

Virginia
Elective Pass-Through Entity Tax
2022 Form 502PTET Package

**Includes Form 502PTET, Schedule PTET ADJ,
and Instructions**

**Form and associated schedules must be filed
electronically**

*This package is provided for informational use only. See the instructions
for information about electronic filing.*

**2022 Virginia
Form 502PTET**

**Pass-Through Entity
Elective Income Tax Form**



Important Note: Form 502PTET and all corresponding schedules must be filed electronically. No paper submissions will be accepted. See the instructions for information on filing procedures.

FISCAL or SHORT Year Filer: Beginning Date _____, 2022; Ending Date _____, 20_____

Check here to certify eligibility and election to pay Virginia income tax at the entity level for the taxable year. If this box is not checked, the election will be invalid (see instructions).

Also, check here if the electing pass-through entity does not conduct business in Virginia or have Virginia source income.

Check if: Initial return Amended return: Enter Reason Code _____ Final return Name change

Address change Change in fiscal year Subject to Bank Franchise Tax Certified Company Apportionment

Pass-Through Entity Information (See Form 502 Instructions)		
FEIN	Date of Formation	Entity Type (see instructions)
Entity Name	Date Operations Began in Virginia	NAICS Code
Number and Street	State or Country Where Incorporated or Organized	Description of Business Activity
City or Town, State, and ZIP Code		

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Number and Types of Owners

a. Number of individual and fiduciary nonresident owners.....	a.	
b. Number of individual and fiduciary resident owners.....	b.	

Distributive or Pro Rata Income and Deductions (See Form 502 Instructions)

1. Total taxable income amounts.....	1.	.00
2. Total deductions.....	2.	.00
3. Tax-exempt interest income.....	3.	.00

Allocation and Apportionment (See Form 502 Instructions)

Check this box if electing the manufacturer's alternative method of apportionment.

4. Income allocated to Virginia from Schedule 502A, Section C, Line 2.....	4.	.00
5. Income allocated outside of Virginia from Schedule 502A, Section C, Line 3(e).....	5.	.00
6. Apportionable income from Schedule 502A, Section C, Line 4.....	6.	.00
7. Virginia apportionment percentage from Schedule 502A, Section B, percent from Line 1 or Line 2(f) or 100% ...	7.	%

Virginia Additions – See Schedule PTET ADJ for Other Additions

8. Fixed date conformity – depreciation.....		.00
9. Fixed date conformity – other.....	9.	.00
10. Net income tax or other tax used as a deduction in determining taxable income.....		.00
11. Interest on municipal or state obligations other than from Virginia.....	11.	.00
12. Total additions from enclosed Schedule PTET ADJ, Section A, Line 5.....	12.	.00
13. Total additions. Add Lines 8 through 12.....	13.	.00

Virginia Subtractions – See Schedule PTET ADJ for Other Subtractions

14. Fixed date conformity – depreciation.....	14.	.00
15. Fixed date conformity – other.....	15.	.00
16. Income from obligations of the United States.....	16.	.00
17. Total subtractions from enclosed Schedule PTET ADJ, Section B, Line 5.....	17.	.00
18. Total subtractions. Add Lines 14 through 17.....	18.	.00

Virginia Tax Credits Passed Through to Owners

19. Total nonrefundable credits from enclosed Schedule PTET ADJ, Section C, Part II, Line 1.....	19.	.00
20. Total refundable credits from enclosed Schedule PTET ADJ, Section C, Part IV, Line 1.....	20.	.00

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2022 Virginia Form 502PTET

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PTE Name _____

FEIN _____



Section I – Income (See Instructions for Completing These Lines)

	Column A Nonresident Owners	Column B Resident Owners
1. Owners' shares of taxable income	.00	.00
2. Owners' shares of Virginia additions	.00	.00
3. Add Lines 1 and 2	.00	.00
4. Owners' shares of Virginia subtractions	.00	.00
5. Virginia taxable income. Subtract Line 4 from Line 3	.00	.00

Section II – Tax Calculation

6. Total Virginia taxable income: Add Line 5, Columns A and B	6.	.00
7. Tax: Multiply Line 6 by 5.75%	7.	.00

Section III – Payments and Credits

8. Estimated tax paid including any overpayment carried over from the prior year (see instructions)	8.	.00
9. Extension payment and other payments	9.	.00

