

# **Revision to Division Policy on Combined Groups and P.L. 86-272**

Since the publication of these instructions, the Division has revised its policy on the treatment of members of a combined group that are claiming P.L. 86-272. For information, see [notice](#).



State of New Jersey  
DEPARTMENT OF THE TREASURY  
DIVISION OF TAXATION

Dear Taxpayer,

2020 has been a challenging year for all of us both in our personal and professional lives. I want to assure you that the Division has been hard at work in our efforts to help taxpayers overcome any compliance challenges they're facing in these unprecedented times.

Our Administration worked together with stakeholders and the legislature on a series of technical corrections, clarifications, and changes in legislation affecting the Corporation Business Tax Act. This collaboration resulted in legislation that was signed into law on November 4, 2020 (P.L. 2020, c. 118). A list of changes from this law is detailed in [TB-97](#), which I encourage you to review.

As you file your return, look for the "New for 2020" graphic throughout the instructions, which highlights many of this year's tax changes. I'd also like to take this opportunity to highlight a few items of particular importance.

- **Combined Group as a Taxpayer.** For privilege periods ending on and after July 31, 2020, a combined group is treated as one taxpayer for purposes of paragraph (1) of subsection (c) of section 5 of P.L.1945, c.162 (C.54:10A-5) and section 1 of P.L. 2018, c.48 (C.54:10A-5.41) for the income derived from the unitary business.
- **Due Date.** The original due date of the Corporation Business Tax returns is now 30 days after the due date of the federal return. For administrative purposes, the Division will use the 15th day of the month following the federal due date unless that results in a less than 30-day filing window. However, the due dates for estimated payments are unaffected by the law. Taxpayers that are required to make estimated payments must still submit such payments on or before the 15th day of the fourth, sixth, ninth, and 12th months.
- **Copy of Federal Return Mandatory.** Taxpayers must include a copy of their federal return and any pertinent extracts of the federal return as part of a full and complete New Jersey return.
- **Surtax.** The surtax was extended through December 31, 2023, at the rate of 2.5% on all filers with allocated taxable net income over \$1 million. As originally enacted, the surtax was scheduled to decrease from 2.5% to 1.5% for privilege periods beginning on or after January 1, 2020, and expire for privilege periods beginning on or after January 1, 2022. There will not be penalties or interest assessed on underpayments resulting from the retroactive application of the increased surtax.
- **Net Operating Losses.** For tax years beginning on and after January 1, 2020, the federal rules and regulations governing consolidated return net operating losses and net operating loss carryovers apply to the New Jersey net operating loss carryover provisions to the extent they are consistent with the provisions of the New Jersey Corporation Business Tax Act. If the New Jersey and federal provisions differ, the New Jersey Corporation Business Tax Act provisions govern. New Jersey generally follows the federal rules governing mergers, acquisitions, reorganizations, spin-offs, split-offs, dissolution, bankruptcy, or any form of cessation of a business. New Jersey also follows any other provision of the federal rules that limits or reduces federal net operating losses and federal net operating loss carryovers.
- **Dividend Exclusion.** The dividend exclusion now treats the combined group as one taxpayer. In addition, the tiered dividend exclusion, previously calculated on Schedule RT, has been replaced with a Tiered Subsidiary Dividend Pyramid Tax Credit.
- **Filing Methods.** Chapter 118 clarified and simplified the definition of an affiliated group for purposes of the affiliated group combined return election method. As a result, there is a one-time exception to prospectively change to the combined group's filing method.
- **New Jersey Research and Development (R&D) Credit.** For tax year 2020, the qualified research expenditures used for the federal qualified small business R&D payroll tax credit expenditures apply to the New Jersey R&D tax credit.
- **I.B.F. Deduction.** If a combined group includes a qualified taxable member, the combined group can deduct any income amounts eligible for the deduction under [N.J.S.A. 54:10A-4\(k\)\(4\)](#) that were not eliminated.

Looking ahead, I want to make sure you are aware that this is the last year Form CBT-100 will exist in this format. Under P.L. 2020, c.118, the Division has been mandated to create a new and simplified standardized return for privilege periods ending on and after July 31, 2021.

Lastly, I would like to remind you that the Division is enforcing the 2016 mandate that all corporations must electronically file all their returns. This includes Forms CBT-100U, CBT-200-T, and CBT-150. Payments must also be made electronically.

