**CITT-1**
**(9-26)**

**State of New Jersey**
**Division of Taxation**

# Controlling Interest Transfer Tax

## To be completed by the seller/grantor

**Read Summary and Instructions in Full Before Completing This Return**

**Part 1 Transferor Information (Seller)**

1. Name and Address of Transferor

| 2. SSN or Federal ID Number of Transferor | 3. NJ Registration Number (if any) of Transferor | 4. Unitary ID Number of Transferor (if applicable) |
|---|---|---|
| | | |

5. ☐ Check here if more than one transferor and attach a rider providing the same information for all transferors.

**Part 2 Transferee Information (Purchaser)**

**1. Name and Address of Transferee**

| 2. SSN or Federal ID Number of Transferee | 3. NJ Registration Number (if any) of Transferee | 4. Unitary ID Number of Transferee (if applicable) |
|---|---|---|
| | | |

5. ☐ Check box if more than one transferee and attach a rider providing the same information for all transferees.

**Part 3 Transfer Information**

1. Name and Address of Entity in which controlling interest was transferred

| 2. Federal ID Number of Entity | 3. NJ Registration Number (if any) of Entity | 4. Unitary ID Number of Entity (if applicable) |
|---|---|---|
| | | |

5. This entity is a: ☐ Corporation ☐ Limited Liability Company ☐ Trust ☐ Partnership ☐ Other (specify) _____

| 6. Enter name of state under whose laws entity is organized | 7. Date of transfer of controlling interest in entity | 8. Interest transferred on date indicated in 7 |
|---|---|---|
| | | |

9. ☐ If the controlling interest transfer was made in a series of transfers, check box and attach a rider describing earlier transfers.

10. ☐ Check box if the classification as a Class 4A commercial property is questionable or in dispute. You must complete Form CITT-1, pay the tax due, and attach a rider explaining the issue. See instructions for information about claiming a refund after the issue is resolved.

**Part 4 Exemption Claim Information**

Enter the exemption(s) the seller is claiming and provide an explanation. If claiming multiple exemptions, or if you need more space, attach a rider. (See instructions.)

**Part 5 Direct owners of NJ Class 4A commercial property indirectly owned by the entity in which a controlling interest was transferred**

| Name | Business Address | Social Security Number or Federal Employee ID Number |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

**Part 6 Series of Transactions that either the Transferor or Transferee have participated in within the past 6 months**

| Name | Business Address | Social Security Number or Federal Employee ID Number |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

| Name of Transferor | Transferor's Tax ID Number | Date of Transfer |
|---|---|---|
| | | |

**Part 7 Tax Calculation A** **Use if NJ Class 4A commercial property is owned directly or indirectly by the entity in which a controlling interest was transferred**

| | Location of Real Property | Town | Check if Exempt | County/Muni Code | Column A Consideration | Column B Tax Rate | Tax (Col. A x Col. B) |
|---|---|---|---|---|---|---|---|
| 1. | Street Address | | ☐ | | | | |
| | Owner ID | | | | | | |
| 2. | Street Address | | ☐ | | | | |
| | Owner ID | | | | | | |
| 3. | Street Address | | ☐ | | | | |
| | Owner ID | | | | | | |
| 4. | Total Tax (include amounts from any attached riders). Enter here and on Part 9, Line 1 | | | | | | |

**Part 8 Tax Calculation B** **Use if NJ Class 4A commercial property is owned directly or indirectly by the entity in which a controlling interest was transferred and the entity also owns an interest in other property, real or personal**

| | Location of Real Property | Check if Exempt | County/Muni Code | Column A Assessed Value | Column B Director's Ratio | Column C Equalized Value | Column D Multiply Column C by The Appropriate % | Column E Ownership Percentage | Tax (Col. D x Col. E) |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Street Address | ☐ | | | | | | | |
| | Town | | | | | | | | |
| | Owner ID | | | | | | | | |
| 2. | Street Address | ☐ | | | | | | | |
| | Town | | | | | | | | |
| | Owner ID | | | | | | | | |
| 3. | Street Address | ☐ | | | | | | | |
| | Town | | | | | | | | |
| | Owner ID | | | | | | | | |
| 4. | Total Tax (include amounts from any attached riders). Enter here and on Part 9, Line 2 | | | | | | | | |

