

Income/Franchise:

New Jersey DOR Updates Guidance on Treatment of IRC §163(j) Interest Expense Deduction Limitations

TB-87(R) Guidance for Corporation Business Tax Filers on the IRC § 163(j) Limitation, N.J. Div. of Tax. (5/11/21). The New Jersey Division of Taxation (Division) recently updated its administrative guidance addressing the New Jersey corporation business tax (CBT) treatment of the federal business interest expense limitations under Internal Revenue Code (IRC) section 163(j) to include the impact of New Jersey technical corrections legislation enacted in 2020 [see A.B. 4809 (2020) / P.L. 2020, c. 118 (Chapter 118), and *State Tax Matters*, Issue 2020-44, for more details on these law changes]. In doing so, the Division notes that these state law changes were “in-line” with how the Division had been treating IRC section 163(j) and thus does *not* change the way it is reported on CBT returns. Moreover, the Division explains that its guidance has been updated to reflect modifications to IRC section 163(j) under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (*i.e.*, P.L. 116-136). The Division essentially provides that New Jersey conforms to the IRC section 163(j) modifications made under the CARES Act “to the extent they are consistent with the New Jersey Corporation Business Tax Act” – that is, “New Jersey conforms to the adjustable taxable income deduction limit for the applicable periods.” Please contact us with any questions.

URL: <https://www.state.nj.us/treasury/taxation/pdf/pubs/tb/tb87.pdf>

URL: https://www.njleg.state.nj.us/2020/Bills/A5000/4809_R1.PDF

URL: https://newsletters.usdbriefs.com/2020/Tax/STM/201106_2.html

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