

Income/Franchise:

New Jersey: New Law Makes Several Significant Changes to Corporation Business Tax Regime

A.B. 5323, signed by gov. 7/3/23. New law makes several significant changes to New Jersey's corporation business tax (CBT), including:

URL: <https://www.njleg.state.nj.us/bill-search/2022/A5323>

1. Revising various aspects concerning unitary businesses and the method for calculating the allocation factor of a taxable member of a combined group (including moving from a Joyce approach to combined reporting to a Finnigan approach);
2. Providing that annual receipts from in-state sources in excess of \$100,000 or 200 or more separate transactions delivered to New Jersey customers establishes nexus;
3. Modifying the treatment of global intangible low-taxed income (GILTI) and foreign-derived intangible income (FDII);
4. Modifying the treatment of certain deductions and carryovers allowed, and certain addbacks required, under the CBT such as:
 - a. The deductions allowed for net operating losses and prior net operating loss conversion carryovers,
 - b. The net deferred liability deduction,
 - c. The deduction for research and experimental (R&D) expenditures (including decoupling from Internal Revenue Code section 174), and
 - d. The interest deduction limitation and required addback of interest expenses deducted and paid to related members;
5. Requiring partnerships to employ corporate sourcing rules; and
6. Clarifying the treatment of real estate investment trusts (REITs) / regulated investment companies (RICs) and investment companies to include "captive" versions of these entities which are included in the New Jersey combined filing group.

Many of the tax law changes will have a retroactive impact as they are generally applicable to tax years ending on or after July 31, 2023.

See forthcoming Multistate Tax Alert for more details on this legislation, and please contact us with any questions in the meantime.

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