

Income/Franchise:

New Jersey: New Law Imposes 2.5% “Corporate Transit Fee” Surtax on Some Corporation Business Taxpayers

A.B. 4704, signed by gov. 6/28/24; *Corporate Transit Fee*, N.J. Div. of Tax. (7/2/24). Effective immediately, new law imposes a 2.5% surtax known as the “Corporate Transit Fee” on certain New Jersey corporation business tax (CBT) taxpayers that have New Jersey allocated taxable net income in excess of \$10 million for CBT privilege periods beginning on and after January 1, 2024 through December 31, 2028. Under the legislation, “allocated taxable net income” generally is defined to mean the same as the term “taxable net income” under New Jersey’s CBT provisions for purposes of calculating a taxpayer’s CBT liability. Under the new law, this new Corporate Transit Fee is imposed in addition to a taxpayer’s CBT liability, except that the surtax is *not* imposed on any S corporation or public utility. Moreover, under the new law, no credits are allowed against the Corporate Transit Fee, except for credits for installment payments, estimated payments made with request for an extension of time for filing a return, or overpayments from prior privilege periods.

URL: <https://www.njleg.state.nj.us/bill-search/2024/A4704>

URL: <https://www.nj.gov/treasury/taxation/cbt/corporatetransitfee.shtml>

Subsequently issued guidance from the New Jersey Division of Taxation (Division) provides that “no penalties and interest will be imposed on an underpayment that results from the Corporate Transit Fee during the first year of enactment.” To this end, the guidance explains that “if the penalties and interest resulting from an underpayment are charged to the taxpayer, the Division will waive the penalties and interest as a result of the law change,” and that in such cases, “the taxpayer should contact the Division in writing at the address listed in the notice requesting an abatement of penalties and interest due to underpayment.” Regarding combined returns, the guidance states that a combined group filing the CBT-100U is a “taxpayer” and the Corporate Transit Fee is imposed at the group level; accordingly, if the combined group’s taxable net income is greater than \$10 million, the combined group is liable for the Corporate Transit Fee. Please contact us with any questions.

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