

Income/Franchise:

New Jersey Division of Taxation Reminds of New Refundable Credit Related to Adoption of “Convenience of the Employer” Rule

News Release – Reminder: New Jerseyans Working Remotely for Out-of-State Employers May Be Eligible for Gross Income Tax Credit, N.J. Div. of Tax. (10/8/24). The New Jersey Division of Taxation (Division) issued a reminder about New Jersey legislation enacted in 2023 that adopts a “convenience of the employer” rule for nonresident income sourcing for New Jersey gross (individual) income tax purposes [see A.B. 4694 (2023), and *State Tax Matters*, Issue 2023-30, for more details on these law changes] – specifically a new gross (individual) income tax credit applicable to tax years 2020 through 2023, for New Jersey residents who successfully win their own legal challenge to the taxing of their income by another state when the income is earned while they are located physically in New Jersey. To qualify for this credit, the Division explains that a taxpayer must:

URL: <https://www.nj.gov/treasury/news/2024/10082024.shtml>

URL: <https://www.njleg.state.nj.us/bill-search/2022/A4694>

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/STM/230728_4.html

- Be a New Jersey resident;
- Pay income tax or wage tax to another state;
- Apply for and be denied a refund from the other state on income earned while working remotely (e.g., from home) in New Jersey;
- File an appeal of the other state’s tax assessment in an out-of-state tax court or tribunal;
- Obtain a final judgment in their favor from that tax court or tribunal; and
- Receive a refund from the other state as a result.

The Division explains that the credit generally would be equal to 50% of the amount of taxes owed to New Jersey as a result of the readjustment for tax years 2020 through 2023, and states that additional details on this new refundable gross (individual) income tax credit may be found on its website. Please contact us with any questions.

URL: <https://www.nj.gov/treasury/taxation/individuals/refundablegitcredit.shtml>

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