**Part 9 Computation of Amount due and Payable**

| | | | |
|---|---|---|---|
| 1. Enter amount from Part 7, line 4 | 1. | | 00 |
| 2. Enter amount from Part 8, line 4 | 2. | | 00 |
| 3. Tax due (enter the amount from line 1 or line 2, or the total of both if applicable) | 3. | | 00 |
| 4. Penalties and interest due | 4. | | 00 |
| 5. Total amount due (add lines 3 and 4) | 5. | | 00 |

**SIGN HERE**

**Keep a copy of this return for your records**

I declare under penalty of law that I have examined this return (including any accompanying schedules and statements), and to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return is a fine of not more than $5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

Signature of Principal Officer | Title | Date

Print name of Principal Officer | ( ) Phone Number

I authorize the Division of Taxation to discuss my return and enclosures with my preparer (below) ☐

Paid Preparer's Signature | Date | Preparer's SSN or PTIN

Firm's Name and Address | FEIN

# Controlling Interest Transfer Tax

## Summary

The tax is imposed on certain transfers of a controlling interest in an entity possessing Class 4A commercial real property when the consideration is in excess of $1 million. On and after July 10, 2025, the tax is paid by the seller/grantor. See N.J.S.A. 54:15C-1.

The sale or transfer of a controlling interest subject to taxation may occur in one transaction or in a series of transactions. New Jersey considers transactions that occur within six months of each other to be a series of transactions constituting a single sale or transfer, unless the contrary is established to the satisfaction of the Director. One purchaser or a group of purchasers acting in concert may also accomplish a sale or transfer subject to tax. Purchasers that are "related parties" are presumed to be acting in concert, unless the contrary is established to the satisfaction of the Director.

## Definitions

"Consideration" means the actual amount of money and the monetary value of any other thing of value constituting the entire compensation paid or to be paid for the transfer including the remaining amount of any prior mortgage to which the transfer is subject or that is to be assumed and agreed to be paid by the purchaser.

"Controlling interest" means, in the case of a corporation, more than 50% of the total combined voting power of all classes of stock of that corporation, and in the case of an entity that is a partnership, association, trust, or other organization, more than 50% of the beneficial ownership of classified real property of that partnership, association, trust, or other organization.

"Equalized Assessed Value" means the assessed value of the property in the year that the transfer is made divided by the Director's equalization ratio, which changes each year based on a sales study. The Director, Division of Taxation, pursuant to N.J.S.A. 54:1-35.1, publishes it annually on or before October 1. The resulting amount is the equalized assessed value. Since assessed value, which is the value on the tax rolls, does not change very often, the calculation is needed to approximate the current fair market value of the property.

"Related parties" means parties that have the relationship necessary for attribution of constructive ownership of stock pursuant I.R.C. § 318 and members of an affiliated group or a controlled group pursuant to I.R.C. § 1504 or I.R.C. § 1563.

"Class 4A commercial property" means any kind of income-producing real property other than property classified as vacant land, residential property, farm property, industrial properties, and apartments. If you are unsure about the classification of the real property or its assessed value, contact the local tax assessor's office.

## Calculation of the Tax

There are two different methods for calculating the tax. The method used depends on the circumstances. The seller/grantor is responsible for the tax under both methods.

The first method applies if consideration exceeding $1 million is paid for controlling interest in an entity, and that entity possesses, directly or indirectly, a controlling interest in Class 4A commercial property but does not own an interest in any other type of property. In this situation, the tax is a percentage of the consideration paid:

- Greater than $1,000,000, not in excess of $2,000,000: 1%;
- Greater than $2,000,000, not in excess of $2,500,000: 2%;
- Greater than $2,500,000, not in excess of $3,000,000: 2.5%;
- Greater than $3,000,000, not in excess of $3,500,000: 3%; and
- Greater than $3,500,000: 3.5%.

