**External Multistate Tax Alert**
July 3, 2018

# New Jersey enacts, on July 1, sweeping Corporate Business Tax changes

### Overview

On July 1, 2018, Governor Murphy signed Assembly Bill 4202 (A4202),[1] which includes, among other changes, the following modifications to New Jersey Corporate Business Tax:

- Effective retroactive to January 1, 2017, adds limitations to the dividend received deduction.
- Effective January 1, 2018, adds a 2.5% surtax (increasing tax rate from 9% to 11.5%) on entire net income in excess of $1 million for privilege periods beginning on or after January 1, 2018 through December 31, 2019. For privilege periods beginning on or after January 1, 2020 through December 31, 2021, the surtax is 1.5%.
- Effective January 1, 2018, decouples from certain provisions of federal tax reform, including IRC Section 199A and a pro-rata application of limitations under IRC Section163(j).
- Effective January 1, 2018, adds limitations on the treaty exemption affecting interest expense and intangible related add-backs.
- Effective January 1, 2019, amends provisions affecting the corporate business tax base including:
    - Adoption of mandatory unitary combined reporting.
    - A new deduction for publicly traded companies related to the impacts upon deferred tax assets and liabilities resulting from the adoption of mandatory unitary combined reporting.
    - Amendment to the computation and utilization of NOLs.
    - Adoption of market-based sourcing of services.

### Considerations

Affected taxpayers should closely analyze the specific provisions of A4202 relative to their prior and/or current tax year CBT liability.[2] This significant New Jersey legislation will be the subject of a more extensive tax alert forthcoming shortly.

## Contacts:

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[1] P.L. 2018 c.48. A copy of the adopted law is available here.
[2] A4202 includes a provision that no penalties or interest shall accrue for underpayment of tax.

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