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Idaho Guidance on Pass-Through Entities

<https://tax.idaho.gov/taxes/income-tax/business-income/pass-through-entities/>

(visited 7/29/23)

Pass-through entities (PTEs) include:

- Partnerships
- Limited-liability companies taxed as a partnership or S corporation
- S corporations
- Trusts and estates

Income, losses, deductions and credits typically flow through the entity and are taxed at the owner level. Owners should include their share of income or loss on their individual income tax return. The entity can choose to pay the tax for Idaho nonresident individuals on the entity's composite return. (See Idaho Code section 63-3006C.)

Forms and publications

- [Form ID K-1](#), *Partner's, Shareholder's, or Beneficiary's Share of Idaho Adjustment Credits*
- [Form PTE-12](#), *Idaho Schedule for Pass-Through Owners*
- [Form PTE-01](#), *Idaho Income Tax Withheld for an Individual Nonresident Owner of a Pass-Through Entity*
- [Form PTE-NROA](#), *Idaho Nonresident Owner Agreement*
- All business income tax [forms and publications](#) for the current year

Reporting requirements flowchart

The following chart will help you determine the reporting requirements of a pass-through entity and its pass-through owners.

- [Pass-through reporting requirements flowchart](#)

More PTE information

- [Guaranteed Payments Guidance](#) »
- [Form ID K-1](#) »
- [Pass-through Entities \(PTE\) Checklist](#)

The information below defines the reporting requirements for each pass-through owner type, with an emphasis on nonresident individuals. The PTE must include **both** the following items with its business income tax return:

- A completed [Form PTE-12, Idaho Schedule for Pass-Through Owners](#)
- A [Form ID K-1](#) for each pass-through owner, regardless of type

Resident and part-year resident individuals

- These owners must report the income from the PTE on their Idaho income tax returns. The entity can't include these owners in a composite filing, and these owners aren't subject to withholding.
 - Include information for resident and part-year resident individual owners on the Form PTE-12. Enter 'R' in the Filing Code column.
 - Complete Form ID K-1 for each owner. Put the amount of Idaho distributable income on line 34, column b.

Corporations, partnerships, trusts, and estates Nonresident individual owners with Idaho distributable income of less than \$1,000

- These owners must report the income from the PTE on their Idaho returns if they have other reporting requirements. The entity can't include these owners in a composite filing, and these owners aren't subject to withholding.
 - Include the information for corporations, partnerships, trusts, estates, and nonresident individuals with income of less than \$1,000 on the PTE-12. Enter 'N' in the Filing Code column.
 - Complete Form ID K-1 for each owner. Put the amount of Idaho distributable income on line 34, column b.

Nonresident individual owners with Idaho distributable income of at least \$1000

- A PTE has three options for its nonresident individual owners with Idaho distributable income of at least \$1,000:
 - Option #1: Form PTE-NROA, *Idaho Nonresident Owner Agreement*
 - Option #2: Composite filing
 - Option #3: Withholding

Option #1: Form PTE-NROA

The nonresident individual owner can submit a signed agreement ([Form PTE-NROA](#)) to the PTE. This allows the nonresident individual owner to file an Idaho return to report the Idaho-source distributable income from the entity and pay the tax due. The Tax Commission can assess the PTE for the taxes due if the nonresident individual doesn't file the return and pay the tax due.

If the pass-through entity receives Form PTE-NROA for a nonresident individual owner and approves it, the entity doesn't include the individual in a composite filing or pay withholding on Form PTE-01 to the Tax Commission on the owner's behalf.

- Include the nonresident individual owner's information on [Form PTE-12](#). Enter 'A' for Owner Agreement in the Filing Code column.
- The [Form ID K-1](#) for nonresident individuals using Form PTE-NROA won't include tax the entity paid or withheld on lines 38 or 39 in Part V.

Option #2: Composite filing

Under the composite filing option, the PTE pays the tax for the nonresident individuals on the entity's return at the [corporate tax rate](#).

- Include the nonresident individual's information on Form PTE-12. Enter 'C' for Composite Return Filing in the Filing Code column.
- Complete Part V of Form ID K-1 for each nonresident individual owner. Put the amount of tax paid on line 38.
 - The entity also must enter the amount of tax paid on line 38 for each individual owner on its Form PTE-12 under column c. (These amounts must match.)

With this option, the entity return will show a tax due amount. The entity won't use Form PTE-01, *Idaho Income Tax Withheld for an Individual Nonresident Owner of a Pass-through Entity*, because no withholding payment is being made.

Option #3: Withholding

The PTE pays Idaho income tax withholding calculated at the highest [individual tax rate](#) on the nonresident individual's Idaho source distributable income from the PTE.

- The PTE submits withholding to the Tax Commission using a [Form PTE-01](#), *Idaho Income Tax Withheld for an Individual Nonresident Owner of a Pass-through Entity*, for each nonresident individual owner.
 - The PTE must pay withholding to the Tax Commission by the 15th day of the fourth month following the end of the tax year.
 - When a PTE has a fiscal year end other than that of the owner, the credit passes through in the same period that the owner reports the income or loss for federal tax purposes.
 - Put the owner's tax year in the "payment is for tax year" section of the PTE-01.
- Include the nonresident individual's information on the [PTE-12](#). Enter 'W' for Withholding in the Filing Code column.
- Complete Form ID K-1 for each nonresident individual owner. Put the amount of Idaho distributable income on line 34, column b.
 - The PTE also must enter the amount of withholding paid for each individual owner on the entity's Form PTE-12 under column d. (These amounts must match.)

Under this option, the entity return won't show a tax due amount or any estimated payments. File a Form PTE-01 for each nonresident individual owner the PTE pays withholding on.

ABE Tax Paid by Entity

S Corporations and partnerships can now annually elect and pay tax on the pro-rata or distributive share of the entity's partners, shareholders or members. The election allows the pass-through entity to pay state tax at the entity level and take a federal deduction for the tax payment. This creates an Idaho credit that the entity's members can then claim against their individual income tax liability.