**Example:** A controlling interest in an entity owning Class 4A real estate is transferred for consideration of $2.75 million. Since the consideration for the transfer of $2.75 million is in excess of $2,500,000 but not in excess of $3,000,000, the applicable rate for determining the Controlling Interest Transfer Tax for the transfer is 2.5%. As such, the Controlling Interest Transfer Tax owed by the seller for the transfer is $68,750 (i.e. $2,750,000 multiplied by 2.5%).

The second method applies if a controlling interest in an entity is sold or transferred and the entity possesses, directly or indirectly, a controlling interest in Class 4A commercial property and an interest in other property, real or personal. In this second method, the equalized assessed value of the Class 4A commercial property, not the amount of consideration paid for the controlling interest itself, is used to calculate the tax. In this situation, the tax is paid only if the equalized assessed value of the Class 4A commercial property exceeds $1 million. The tax is a percentage, as set forth in the list above, of the equalized assessed value of the Class 4A commercial property multiplied by the ownership percentage transferred. Thus, the tax is measured by the portion of the equalized assessed value that is proportional to the percentage of the total interest in the property transferred.

**Transition to Graduated Rates.** To help provide a smooth transition to graduated rates, for transfers of a controlling interest occurring on and prior to November 15, 2025, and entered into pursuant to a contract or other binding agreement that was fully executed before July 10, 2025, the CITT imposed is equal to one percent of the consideration over $1,000,000. N.J.S.A. 54:15C-1.

**Concerning Property Classification Disputes.** For transfers of a controlling interest involving an entity-owned property where the classification of property is in dispute or the property classification as Class 4A commercial property is questionable, the Controlling Interest Transfer Tax must still be paid. However, if the property classification is subsequently retroactively changed to a property classification other than Class 4A commercial property after the transfer and the CITT-1 is filed and payment made, the taxpayer may submit a claim for refund on Form A-3730. For such properties, attach a rider to the CITT-1 explaining why the property classification is in dispute or is questionable.

### Filing and Record Keeping

On or before the last day of the month following the month when the sale or transfer of a controlling interest was completed, the seller/grantor must file Form CITT-1 with the Director, Division of Taxation. Payment of the tax must accompany the CITT-1. A copy of Form CITT-1 must accompany the seller/grantor's tax return filed with New Jersey. Form CITT-1 does not need to be submitted when the transferred entity does not directly or indirectly own Class 4A commercial property. The seller/grantor must supply a copy of the CITT-1 to the buyer/transferee and a copy of such return must be included with the buyer/transferee's New Jersey tax return.

If sale or transfer of a controlling interest in an entity occurs, the entity must keep a record of every transfer of a controlling interest in its stock or in its capital, profits, or beneficial interests.

When an exemption box is checked on Form CITT-1, Part 7 or Part 8, you must still complete Part 7 or Part 8 as though the tax was due. The exemption form CITT-1E has been replaced with Part 4, Exemption Claim Information, on the CITT-1 return.

The State Uniform Tax Procedure Law governs the administration of the Controlling Interest Transfer Tax.

**Riders.** When attaching a rider for the applicable line, spreadsheets or narratives (depending on the purpose of the line), are acceptable formats with the corresponding part, line, and columns (if applicable) clearly labeled.

## CITT-1 Instructions

### Part 1

Enter the requested information for the transferor (seller).

### Part 2

Enter the requested information for the transferee (purchaser).

### Part 3

Enter the requested information for the entity in which the controlling interest was transferred. If the answer to question 9 and/or 10 is yes, attach a rider.

### Part 4

Certain transactions are exempt from the Controlling Interest Transfer Tax. See N.J.S.A. 54:15C-1(c). Enter the exemption(s) the buyer is claiming and provide an explanation. If claiming multiple exemptions, or if you need more space, attach a rider.

