

Income/Franchise:

New Jersey: New Law Addresses Federal Partnership Audit Adjustments, S Corp Elections, and SOL

A.B. 4295, signed by gov. 12/22/22. New law makes various changes to the administration of New Jersey's gross (individual) income tax and corporation business tax (CBT) by addressing:

URL: <https://www.njleg.state.nj.us/bill-search/2022/A4295>

1. How and when some partnerships must report federal tax adjustments to the New Jersey Division of Taxation in response to the new federal partnership audit regime under the 2015 Bipartisan Budget Act;
2. Eliminating the requirement to affirmatively elect New Jersey S corporation status; and
3. Ending COVID pandemic-related statute of limitations (SOL) extensions concerning certain state taxes.

Regarding the state reporting of federal partnership audit adjustments, the law changes are patterned after the Multistate Tax Commission's "Model Statute for Reporting Adjustments to Federal Taxable Income and Federal Partnership Audit Adjustments" and apply to any adjustments to a taxpayer's federal taxable income on or after January 1, 2020. The new law also revises the definition of "New Jersey S corporation" to mean a taxpayer that has made a valid election to be an S corporation for federal tax purposes, and that has not made a valid election to opt out of being taxed as a New Jersey S corporation; this revision is effective immediately but applicable for taxable years and privilege periods beginning after the date of the bill's enactment. Regarding any COVID pandemic-related SOL extensions, the new law provides that any assessment of tax that was allowed as a result of the extension will be voided if made after December 22, 2022. Please contact us with any questions.

— Norm Lobins (Cleveland)
Managing Director
Deloitte Tax LLP
nlobins@deloitte.com

Gregory Bergmann (Chicago)
Partner
Deloitte Tax LLP
gbergmann@deloitte.com

Roburt Waldow (Minneapolis)
Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Kevin Friedhoff (Morristown)
Senior Manager
Deloitte Tax LLP
kfriedhoff@deloitte.com

Shirley Wei (Los Angeles)
Senior Manager
Deloitte Tax LLP
shiwei@deloitte.com

Olivia Schulte (Washington, DC)
Manager
Deloitte Tax LLP
oschulte@deloitte.com

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