If you have questions about filing your return, please visit our [website](#). I know times are still hard for many of us, but the experiences of this past year give me hope for better times and new opportunities ahead

Sincerely,

A handwritten signature in black ink, appearing to read "John Ficara".

John Ficara  
Acting Director  
Division of Taxation

# CBT-100U

## State of New Jersey

Division of Taxation

Corporation Business Tax

### Instructions for Corporation Business Tax Unitary Return (Form CBT-100U – 2020)

#### Electronic Filing Mandate

All Corporation Business Tax returns and payments must be made electronically. This mandate includes all returns, estimated payments, extensions, and vouchers. Visit [www.state.nj.us/treasury/taxation/payments-notice.shtml](http://www.state.nj.us/treasury/taxation/payments-notice.shtml) or check with your software provider to see if they support any or all of these filings.

**Note:** Form CBT-100U must be filed electronically even if one or more members of the combined group is a banking corporation or financial business corporation.

**FYI**

The law mandates the creation of a simplified standardized return for privilege periods ending on and after July 31, 2021. This is the last year that Form CBT-100U will exist in this format. It will be replaced with the new standardized return next year.

#### Before You Begin

*Read all instructions carefully before completing returns.*

**NEW FOR  
2020**

**Include a complete copy of the federal Form 1120 (or any other federal corporate return) that was filed with the federal government for**

(or on behalf of) each member of the combined group, and include all related forms and schedules that were filed as part of the **full and complete** federal return of the member. For more information, see [TB-98](#), *Federal Return and the Forms and Schedules to Include with the Corporation Business Tax Return Pursuant to P.L. 2020, C. 118*.

#### Managerial Member Responsibilities

The managerial member acts as the agent on behalf of the combined group. The managerial member is required to address all tax matters including, but not limited to: filing and amending tax returns, filing extensions, and making estimated tax payments and/or any tax liability payment on behalf of its taxable members. The managerial member is also responsible for responding to notices and assessments for its combined group. ([N.J.S.A. 54:10A-4.10](#))

The managerial member of the combined group must register the group in order to file the combined return. Information on managerial member registration is available on the Division's [website](#).

#### Personal Liability of Officers and Directors

Even though the managerial member is responsible for making payments on behalf of the combined group, each taxable member is jointly and severally liable for the tax due. In addition, any officer or director of any corporation who shall distribute or cause to be distributed any assets in dissolution or liquidation to the stockholders without having first paid all corporation franchise taxes, fees, penalties, and interest imposed on said

corporation, in accordance with [N.J.S.A. 14A:6-12](#), [N.J.S.A. 54:50-18](#) and other applicable provisions of law, shall be personally liable for said unpaid taxes, fees, penalties, and interest. Compliance with [N.J.S.A. 54:50-13](#) is also required in the case of certain mergers, consolidations, and dissolutions.

#### Distortion of Net Income

The Director is authorized to adjust and redetermine items of gross receipts and expenses as may be necessary to make a fair and reasonable determination of tax payable under the Corporation Business Tax Act. For details regarding the conditions under which this authority may be exercised, see regulation [N.J.A.C. 18:7-5.10](#).

#### Accounting Method

The return must be completed using the same method of accounting, cash, accrual or other basis, that was used on the federal income tax return. If a federal income tax return was not filed, use the same accounting method that would have been used if a federal return was filed.

**Note:** Members that only use I.F.R.S. as their method of accounting can use I.F.R.S. when reporting their income; however, the member must include a rider noting the potential differences, if any, from the rest of the group.

#### Riders

If space is insufficient, include riders as PDFs in the same form as the original printed sheets. The riders must be numbered and clearly list the schedule(s) and line(s) of each corresponding rider item.

#### Federal/State Tax Agreement

The New Jersey Division of Taxation and the Internal Revenue Service participate in a federal/State program for the mutual exchange of tax information to verify the accuracy and consistency of information reported on federal and New Jersey tax returns.

#### Mandatory Combined Reporting

For group privilege periods ending on and after July 31, 2019, members that are part of a combined group must file a combined New Jersey return, Form CBT-100U. **Combined returns are mandatory, not elective.**

#### Definitions

**Combined group** is a group of companies that have common ownership and are engaged in a unitary business, and at least one company is subject to tax under this chapter. It includes all business entities except as provided for under any section of the Corporation Business Tax Act (1945), P.L. 1945, c. 162 (C.54:10A-1 et seq.). See [N.J.S.A. 54:10A-4\(z\)](#).