Exemptions include the following sales or transfers:

- By or to the United States of America, the State of New Jersey, or any instrumentality, agency or subdivision thereof;
- To a buyer that is recognized as qualified under IRC 501(c)(3);
- Having the characteristics listed in N.J.S.A. 46:15-10, which concerns deeds excluded from additional recording fee;
- That is subject to the fee imposed by N.J.S.A. 46:15-7.2 concerning the fee for the transfer of real property
  **Note:** Such properties subject to the Realty Transfer Fee for a deed transfer include class 2 "residential"; class 3A "farm property (regular)" but only if the property includes a building or structure intended or suited for residential use, and any other real property, regardless of class, that is effectively transferred to the same grantee in conjunction with the class 3A property; a cooperative unit as defined in N.J.S.A. 46:8D-3; or class 4A commercial property;
- Incidental to a corporate merger or acquisition in which the equalized assessed value of the real property is less than 20% of the total value of all assets exchanged in the merger or acquisition. This exemption applies where the equalized assessed value of the Class 4A commercial property in New Jersey is less than 20% of the total value in the transfer;
- For transfers entered into on and after January 1, 2021, if it is an intercompany transfer between combined group members as part of the unitary business, as those terms are used in section 4 of P.L.1945, c.162 (C.54:10A-4). See N.J.S.A. 54:10A-4(z); N.J.S.A. 54:10A-4(gg); and TB-93 for more information.

### Part 5

Complete this portion only if the Class 4A commercial property is indirectly owned by the entity being transferred. List the name, business address, and Social Security number or federal employee ID number of all direct owners of New Jersey real property indirectly owned by the entity in which a controlling interest was transferred. If more space is needed, attach a rider.

## Part 6
List all transactions in which either the transferor or transferee has participated within the past 6 months. Include the name, business address, and Social Security number or federal employee ID number of all parties. If more space is needed, attach a rider.

## Part 7
Enter the requested information if the entity in which a controlling interest is being transferred owns NJ Class 4A commercial property, either directly or indirectly, but does not own an interest in other type of property.

Check the box if the transaction is exempt (see instructions for Part 4). Also enter the county/municipality code. Enter the code for the municipality where the taxes are paid.

Enter the consideration in column A. Multiply column A by the tax rate in column B and enter the result in the tax column. Enter the total of the tax column on line 4 and on Part 9, line 1.

## Part 8
Enter the requested information if the entity in which a controlling interest is being transferred owns NJ Class 4A commercial property, either directly or indirectly, and also owns an interest in another type of property.

Check the box if the transaction is exempt (see instructions for Part 4). Also enter the county/municipality code. Enter the code for the municipality where the taxes are paid.

Column A – Enter the assessed value of the real property.

Column B – Enter the director's ratio.

Column C – Divide column A by column B and enter the result. This is the equalized assessed value. If the amount in column C is over $1 million, tax is due.

Column D – Multiply column C by 1% and enter result.

Column E – Enter the applicable ownership percentage of the entity. Enter 100% if the entire ownership is transferred.

Multiply column D by column E and enter in the tax column. Enter the total of the tax column on line 4 and on Part 9, line 2.

## Part 9
Calculate the amount of tax due along with any penalties and interest.

**Late Filing Penalty.** 5% per month or part of a month on the amount of underpayment not to exceed 25% of that underpayment, except if no return has been filed within 30 days of the date on which the first notice of delinquency in filing the return was sent, the penalty will accrue at 5% per month or part of a month of the total tax liability not to exceed 25% of such tax liability. Also, a penalty of $100 for each month the return is delinquent may be imposed.

**Late Payment Penalty.** 5% of the balance of tax due paid after the due date for filing the return may be imposed.

**Interest.** 3% above the average predominant prime rate for every month or part of a month the tax is unpaid, compounded annually. At the end of each calendar year, any tax, penalties and interest remaining due will become part of the balance on which interest will be charged. The interest rates assessed by the Division of Taxation are published online.

Make check payable to Treasurer, State of New Jersey. Mail the completed return, attached schedule, and check to:

State of New Jersey
Division of Taxation
Revenue Processing Center
PO Box 629
Trenton, New Jersey 08646-0629