

## Income/Franchise:

### New Jersey: COVID-19 Temporary Suspension Period for Corporate Tax Nexus Purposes Ends October 1

*Teleworking – End of COVID-19 Temporary Suspension Period for Nexus and Withholding Purposes*, N.J. Div. of Tax. (updated 8/3/21). The New Jersey Division of Taxation (Division) posted updated guidance addressing the impact of telecommuting and nexus in light of the COVID-19 pandemic – providing that its temporary waiver of New Jersey’s corporation business tax (CBT) nexus standard for employees working in New Jersey as a result of the COVID-19 pandemic no longer applies on and after October 1, 2021. On and after October 1, 2021, the Division states that the “pre-pandemic” CBT nexus standard applies whereby an employee working from home generally will create CBT nexus for an employer because working at a location in New Jersey is considered in-state physical presence. Under New Jersey’s temporary waiver, so long as an out-of-state corporation does not otherwise meet any of the factors giving rise to nexus other than employees working from home in New Jersey solely due to the COVID-19 pandemic, the Division will not consider the out-of-state corporation to have nexus for CBT purposes during the waiver time period.

**URL:** <https://www.state.nj.us/treasury/taxation/covid19-payroll.shtml>

The Division also states that the temporary relief period with regard to employer withholding tax for teleworking employees will end on October 1, 2021. As such, employers “should cease sourcing income in accordance with the employer’s jurisdiction” and “as required under the long-standing pre-pandemic rules,” beginning on and after October 1, 2021, “should resume sourcing income based on where the service or employment is performed” and withhold New Jersey gross income tax (*i.e.*, individual income tax) from such wages accordingly. Please contact us with any questions.

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