**NEW FOR  
2020**

For privilege periods ending on and after July 31, 2020, a combined group is treated as one taxpayer for purposes of paragraph (1) of subsection (c) of

section 5 of P.L. 1945, c. 162 (C.54:10A-5) and section 1 of P.L. 2018, c. 48 (C.54:10A-5.41) for the income derived from the unitary business.

**Note:** Pursuant to N.J.S.A. 54:10A-4(h) a combined group is a taxpayer for the purposes of the Corporation Business Tax Act.

**Common ownership** means that more than 50% of the voting control of each member of a combined group is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, whether or not the owner or owners are members of the combined group. Whether voting control is indirectly owned shall be determined in accordance with section 318 of the federal Internal Revenue Code, 26 U.S.C. s.318. See: N.J.S.A. 54:10A-4(aa). The Division interprets N.J.S.A. 54:10A-4(aa) to mean that all of the ownership rules, including the beneficial and constructive ownership rules of I.R.C. section 318 apply since the definition of common ownership states that the control can be direct or indirect.

**Managerial member** is the common parent corporation if that corporation is a taxable member. If the common parent corporation is not a taxable member, the group must select a taxable member to be its managerial member or, at the discretion of the Director or upon failure of the combined group to select its managerial member, the Director will designate a taxable member of the combined group as managerial member.

**Member** is a business entity that is a part of a combined group, unless otherwise excluded. See "Corporations Required to File" for more information.

**Taxable member** is a member that is subject to tax pursuant to the Corporation Business Tax Act (1945), P.L. 1945, c. 162 (C.54:10A-1 et seq.). See N.J.S.A. 54:10A-4(ff).

**Nontaxable member** is a member that is not subject to tax. See N.J.S.A. 54:10A-4(ee).

**Unitary business** is a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value among the separate parts. A unitary business shall be construed to the broadest extent permitted under the Constitution of the United States. See N.J.S.A. 54:10A-4(gg) and [TB-93](#), *The Unitary Business Principle and Combined Returns*, for more information and the full definition of a unitary business for the purposes of combined reporting.

### Combined Return Filing Methods

A combined return is a filing method for a group of business entities in a unitary business. Determining the combined group members involves imposing certain statutory limitations, which affect the treatment of income, allocation factors, and tax attributes. This decision is commonly referred to as "world-wide vs. water's-edge." As an alternative, there is an option to file the New Jersey combined return as an "affiliated group" as defined by statute. Information is available in [TB-89\(R\)](#), *Combined Group Filing Methods*.

**FYI**

P.L. 2020, c. 118, included several changes impacting combined groups for privilege periods ending on and after July 31, 2019, and in future privilege periods. These changes may impact taxpayers' decisions on their combined return filing method option. As a result of the law change, the Division of Taxation is providing a one-time exception to prospectively allow a change to the combined group's filing methods. If a combined group chooses to select a different filing method on the 2020 CBT-100U, the method selected on the 2019 CBT-100U will not be binding for subsequent years, and the method selected on the **2020 CBT-100U, will be considered the start of the binding period for the purposes of N.J.S.A. 54:10A-4.11(b)**.

**Mandatory Default Water's-Edge Group Basis** returns include only entities with significant business operations within the United States, with several inclusions and exceptions. **This is the mandatory default filing method. Combined reporting is not elective.** See N.J.S.A. 54:10A-4.8; N.J.S.A. 54:10A-4.10; N.J.S.A. 54:10A-4.11; and [TB-89\(R\)](#) for more information on the entities that are statutorily required to be included.

**Elective World-Wide Group Election.** When making a world-wide group election, the combined group must include all of the income, attributes, and allocation factors of all of the worldwide business entities that are members of the unitary combined group, regardless of whether such members filed a federal tax return or whether such members filed a federal consolidated return(s).

**Elective Affiliated Group Election.** For the purposes of the affiliated group election, "affiliated group" is defined pursuant to N.J.S.A. 54:10A-4(x). Only business entities that are U.S. domestic corporations (as defined in N.J.S.A. 54:10A-4(x)) for the purposes of the definition can be included in the affiliated group return. Non-U.S. corporations that do not file a federal return cannot be included in a New Jersey affiliated group combined return.

