Dear [Client Name],

We are writing to inform you of a bill currently being fast tracked through the Indiana Senate that may provide a tax savings opportunity for 2022 taxes, so we want to ensure you are aware of it and know that we are addressing it.

**Senate Bill 2: Taxation of Pass-Through Entities (SB2)** is a highly supported and fast-moving bill that aims to allow pass-through entities (PTEs) an election to pay Indiana income tax at the entity level, based upon an individual owner’s share of income. The election creates a tax credit for the individuals/owner(s) which offsets the individual’s personal income tax liability. The savings opportunity is this can maximize your state tax deduction for Federal purposes and reduce your Federal taxable income.

**What does that mean for you?** The bill, if successful, would not become effective until mid-February 2023. However, the legislature intends for the credit to be retroactively available. For a small group of taxpayers this may affect your 2022 tax return.

We expect this bill to pass. Because of the retroactive nature of the bill, the 2022 election cannot be made until *March 31, 2023*. The federal filing deadline for pass-through entities is *March 15, 2023*. That means those clients who may benefit from the election on their 2022 tax return should consider filing extensions. Some taxpayers will not benefit on their 2022 tax return but will benefit on 2023 taxes.

**What are we doing to advise?** We are currently working on a personalized recommendations for our clients. We will weigh the advantages and disadvantages associated with making this election and if the tax savings is realized on the 2022 tax return or the 2023 tax return. Personalized evaluations take into consideration each client’s unique circumstances. Before filing an extension, we will discuss the estimated benefit you’d realize by making the election.

If you have any questions or concerns, please do not hesitate to contact me at [phone] or [email].

Sincerely,

[Your Name]