10. Tax credits.

Credit Name	Amount
10a. Motion Picture Production Tax Credit	.00
10b. Refundable Research and Development Tax Credit	.00
10c. Other. Enter name here: _____	.00

Add amounts on Lines 10a, 10b, and 10c and enter the total here. .00

11. Total payments and credits. Add Lines 8-10	11.	.00
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Section IV – Tax, Penalty, and Interest

12. Tax owed: if Line 7 is greater than Line 11, enter the difference	12.	.00
13. Overpayment amount: If Line 11 is greater than Line 7, enter the difference	13.	.00
14. Amount of Line 13 credited to next year's estimated tax.	14.	.00
15. Net overpayment amount: Subtract Line 14 from Line 13.	15.	.00
16. Addition to tax. Check this box to indicate that the Form 500C is attached. <input type="checkbox"/> (Reserved for future years)	16.	.00
17. Penalty	17.	.00
18. Interest	18.	.00
19. Total additional charges, penalties, and interest. Add Lines 16-18.	19.	.00

Section V – Amount Due or Refund

20. Amount owed. If tax is owed on Line 12, add Lines 12 and 19. –OR– If Line 15 is less than Line 19, subtract Line 15 from Line 19.	20.	.00
21. Amount of refund. If there is a net overpayment amount on Line 15, subtract Line 19 from Line 15.	21.	.00

I, the undersigned owner or authorized representative of the pass-through entity for which this return is made, declare under the penalties provided by law that this return (including any accompanying schedules, statements, and enclosures) has been examined by me and is, to the best of my knowledge and belief, a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the tax laws of the Commonwealth of Virginia. A preparer other than the authorized representative declares the same, and such declaration is based on all information of which he or she has any knowledge.

By checking the box to the right, I (we) authorize the Department to discuss this return with the undersigned tax preparer.

Signature of Owner or Authorized Representative	Title	Date
Printed Name of Owner or Authorized Representative	Phone	
Individual or Firm, Signature of Preparer, Phone Number, and Address		Date
Printed Name of Individual or Firm	Preparer's FEIN, PTIN, or SSN	Approved Vendor Code

A Schedule VK-1 for each owner must be included in the Form 502PTET eFile submission.



FEIN	Name(s) as shown on Form 502PTET
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SECTION A – Additions to Taxable Income

		Code	Amount
1.	INFORMATIONAL COPY Electronic Filing Required		.00
2.			.00
3.			.00
4.			.00
5.		Total Additions. Add Lines 1-4.....	

SECTION B – Subtractions From Taxable Income

	Certification Number (if applicable)	Code	Amount
1.			.00
2.			.00
3.			.00
4.			.00
5.	Total Subtractions. Add Lines 1-4.00

SECTION C – Virginia Tax Credits

Enter the total amounts passed through to owners for each credit in Parts I through IV. For information on credits, see the Schedule CR Instructions.

Part I – Nonrefundable Credits

1. State Income Tax Paid (see Form 502 instructions)	1.	.00
2. Neighborhood Assistance Act Tax Credit.	2.	.00
3. Biodiesel and Green Diesel Fuels Tax Credit	3.	.00
4. Recyclable Materials Processing Equipment Tax Credit	4.	.00
5. Vehicle Emissions Testing Equipment Tax Credit	5.	.00
6. Major Business Facility Job Tax Credit	6.	.00
7. Waste Motor Oil Burning Equipment Tax Credit	7.	.00
8. Riparian Forest Buffer Protection for Waterways Tax Credit	8.	.00
9. Reserved for Future Use	9.
10. Reserved for Future Use	10.
11. Reserved for Future Use	11.
12. Historic Rehabilitation Tax Credit.	12.	.00
13. Land Preservation Tax Credit	13.	.00
14. Qualified Equity and Subordinated Debt Investments Tax Credit	14.	.00
15. Communities of Opportunity Tax Credit.	15.	.00
16. Green Job Creation Tax Credit	16.	.00

