

Income/Franchise:

New Jersey: New Bulletin Addresses Conformity with IRC §174 and Recent R&D Credit Law Changes

Tax Bulletin No. TB-114: The New Jersey Research and Development Tax Credit, N.J. Div. of Tax. (12/22/23). A newly posted New Jersey Division of Taxation (Division) bulletin explains certain aspects of research performed in New Jersey and related issues for both New Jersey corporation business tax (CBT) and gross (individual) income tax purposes as it relates to the CBT's research and development (R&D) tax credit and the gross income tax deduction for qualified research expenditures and payments. The bulletin reflects legislation enacted in 2023 that made significant changes to the CBT [see A.B. 5323 (2023) and previously issued Multistate Tax Alert for more details on these law changes], including how while New Jersey generally conforms to the current version of the Internal Revenue Code (IRC) and follows the federal Tax Cuts and Jobs Act of 2017 changes to IRC section 174(a)(2)(B) for privilege periods beginning on or after January 1, 2022, taxpayers that claim the CBT R&D tax credit for New Jersey qualified research expenditures can also deduct those New Jersey expenditures on their tax return in the same year as they claim the credit, rather than amortizing the expenditures as required by IRC section 174. Please contact us with any questions.

URL: <https://www.nj.gov/treasury/taxation/pdf/pubs/tb/tb114.pdf>

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

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-new-jersey-enacts-changes-to-corporation-tax-laws.pdf>

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