**Note:** In most cases, the New Jersey affiliated group combined return constitutes the multinational corporation's entire U.S. footprint.

The sole U.S. domestic corporation in a world-wide combined group cannot make the affiliated group election on its own. In this situation, the combined group must file a water's-edge or world-wide group combined return.

An affiliated group election by the U.S. domestic corporations does not relieve the non-U.S. corporations of their New Jersey Corporation Business Tax liability. Thus, a non-U.S. corporation organized outside the United States that does not file a federal return, but has nexus with New Jersey, must still file a separate New Jersey Corporation Business Tax return.

### Allocation Methods for Combined Returns

The two methods available to allocate the income of a combined group are "Joyce" and "Finnigan." These methods are differentiated by their determination of the allocation factor. Under either method, the allocation factor attributes included in the denominator are the same. The denominator includes all of the combined group's total factors, regardless of nexus. See Schedule J instructions for more information.

## Nexus

Each member that has nexus with New Jersey is subject to the \$2,000 minimum tax. A member of a combined group has nexus if the member meets the standards of [N.J.S.A. 54:10A-2](#) as either part of the unitary business of the combined group or independent of the combined group. If a member does not have nexus with New Jersey, the member is not subject to the minimum tax. If one member in the combined group has nexus and sufficient activities in New Jersey to be taxed based on income, no member that has nexus with New Jersey can claim P.L. 86-272 protection.

**Note:** A taxpayer that is not in a unitary business relationship with a combined group must file a separate return if the taxpayer has nexus with New Jersey and the managerial member of the combined return does not make the election to file the affiliated group combined return.

## Corporations Required to File

If one member of a combined group has nexus, the combined group must file a New Jersey combined return.

In general, every corporation existing under the laws of the State of New Jersey is required to file a Corporation Business Tax return.

A foreign corporation has nexus if that foreign corporation:

1. Holds a general certificate of authority to do business in this State issued by the Secretary of State; or
2. Holds a certificate, license, or other authorization issued by any other department or agency of this State, authorizing the company to engage in corporate activity within this State; or
3. Derives income from this State; or
4. Employs or owns capital in this State; or
5. Employs or owns property in this State; or
6. Maintains an office in this State.

Foreign corporations see [N.J.A.C. 18:7-1.6](#); [N.J.A.C. 18:7-1.8](#); [N.J.A.C. 18:7-1.9](#); [N.J.A.C. 18:7-1.10](#); [N.J.A.C. 18:7-1.11](#); [N.J.A.C. 18:7-1.14](#) and [TB-79\(R\)](#), *Nexus for Corporation Business Tax*, for more information on nexus.

A foreign corporation that is a partner of a New Jersey partnership is deemed subject to tax in the State and must file a return.

**Corporations Claiming P.L. 86-272.** Foreign corporations that meet the filing requirements and whose income is immune from tax pursuant to Public Law 86-272, must complete Schedule N, Nexus – Immune Activity Declaration, and all of the schedules from the CBT-100U. In addition, the member must include a copy of the [Nexus Questionnaire](#). P.L. 86-272 filers are not subject to the surtax imposed by [N.J.S.A. 54:10A-5.41](#).

**Note:** If one member in the combined group has nexus and sufficient activities in New Jersey to be taxed based on income, **no** member that has nexus with New Jersey can claim P.L. 86-272 protection.

**New Corporations.** Every New Jersey corporation acquires a taxable status beginning 1) on the date of its incorporation, or 2) on the first day of the month following its incorporation if so stated in its certificate of incorporation. Every corporation that incorporates, qualifies or otherwise acquires a taxable status in New Jersey must file a Corporation Business Tax return.

**S Corporations.** Federal S corporations that have **not** elected and been authorized to be New Jersey S corporations must complete this return as though no election had been made under I.R.C. § 1362. A copy of Form 1120-S as filed must be submitted. Lines 1 through 28 in Part I, Schedule A of the CBT-100U must be completed.

**New Jersey S Corporations.** New Jersey S corporations that **elect** to be included as a member on the combined return will be taxed in the same manner as the other members of the combined group. A copy of Form 1120-S as filed must be submitted. Lines 1 through 28 in Part I, Schedule A of the CBT-100U must be completed.

**Domestic International Sales Corporations (DISC).** A DISC must complete this return as though no election had been made under Sections 992-999 of the Internal Revenue Code. A DISC must complete all applicable schedules on the return.

