



## Instructions for Form 332

### Tiered Subsidiary Dividend Pyramid Tax Credit

**Purpose of This Form** – The purpose of the Tiered Subsidiary Dividend Pyramid Tax Credit is to allow taxpayers to calculate a credit for dividends received from a subsidiary if that subsidiary filed a tax return and paid New Jersey Corporation Business Tax on the dividends it received from other subsidiaries. The dividends must have been included in the subsidiary's allocated entire net income, and the subsidiary must have paid tax on the dividends.

For privilege periods ending on and after July 31, 2020, taxpayers are allowed a credit against the regular tax imposed by N.J.S.A. 54:10A-5(c) to the extent a subsidiary of the taxpayer received dividends and deemed dividends from other subsidiaries and included those dividends in its entire net income for the purposes of determining its regular tax liability imposed by N.J.S.A. 54:10A-5(c) and paid tax on those dividends and deemed dividends to the State on a timely filed New Jersey Corporation Business Tax return; provided, however, the taxpayer received those same dividends and deemed dividends from the subsidiary that paid tax to the State. See N.J.S.A. 54:10A-5.46. For purposes of the credit, the members of a combined group filing a New Jersey combined return are treated as one taxpayer.

The tax credit is not refundable and cannot be carried forward. Nor can the tax credit be used against the surtax. The tax credit may be applied against the minimum tax and can bring the taxpayer's liability to zero, but not less than zero. For the purposes of calculating the credit, if a subsidiary only pays the minimum tax, and did not use PNOLs, NOLs, or tax credits, then the tax credit would be based on the subsidiary's minimum tax liability attributable to the dividends included in the subsidiary's entire net income allocated to New Jersey.

The "paid tax" means the amount that the subsidiary paid to the State or would have paid but for the use of other tax credits, or but for subsections (u) and (v) of section 4 of P.L.1945, c.162 (C.54:10A-4), or, for a combined group filing a combined return, but for subsections g. and h. of section 18 of P.L.2018, c.48 (C.54:10A-4.6). In calculating column 5, these amounts should also be taken into account and included in the calculation.

The taxpayer will add up the tax paid by its subsidiaries on the dividends that were included in the subsidiaries taxable net income.

New Jersey follows the federal ownership attribution rules.

A tiered subsidiary is a stand-alone entity that operates on another level within a group of subsidiaries that are owned by an entity that operates on the first level, which is owned by an upper-level parent corporation.

**Note:** For taxpayers filing a New Jersey combined return, the combined group is treated as one taxpayer for the purposes of the Tiered Subsidiary Dividend Pyramid Tax Credit. The dividends and deemed dividends that were already eliminated in column (b) of Part I or Part II of Schedule A do not qualify for the credit since these dividends and deemed dividends were already 100% eliminated pursuant to N.J.S.A. 54:10A-4.6.d.

Tiered dividends are dividends reported on the subsidiary's CBT-100, CBT-100U, or CBT-100S as dividend income from the subsidiary that is then issued to the parent company as a dividend.

#### **Example:**

Company A (parent corporation) has \$100,000,000 of dividend income from its subsidiary Company B.

Company B has \$80,000,000 of dividend income from subsidiary Company C.

If Company B paid tax (or would have paid if not for the use of tax credits, prior year net operating losses, or net operating losses) on the \$80,000,000 on its CBT-100, CBT-100U, or CBT-100S, Company A is entitled to a tax credit based on the amount of tax Company B paid on the \$80,000,000 from its CBT-100, CBT-100U, or CBT-100S.

A completed Form 332 must be included with the CBT-100, CBT-100S, or CBT-100U return to validate the claim.

**Combined Return Filers** – If filing a combined return, this form must be completed by the managerial member. A member of a combined group cannot receive a Tiered Subsidiary Dividend Pyramid Tax Credit for taxes paid by another member because the members of a combined group are one taxpayer. However, intercompany dividends and deemed dividends are 100% eliminated between combined group members. For the purposes of the Tiered Subsidiary Dividend Pyramid Tax Credit, a combined group is entitled to the credit from the noncombined group member subsidiaries that filed New Jersey Corporation Business Tax returns and paid the tax on the dividends and deemed dividends regardless of whether it was a separate return subsidiaries or another subsidiary combined group (filing a separate New Jersey combined return) as long as those separate subsidiaries received the dividends and deemed dividends from other subsidiaries and included those dividends and deemed dividends in entire net income.



Taxpayers must include the appropriate credit form in the year the credit was earned even if they are not claiming the credit on their tax return.

**Instructions** – Provide the requested information for dividends included in entire net income from investments in which the taxpayer owns 50% or more of the voting stock and all other classes of stock of a subsidiary. Only include itemized dividends if the subsidiary distributing the dividends to the taxpayer filed and paid tax to New Jersey on the dividends. **Do not** include dividend income received from a subsidiary if the subsidiary has not filed and paid tax to New Jersey on the dividends.

#### **Part II Calculation of the Allowable Credit Amount**

Complete Part II to determine the amount of usable tax credit. The Tiered Subsidiary Dividend Pyramid Tax Credit can only reduce the regular CBT tax liability of the taxpayer. The excess tax credit cannot be carried forward. The credit cannot be applied against the surtax.