal limitations on the deduction of state and local taxes as an itemized deduction. Further, the entity level deduction for such taxes, which has provided tax savings for the owners of those entities, will no longer be available.

Additional information regarding the Minnesota PTET is available at the [Minnesota Department of Revenue](#).

For more information on Minnesota's pass-through entity tax election and its upcoming expiration, please contact [Charley Jensen](#), [David Jenson](#), [Thomas Molins](#), [Jay Simpson](#), [Harry Teichman](#), [Charles Hutchison](#), [Molly Maurin](#) or the Stinson LLP contact with whom you regularly work.

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