

Income/Franchise:

New Jersey Division of Taxation Releases Much Anticipated Proposed Combined Reporting and NOL Rules

Proposed Amended N.J.A.C. 18:7-1.3, 1.14, 1.16, 1.17, 2.1, 3.4, 3.6, 3.10, 3.13, 3.15, 3.16, 3.23, 5.2, 5.11, 5.12, 5.13, 5.14, 5.15, 7.6, 8.3, 8.7, 8.8, 8.10A, 8.12, 10.1, 11.6, 11.7, 11.8, 11.12, 11.15, 11.17, 11.18, 12.1, 12.2, 12.3, and 13.8; Proposed New N.J.A.C. 18:7-1.24, 1.25, 3.23A, 3.26, 3.27, 3.28, 3.29, 5.21, 5.22, 5.23, 11.17A, and 21, N.J. Div. of Tax. (5/16/22). The New Jersey Division of Taxation (Division) released updated proposed new and amended administrative rule changes reflecting New Jersey tax reforms enacted in 2018 [see A.4202 (2018) and previously issued Multistate Tax Alert, and A.4495 (2018) and previously issued Multistate Tax Alert for more details on the 2018 law changes], as well as subsequent related law changes enacted in 2020 [see A.B. 4809 (2020) / P.L. 2020, c. 118 (Chapter 118), and A. 4721 (2020) / P.L. 2020, ch. 95 (Chapter 95) for more details on these law changes from 2020] that, among numerous other revisions, collectively:

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[00&pdcontentcomponentid=234140&pdteaserkey=sr0&pditab=allpods&ecomp=vss_kkk&earg=sr0&prid=3ac88ebe-974e-4e87-a3f5-2ff617e38d4c](https://www.njleg.state.nj.us/2018/Bills/A4500/4202_R1.PDF)

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URL: <https://www2.deloitte.com/us/en/pages/tax/articles/new-jersey-enacts-sweeping-corporate-business-tax-changes.html?id=us:2em:3na:stm:awa:tax:052022&sfid=7015Y000003WdCPQA0>

URL: https://www.njleg.state.nj.us/2018/Bills/A4500/4495_I1.HTM

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/nj-a4495-enacted-conforming-cbt-to-irc-sec-250-deduction-and-amending-mandatory-combined-reporting-provisions.html?id=us:2em:3na:stm:awa:tax:052022&sfid=7015Y000003WdCPQA0>

URL: https://pub.njleg.state.nj.us/Bills/2020/PL20/118_.PDF

URL: https://pub.njleg.state.nj.us/Bills/2020/PL20/95_.PDF

- Mandate combined reporting for state corporation business tax (CBT) purposes and allow for a worldwide election for tax years ending on and after July 31, 2019;
- Revise the net operating loss (NOL) and NOL carryover regime from pre-allocation to post allocation for privilege periods ending on and after July 31, 2019;
- Impose a CBT surtax on a temporary basis; and
- Clarify the impact of New Jersey treatment of federal income excluded under tax treaties.

According to the Division, this updated proposed rulemaking provides new and amended rules for New Jersey net operating loss deductions and filing combined returns; as well as makes amendments to existing rules to address federal tax reform measures applicable for tax years beginning on and after January 1, 2017 under the federal Tax Cuts and Jobs Act of 2017 (*i.e.*, P.L. 115-97), a reduced dividend received deduction, and various provisions of the Internal Revenue Code from which New Jersey has decoupled.

Note that a number of the topics addressed in the proposed rule changes were previously addressed in technical bulletins released by the Division. Written comments on all these proposed new and amended rules must be submitted by July 15, 2022. Please contact us with any questions.

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