



Corporation Business Tax Net Controlled Foreign Corporation Income (formerly known as GILTI) Treatment

TB-110 - Revised May 6, 2026
Tax: Corporation Business Tax

Beginning in 2026, Foreign-derived intangible income (FDII) became known as foreign-derived deduction-eligible income (FDDEI). Simultaneously, the GILTI regime became known as net controlled foreign corporation income (NCTI). As previously stated in the Division's web notice: "[Federal Renaming for GILTI and FDII Under the One Big Beautiful Bill Act for Corporation Business Tax](#)," treatment of these concepts for New Jersey Corporation Business Tax purposes is unchanged and remains as set forth in the published guidance and regulations. References for the renamed concepts have been updated in this publication.

P.L. 2023, c.96, which was signed into law on July 3, 2023, made a series of technical corrections, clarifications, and changes to the Corporation Business Tax Act (CBT), Gross Income Tax Act (GIT), and other miscellaneous requirements. This Technical Bulletin discusses the changes to the CBT treatment for Net Controlled Foreign Corporation Income (NCTI) (formerly known Global Intangible Low Taxed Income (GILTI)), I.R.C. s. 250(a) deduction, and foreign-derived deduction-eligible income (FDDEI) (formerly known as Foreign-derived intangible income (FDII)). For the treatment of these items for privilege periods ending before July 31, 2023, see [TB-92\(R\)](#) and [TB-88\(R\)](#).

NCTI is Treated as a Dividend

Effective for privilege periods ending on and after July 31, 2023, NCTI income is treated as a dividend for New Jersey purposes and is reported on the dividends and other inclusions line (line 4 of Schedule A, Part I). NCTI may be excluded (dividend exclusion) as set forth in [N.J.S.A. 54:10A-4\(k\)\(5\)](#) or may be eliminated (intercompany eliminations) under [N.J.S.A. 54:10A-4.6.d](#). The I.R.C. §250 deductions for NCTI and FDDEI are no longer allowed as [N.J.S.A. 54:10A-4.15](#) has been repealed. The gross amount of FDDEI is included in ENI for Corporation Business Tax purposes.

Dividend Exclusion and NCTI

The dividend exclusion applies after the New Jersey additions but before New Jersey deductions to ENI. For privilege periods ending on and after July 31, 2023, the dividend exclusion is a pre-allocation exclusion.

Dividends and deemed dividends (reported on Schedule A) from 80% or more owned subsidiaries are 100% excluded from ENI. Dividends and deemed dividends from more than 50% but less than 80% owned subsidiaries that were included in the taxpayer's gross income on Schedule A are 50% excluded. However, P.L. 2023, c. 96 added a claw-back provision for the purposes of the exclusion (see [N.J.S.A. 54:10A-4\(k\)\(5\)\(F\)\(ii\)](#)). The claw-back provision requires that the taxpayer's entire dividend exclusion be reduced by 5% of all dividends and deemed dividends received by the taxpayer during the same privilege period (claw-back provision).

Combined Group Filers – Intercompany dividends and deemed dividends distributed between combined group members that are eliminated above the dividend exclusion line on the tax return are not eligible for the dividend exclusion. The claw-back provision in [N.J.S.A. 54:10A-4\(k\)\(5\)\(F\)\(ii\)](#) does not apply to these intercompany dividend (and deemed dividend) transactions.

CFC Income that Generated the NCTI

For non-U.S. corporations that are members of a water's-edge combined group or elective affiliated group, treaty protected income and the non-effectively connected income (i.e., income that is not connected to the U.S. business) of a non-U.S. corporation is excluded from ENI. Consequently, such items of income are not eligible for exclusion or elimination as they were not included in ENI in the first

place. However, worldwide groups are required to include worldwide income regardless of tax treaties. Thus, there could be differing impacts depending on the method that is filed.