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**2022 Schedule
PTET ADJ**

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FEIN



17. Farm Wineries and Vineyards Tax Credit	17.	_____	.00
18. International Trade Facility Tax Credit	18.	_____	.00
19. Port Volume Increase Tax Credit	19.	_____	.00
20. Barge and Rail Usage Tax Credit	20.	_____	.00
21. Livable Home Tax Credit	21.	_____	.00
22. Research and Development Expenses Tax Credit (If the taxpayer does not qualify for the refundable credit, see the instructions for Schedule CR or Schedule 500CR)	22.	_____	.00
23. Education Improvement Scholarships Tax Credit	23.	_____	.00
24. Major Research and Development Expenses Tax Credit	24.	_____	.00
25. Food Crop Donation Tax Credit	25.	_____	.00
26. Worker Training Tax Credit	26.	_____	.00
27. Virginia Housing Opportunity Credit	27.	_____	.00

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Part II – Total Nonrefundable Credits

1. Add Part I, Lines 1-8, and 12-27. Enter on Form 502PTET, Page 1, Line 19.	1.	_____	.00
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Part III – Refundable Credits

1. Agricultural Best Management Practices Tax Credit	1.	_____	.00
2. 100% Coalfield Employment Enhancement Tax Credit from 2022 Form 306D, Part II, Section 1, Line 1	2.	_____	.00
3. Full Credit: Enter amount from 2022 Form 306D, Part II, Section 2, Line 3	3.	_____	.00
4. 85% Credit: Enter amount from 2022 Form 306D, Part II, Section 3, Line 5	4.	_____	.00
5. Total Coalfield Employment Enhancement Tax Credit allowable this year. Add Part III, Lines 3 and 4.	5.	_____	.00
6. Reserved for Future Use	6.	_____	.00
7. Motion Picture Production Tax Credit	7.	_____	.00
8. Research and Development Expenses Tax Credit	8.	_____	.00
9. Conservation Tillage and Precision Agriculture Equipment Tax Credit	9.	_____	.00
10. Pass-Through Entity Elective Tax Payment Credit	10.	_____	.00

Part IV – Total Refundable Credits

1. Add Part III, Lines 1, 5, and 7-10. Enter on Form 502PTET, Page 1, Line 20.	1.	_____	.00
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Attach Schedule PTET ADJ to the Form 502PTET, Pass-Through Entity Elective Income Tax Form.

Instructions for 2022 Virginia Form 502PTET Pass-Through Entity Elective Income Tax Form

Important Note: Form 502PTET, corresponding schedules, and payments must be submitted electronically.

Background

Under legislation enacted by the 2022 General Assembly, Virginia established a new elective pass-through entity (PTE) tax for Taxable Years 2021-2025. The instructions that follow provide guidance for submitting forms and payments for the Taxable Year 2022 PTE elective tax. Due to the timing of this legislation, implementation of the Taxable Year 2021 PTE elective tax will occur on or after October 15, 2023, following separate guidance and procedures scheduled to be released prior to October 15, 2023.

General Information

For taxable years beginning on and after January 1, 2021, but before January 1, 2026, a qualifying pass-through entity may make an annual election to pay an elective income tax at a rate of 5.75%, provided that a qualifying pass-through entity's taxable income is adjusted to eliminate any federal deduction for state and local income taxes.

A corresponding refundable individual and fiduciary income tax credit may be claimed for Taxable Years 2021 through 2025 for any amount of income tax paid by a qualifying PTE if the PTE makes the election and pays the elective income tax imposed at the entity level. The elective income tax and corresponding refundable credit allow the qualifying PTE to shift the income tax burden from the PTE owners to the PTE itself.

A qualifying PTE may make an annual election on its timely filed Form 502PTET for taxable years beginning on or after January 1, 2022, but before January 1, 2026. The election must be made on or before the due date for filing Form 502PTET, including any automatic extensions allowed. An electing PTE must file Form 502PTET instead of Form 502 to compute the PTE tax and the amount of the credit that may be claimed by owners. The amount of PTE elective tax payment credit that is distributed to individual and fiduciary owners is reported on Schedule VK-1. Form 502PTET including all required schedules must be completed before the Department will allow individuals and fiduciaries to claim the credit on their income tax returns. See the Form 502PTET Submissions section below.

An electing PTE is not subject to the PTE withholding requirements for nonresident owners and is not permitted to file Form 765, Unified Nonresident Individual Income Tax Return (Composite Return). If nonresident withholding payments were made before the PTE made the PTE election, the PTE should claim the withholding payment on Form 502PTET, Line 9. If composite payments were made before the PTE election, the PTE can contact Customer Service in order to request a transfer of those payments.

