



This Week in State Tax (TWIST)

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New Jersey: Division Issues Guidance on Recent Law Changes

The New Jersey Division of Taxation has recently issued several new and revised Technical Bulletins that reflect law changes enacted in July. New TB-111 addresses the changes to the New Jersey Corporation Business Tax (CBT) rules related to the dividend exclusion, and the historic ordering of the net operating loss deduction, dividend exclusion, and international banking facility deduction. Notably, effective for privilege periods ending on and after July 31, 2023, the dividend exclusion and international banking facility deduction are now calculated pre-allocation. The prior net operating loss conversion carryover deduction (PNOLs) and net operating losses/net operating loss carryovers (NOLs) are calculated post-allocation. TB-111 notes that the change in historic ordering is prospective only, and taxpayers cannot adjust NOLs and PNOLs from privilege periods ending before July 31, 2023. Revised Bulletin, TB- 94(R) provides general information on NOLs, noting when a taxpayer uses NOLs generated in privilege periods beginning after July 31, 2023, those NOLs are subject to an 80 percent deduction limitation. The limitation does not apply to PNOLs or NOLs generated in periods beginning before August 1, 2023. Another Revised Bulletin, TB-95(R), addresses NOLs in the context of combined groups. Finally, new TB-112 explains that on or after January 1, 2023, the Gross Income Tax sourcing rules for receipts from business income are aligned with the CBT sourcing rules. This means Gross Income Tax business receipts of S Corporation shareholders or partners in a partnership are sourced using the single sales factor method and market-based sourcing also applied to CBT. Please contact Jim Venere with questions.

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