

Income/Franchise:

New Jersey Division of Taxation Summarizes Recently Enacted Corporation Business Tax Law Changes

Tax Bulletin (TB): TB-107 – Changes to Corporation Business Tax, Gross Income Tax, and Other Requirements from P.L. 2023, c.96, N.J. Div. of Tax. (7/11/23). The New Jersey Division of Taxation (Division) issued a summary of recently enacted legislation that makes several significant changes to New Jersey's corporation business tax (CBT), including:

URL: <https://www.state.nj.us/treasury/taxation/pdf/pubs/tb/tb107.pdf>

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, 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.

In describing these various tax law changes, the Division's bulletin categorizes them by effective date.

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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