Contact Customer Service: **Department of Taxation, P.O. Box 1115, Richmond, Virginia 23218-1115**, or call **(804) 367-8037**, or fax **(804) 254-6111**, or secure message via online business account.

Refer to the Department's website at **www.tax.virginia.gov** for additional information, including the Virginia Pass-Through Elective Income Tax Guidelines and Virginia Tax Bulletin 22-6.

Definitions

The following words and terms have the following meanings unless the context clearly indicates otherwise.

Electing pass-through entity (Electing PTE) – a qualifying PTE that has made the election to pay the elective pass-through entity tax levied pursuant to *Va. Code* 58.1-390.3. Note: This may include PTEs that do not conduct business in Virginia or have Virginia source income and are electing to pay on behalf of Virginia resident owners.

Pass-through entity elective tax – a tax at the rate of 5.75% imposed on Virginia taxable income calculated pursuant to *Va. Code* § 58.1-391 for each qualifying pass-through entity that makes an election to pay the tax at the entity level for the taxable year, following the requirements and procedures established by the Virginia Department of Taxation for taxable years beginning on and after January 1, 2021, but before January 1, 2026.

Owner – any individual or entity who is treated as a partner, member, or shareholder of a pass-through entity for federal income tax purposes.

Pass-through entity (PTE) – any entity, including a limited partnership, a limited liability partnership, a general partnership, a limited liability company, a professional limited liability company, a business trust, or a Subchapter S corporation, that is recognized as a separate entity for federal income tax purposes, in which the partners, members, or shareholders report their share of the income, gains, losses, deductions, and credits from the entity on their federal income tax returns or make the election and pay the tax levied pursuant to *Va. Code* § 58.1-390.3.

Pass-through entity elective tax credit – the amount of tax paid by the PTE at the entity level that is passed through to the individual and fiduciary owners to claim on their respective income tax returns as a refundable income tax credit.

Qualifying pass-through entity (Qualifying PTE) – a pass-through entity that is 100 percent owned by natural persons or, in the case of a Subchapter S corporation, 100 percent owned by natural persons or certain estates and trusts that are eligible to be shareholders in an S corporation.

Making the Election

A qualifying PTE has the option to make the election to pay PTET for the taxable year by:

- During Taxable Year 2022, making a payment of PTET with Form 502V or Form PTET-PMT using eForms,
- During Taxable Years 2023 and after, making an estimated payment of PTET for the taxable year,
- Making an extension payment of PTET for the taxable year,
- Filing a PTET return (“Form 502PTET”) on or before the extended due date for the taxable year.

Note: All payments and returns must be submitted electronically.

If a Form 502PTET has not been filed for the taxable year, the PTET election can be revoked by filing the Form 502. Once Form 502PTET is filed, the election is binding for that taxable year.

Each electing PTE must obtain consent from its owners; provided, however, the election is binding on all the owners once the election is made. An owner does not have the option to opt out of an entity’s election with the Department.

Filing Information

How to File and Pay

Form 502PTET and all associated schedules must be filed through the Federal/State eFile program. Paper submissions will not be accepted. Waivers of the electronic filing requirement will not be granted.

All payments must be made electronically. Electronic payments can be made when the Form 502PTET return is filed through the eFile program. Electronic payments can also be made through eForms using Form PTET-PMT at www.tax.virginia.gov or through an ACH credit transaction initiated by your bank.

Visit the Department’s website, www.tax.virginia.gov, for more information.

Due Date

Form 502PTET return and any tax payments due must be submitted on or before the 15th day of the 4th month after the close of the entity’s taxable year.

Extended Due Date

An automatic extension of time to file is granted to the date 6 months after the due date for filing Form 502PTET or 30 days after the extended due date for filing the federal income tax return, whichever is later. The automatic extension of time to file does not extend the payment due date for the elective tax. The payment is due on the original due date of the PTE’s return, regardless of whether the extension to file Form 502PTET is used.

A PTE that fails to file more than 6 months after the original due date, or more than 30 days after the federal extended

due date will not be permitted to file Form 502PTET unless it has made corresponding estimated payments or an extension payment for the taxable year.

