

State Tax Observations

NJ's Newly Enacted Tax Laws and Other Developments Impact Businesses and Individuals

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The State of New Jersey (NJ) was active making tax changes in late September/early October. NJ's Governor Phil Murphy signed into law a budget impacting both individuals and corporations. The New Jersey Division of Taxation (DOT) also announced a 30-day penalty relief provision for corporations. At approximately the same time, the DOT posted FAQs regarding the NJ Pass-Through Business Alternative Income Tax.

NJ Increases Taxes on Certain Individuals and Corporations

In the \$32.7 billion NJ budget signed into law, millionaires and certain businesses will face increased taxes. In summary, the increases are as follows:

Gross Income Tax - Individuals with income over \$1 million will be required to pay the same tax rate as those with \$5 million income. As a result, the newly enacted "millionaire tax" rate increases from 8.97% to 10.75% on income over \$1 million. The tax increase is retroactive to tax years beginning on or after January 1, 2020.

Corporation Business Tax (CBT) Surtax - The State has revived the 2.5% CBT surtax replacing the 1.5% surcharge planned for 2020. As a result, CBT filers with taxable NJ allocated net income of over \$1 million, are subject to the 2.5% surtax retroactive to tax years beginning on or after January 1, 2020.

NJ DOT Provides 30-Day Penalty Relief for Corporations

The NJ DOT announced late last month – and updated earlier this month – that it will waive late filing penalties if corporate returns are filed by November 16, 2020. The DOT extends the same courtesy to 2019 fiscal year filers with extended fiscal year federal returns. The DOT gives the following example: "...a tax return with an extended due date of November 16, 2020, can be filed no later than December 15, 2020." **Note:** The relief extends to the late filing penalty and does not waive additional interest and penalties for late payment. The DOT has stated that interest and penalties for late payment of tax will likely continue to accrue.

NJ DOT Posts FAQs on the NJ Pass-Through Business Alternative Income Tax

With updates as recent as October 8, 2020, the NJ DOT added a Frequently Asked Questions section on its website regarding the new Pass-Through Business Alternative Income Tax. The [FAQs](#), among other things, address estimated payments that must be made electronically, and on a quarterly basis. The specific due dates include April 15 for the first quarter and January 15 of the following tax year for the fourth quarter.

Contact Us

If you have questions or need assistance regarding the recent New Jersey tax changes, or state taxes generally, contact your client partner or the following:

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