

Income/Franchise:

New Jersey: Notice Summarizes Instances When Combined Groups Must File Short Period Returns

Notice: Short Period Returns in the Context of Combined Reporting (N.J.A.C. 18:7-12.1 through N.J.A.C. 18:7-12.3), N.J. Div. of Tax. (5/17/21). The New Jersey Division of Taxation (Division) issued a notice explaining certain aspects of New Jersey's combined reporting regime for state corporation business tax (CBT) purposes by summarizing some instances when a combined group is and is *not* required to file a short period return. Specifically, the notice provides that a combined group is *not* required to file a short period return in circumstances when:

URL: <https://www.state.nj.us/treasury/taxation/cbt/shortperiodreturns.shtml>

- A member (other than the managerial member) changes from one combined group to another (in this instance, "the member reports the income and activities for the months the member was part of each combined group on the respective returns");
- A member (other than the managerial member) departs a combined group to file on a separate entity basis (in this instance, the member filing a separate return would not report the income on the separate return for the months the member was part of the combined group; and the combined group includes the member's income and activities for the months it was part of the group when it files its return); and
- A member (other than the managerial member) dissolves, withdraws, surrenders, or otherwise ceases to have a taxable status in New Jersey before the end of the group's tax year (in this instance, the member's income and tax liabilities that accrued prior to dissolution/withdraw/etc. are reported on the combined return).

The Division also explains that a combined group generally does *not* need to file a short period combined return as long as:

1. The managerial member remains part of the combined group for the tax year,
2. The accounting period of the managerial member remains the same, and
3. The managerial member is not required to file a short period return for federal tax purposes.

According to the notice, some circumstances that may require the filing of short period returns are:

- A managerial member dissolves, merges, consolidates, withdraws, surrenders, or otherwise ceases to have a taxable status in New Jersey before the end of its tax year;
- The first privilege period that a combined group gains taxable status in New Jersey;
- The group's managerial member changes its federal tax year;
- A newly organized corporation that becomes the managerial member and whose first accounting period established for federal income tax purposes is less than twelve months; or

- A managerial member joins or separates from a New Jersey combined group or changes from one combined group to another.

Please contact us with any questions.

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