Penalties and Interest

Penalties

The penalties for electing PTEs are based upon the corporate penalties in Article 14 (*Va. Code* § 58.1-450 et seq.) instead of the penalties in Article 9 (*Va. Code* § 58.1-390.1 et seq.).

Extension Penalty

If the PTET return is filed within the 6-month extension, but the electing PTE failed to pay 90% of the tax due by the original due date, then the PTE is subject to an extension penalty of 2% per month or fraction of a month thereof from the original due date through the date of filing of the return, the date of full payment, or the extended due date, whichever is earlier.

Late Payment Penalty

If the full amount is not paid when the return is filed, the late payment penalty will be assessed at the rate of 6% per month up to a maximum of 30% of the tax due:

- In the case of a Form 502PTET filed within the extension period, from the date of filing through the date of payment, or
- In the case of a Form 502PTET filed on or before the original due date of the return, from the date of the original return due date through the date of payment.

Late Filing Penalty

If the PTET return is filed after the extended due date or is not filed at all, the extension provisions do not apply and the PTE is subject to the late filing penalty (*Va. Code* § 58.1-455) equal to 30% of the tax due. In no case will the penalty for failure to file timely be less than \$100, and this minimum \$100 penalty applies whether or not tax is due for the period covered by the return. The late payment penalty does not apply to the extent that the taxpayer is already subject to the late filing penalty.

Penalty for Fraudulent Returns

Civil and criminal penalties may be imposed for filing a fraudulent return. The criminal penalty for filing a fraudulent return is a Class 6 felony (*Va. Code* §§ 58.1-451 and 58.1-452).

Penalty for Returned Check or EFT Nonpayment

If your bank does not honor your payment to the Department, the Department may impose a penalty of \$35, as authorized by *Va. Code* § 2.2-614.1. This penalty will be assessed in addition to other penalties due.

Interest

Interest on the unpaid balance of any tax and penalty is charged at the underpayment rate established by IRC § 6621, plus 2%, from the original due date until paid.

Form 502PTET Submissions

Form 502PTET

An electing PTE must file Form 502PTET instead of Form 502 to compute the Virginia income tax at the entity level. The checkbox on Form 502PTET, Page 1 must be marked in order to confirm the election, certify the consent of owners, and affirm that the PTE is qualified to make the election. Once Form 502PTET is filed, the election is binding for that taxable year. See the line instructions for completing the Form 502PTET in the next section.

The following schedules and forms must be submitted with Form 502PTET:

- **Schedule PTET ADJ (Required)**

PTEs must report the entity's total Pass-Through Entity Elective Tax on the Schedule PTET ADJ as a refundable credit amount passed through to owners. This schedule is also used if the PTE is reporting other tax credits, subtractions, or additions to income.

- **Schedule(s) VK-1 (Required)**

PTEs must report the owner's share of Pass-Through Entity Elective Tax Payment Credit from Schedule PTET ADJ on the Schedule VK-1. This schedule is also required to report the owner's share of income and Virginia modifications and credits for each owner. [See the instructions for Schedule VK-1 in the Form 502 Instructions.](#)

Note: Ensure that the entity type listed on Schedule VK-1 matches the entity type of the return filed by the owner. For grantor trusts where no Form 770 is being filed, enter RES if the owner will file an individual resident return and NON if the owner will file an individual nonresident return. For all other grantor trusts, enter TE.

- **Schedule 502A (Conditionally Required)**

If the PTE operates both within and without Virginia, the Schedule 502A must be attached to report allocation and apportionment of income. [See the instructions for Schedule 502A in the Form 502 Instructions.](#)

- **Federal Forms (Required)**

In addition to Virginia forms and schedules, PTEs are required to submit the PTE's federal return of income, as filed with the IRS. This includes the federal Form 1120-S or Form 1065 with Schedule K. Do not include federal Schedules K-1, K-2, or K-3. The Form 1120-S or Form 1065 and the Schedule K must be submitted as a linked return. Do not attach PDFs to the Form 502PTET submission.

Form 502PTET Instructions, Page 1

Note: For items not described below, see the [Form 502 Instructions](#) for guidance on completing Page 1 of Form 502PTET.