Reporting NCTI and FDDEI on Schedule J

When calculating the allocation factor on Schedule J, NCTI (not excluded from ENI) will only be included in the denominator for most taxpayers. The Division is not aware of any real-life situations that would require the NCTI to be included in the numerator of the allocation factor. If a taxpayer includes an amount in the numerator, they must include a rider with the return detailing the addition. Taxpayers are not permitted to look through to underlying sales of the controlled foreign corporations (CFC) that generated the NCTI when determining how to allocate NCTI unless the CFCs are members of the combined group. The gross amount of the FDDEI will be included in the denominator.

When a CFC is included as members of the combined group on the same New Jersey combined return as a taxpayer that is required to include the NCTI in income for federal purposes, the CFC's receipts are included in the denominator of the combined group allocation factor. This is because, pursuant to N.J.S.A. 54:10A-4.7, the denominator of the allocation factor for a combined group filing a New Jersey combined return includes the receipts of all of the business entities included as members of the combined group on the same New Jersey combined return. If the CFC is not included in the same combined return as the taxpayer that was required to include the NCTI in income for federal purposes then the combined group denominator does not include the CFC's receipts.

Separate Return Filers – The NCTI and FDDEI must be reported on Schedule A. Taxpayers must include the NCTI (not excluded by N.J.S.A. 54:10A-4(k)(5)) and the gross FDDEI amounts in the allocation factor on Schedule J. The CFC's receipts are not included in the allocation factor on Schedule J. The I.R.C. § 250 deductions for NCTI and FDDEI are not allowed.

Water's-Edge Basis or Affiliated Group Elective Basis where a CFC is NOT included in the combined group – The NCTI and FDDEI must be reported on Schedule A. Taxpayers must include the NCTI(not excluded by N.J.S.A. 54:10A-4(k)(5)) and the gross FDDEI amounts in the allocation factor on Schedule J. The CFC's receipts are not included on Schedule J. The I.R.C. § 250 deductions for NCTI and FDDEI are not allowed.

Water's-Edge Basis where a CFC is included in the combined group – The NCTI, CFC income, and FDDEI must be reported on Schedule A as part of the combined group's ENI. If the underlying income of the CFC that generated the NCTI was excluded from ENI (either as the result of a tax treaty or because the income was not effectively connected to a business in the U.S.), the portion of NCTI attributable to these excluded amounts are not eliminated or excluded a second time. Only the portion of the receipts attributable to NCTI that has not been excluded or eliminated is included in Schedule J. The combined group must include the gross FDDEI amount in the allocation factor on Schedule J. The I.R.C. § 250 deductions for NCTI and FDDEI are not allowed.

World-Wide Group Elective Basis where a CFC is included in the combined group – The NCTI, CFC income, and FDDEI, must be reported on Schedule A as part of the combined group's ENI. Taxpayers must include the CFC's receipts in the allocation factor on Schedule J. However, if the NCTI is eliminated from ENI, it would not be included as part of the allocation factor on Schedule J. The combined group must include the gross FDDEI amount in the allocation factor on Schedule J. The I.R.C. § 250 deductions for NCTI and FDDEI are not allowed.

NCTI and FDDEI Derived from a Combined Group Member's Independent Business Operations – There are instances where a portion of a member's business operations can be independent of the unitary business activity of the combined group. Such members of a combined group must complete Schedule X and report the separate portion of its business operations (and those operations that are not part of another combined group). If the income from those operations is NCTI or FDDEI then that income must be reported on Schedule X in the same manner as a separate return filer (as described above). This

reporting is in lieu of filing a separate return to report the separate portion of the member's business operations.

See [N.J.A.C. 18:7-5.2](#); [N.J.A.C. 18:7-5.18](#); [N.J.A.C. 18:7-5.19](#); [N.J.A.C. 18:7-21.7](#); [N.J.A.C. 18:7-21.27](#)

Revision Information: This Technical Bulletin was revised to update the references to the GILTI and FDII to reflect the name change under the One Big Beautiful Bill Act. There was no change to the tax treatment of these concepts for New Jersey Corporation Business Tax purposes.

Note: A Technical Bulletin is an informational document that provides guidance on a topic of interest to taxpayers and may describe recent changes to the relevant laws, regulations, and/or Division policies. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes to the applicable laws, regulations, and/or the Division's interpretation thereof may affect the accuracy of a Technical Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.