Eligibility and Election Checkboxes

- Mark the first box at the top of the form to certify the PTE's eligibility, consent of owners, and election to pay Virginia income tax at the entity level for the taxable year.
- Also, mark the second box if the electing PTE does not conduct business in Virginia or have Virginia source income.

Number and Types of Owners

Line a – Number of Individual and Fiduciary Nonresident Owners

Enter the total number of owners that are not residents of Virginia. If the residency status is not known, enter the number of owners whose address of record is not in Virginia.

Line b – Number of Individual and Fiduciary Resident Owners

Enter the total number of owners that are residents of Virginia.

Form 502PTET Instructions, Page 2

Any lines not mentioned below are self-explanatory.

Section I – Income

Enter amounts in the appropriate column for nonresident owners (Column A) and resident owners (Column B). Virginia taxable income is the aggregate of each owner's income from the PTE adjusted by any Virginia modifications. Virginia resident owners are subject to tax on all of their PTE income. Virginia nonresidents owners are subject to tax on the PTE income and Virginia modifications as allocated and apportioned to Virginia.

Line 1 – Owners' Shares of Taxable Income

Compute the owners' shares of taxable income, including amounts from the "Income" and "Deductions" sections of the PTE's Schedule K (Form 1065 or Form 1120-S) as applicable for eligible Virginia resident and nonresident owners. Separately stated items of deduction are generally included when calculating each owner's share of the PTE's taxable income. However, any deduction that is subject to a federal limitation, such as the deduction for charitable contributions and the Section 179 deduction, is limited to what is allowed under federal law for a C corporation. [See the Form 502 Instructions](#) for guidance in determining the owners' shares of taxable income.

Line 2 – Owners' Shares of Additions

Enter the total amount of additions attributable to PTE owners from Form 502PTET, Page 1, Line 13.

Line 4 – Owners' Shares of Subtractions

Enter the total amount of subtractions attributable to PTE owners from Form 502PTET, Page 1, Line 18.

Section II – Tax Calculation

Line 7 – Tax

Multiply the Virginia taxable income on Line 6 by the 5.75% tax rate. This is the amount of PTE elective tax credit that will be passed through to an electing PTE's individual and fiduciary owners.

Section III – Payments and Credits

Line 8 – Estimated Tax Paid

Enter any estimated tax paid for the taxable year.

Line 9 – Extension Payment and Other Tax Payments

Enter the amount of any extension payment or other PTE tax payments made for the current taxable year.

Line 10 – Tax Credits

The PTE may directly claim the refundable Motion Picture Production Tax Credit and the Research and Development Tax Credit. Report the tax credits that are to be credited or refunded directly to the pass-through entity as follows:

- **Line 10(a).** If the PTE opts to claim the Motion Picture Production Tax Credit refunded at the entity level, enter the amount of credit authorized by the Virginia Film Office within the Virginia Tourism Authority in their certification letter.
- **Line 10(b).** If the PTE opts to claim the Research and Development Tax Credit at the entity level, enter the amount of credit available.

Section IV – Tax, Penalty, and Interest

Line 16 – Addition to Tax

This line is reserved for future years. An addition to tax is due when the estimated tax is underpaid. This will be a requirement beginning with taxable year 2023.

Line 17 – Penalty

Refer to the Penalties section on Page 2 of these instructions and enter the total amount of any extension and late penalties due.

Line 18 – Interest

Enter the amount due at the underpayment rate established by IRC § 6621, plus 2%, from the original due date of the return until payment. This underpayment rate is subject to quarterly adjustment.

Section VI – Signature

An owner, officer, or employee of the PTE who is authorized to act on behalf of the PTE in tax matters must sign the PTET return. By signing the return, the signer is declaring that they are the authorized representative of the PTE. Because the PTET return must be filed electronically, the return must be signed using the electronic signature procedures established by the Department. See the Department's website for more information.

Schedule PTET ADJ Instructions

Note: For items not specifically described below, refer to the [Form 502, Schedule 502ADJ Instructions](#) for guidance.

Section C, Part III, Line 10 – Pass-Through Entity Elective Tax Payment Credit

Enter the total tax amount computed in Section II, Line 7 of Form 502PTET. This amount should equal the sum of the corresponding credit amounts reported on the participants' Schedules VK-1.