**Combinable Captive Insurance Companies.** Combinable captive insurance companies are no longer exempt from the Corporation Business Tax.

**Note:** A regular captive insurance company that does not meet the definition of a *combinable captive insurance company* in [N.J.S.A. 54:10A-4\(y\)](#) is still exempt from the Corporation Business Tax.

**Foreign Sales Corporations (FSC).** An FSC must complete this return as though no election had been made under Sections 922-927 of the Internal Revenue Code. FSCs must complete all applicable schedules on the return. Under Section 5, P.L. 106-519, no corporation may elect to be an FSC after September 30, 2000.

**Financial Business Corporations.** Corporations that qualify as financial businesses, those that derive 75% of their gross income from the financial activities enumerated at [N.J.A.C. 18:7-1.16\(a\)1](#) through (a)7, must use Schedule A-7 as a worksheet and keep with their records. It does not need to be included with the return. Schedule A-7 is available on the Division's [website](#). The combined return must be filed electronically even if one or more members of the combined group is a financial business corporation.

**Banking Corporations.** A banking corporation filing as part of a combined group that uses a fiscal year basis must align its privilege period with the combined group. For more information, see [TB-91](#), *Banking Corporations and Combined Returns*. The combined return must be filed electronically even if one or more members of the combined group is a banking corporation.

**Professional Corporations.** Corporations formed under [N.J.S.A. 14A:17-1](#) et seq. or any similar laws of a possession or territory of the U.S., a state, or political subdivision thereof, must complete Schedule PC. Examples of licensed professionals include certified public accountants, architects, optometrists, professional engineers, land surveyors, land planners, chiropractors, physical therapists, registered professional nurses, dentists, osteopaths, physicians and surgeons, doctors of medicine, doctors of dentistry, podiatrists, veterinarians, and attorneys.

**Inactive Corporations.** Inactive corporations that, during the period covered by the return, did not conduct any business, did not have any income, receipts or expenses, and did not own

any assets must complete Schedule I – Certificate of Inactivity in addition to page 1, the Members and Affiliates Schedule, the Annual General Questionnaire, and Schedules A, A-2, A-3, and A-4. Payment for the related minimum tax liability and the installment payment (if applicable) must be submitted electronically.

**Portion of a Company's Operations That are Nonunitary With This Combined Group.** There are instances when a portion of a member's business operations are independent of the unitary business activity of the combined group. Only the income, attributes, and allocation factors related to the portion of a company's operations that are part of a unitary business of the combined group are included in the calculation of the combined group's entire net income and allocation factor. The remaining portion of a member's business operations may be subject to tax separately from the combined group if such member individually conducts business in New Jersey or with another combined group (if it is engaged in a unitary business with that combined group that also conducts business in New Jersey and files a CBT-100U).

**Note:** Schedule X will be used to calculate the New Jersey taxable net income of that separate activity income that must be reported in Part III of Schedule A of the CBT-100U. See Schedule X instructions for more information.

A combined group member with business operations that are independent of the unitary business activity of the combined group must report such income on Schedule X. Schedule X must be submitted with the combined return.

See "Additional Forms and Instructions" for details on obtaining Schedule X.

**Former Member of Combined Group.** A taxpayer that was a member of a combined group filing a New Jersey combined return for part of the group privilege period and subsequently departs the combined group to file on a separate entity basis must report the income for months subsequent to departing the combined group on a separate return (Form CBT-100) unless the member joined a second combined group that files a New Jersey combined return. The taxpayer filing a separate return would not report the income on CBT-100 for the months the member was part of the combined group. Likewise, a taxpayer that joined a second combined group that files a New Jersey combined return would only report on the second group's return the income for the months the member was part of the second combined group. If determining what amount of income is attributable to the portions of the 12-month period are for the periods before and after departing a combined group, the taxpayer must prorate their income/losses and receipts.

**Note:** For a taxpayer that is a member of a combined group filing a New Jersey combined return and that member properly dissolved and received tax clearance during the group privilege period, the income and tax liabilities of that member for the part of the group privilege period the member existed prior to dissolution must be reported on the combined return.

### Included and Excluded Entity Types

Not all business entities are included in a combined group. The lists below provide information on which entities are or are not included. Additional information is available in [TB-86\(R\)](#), *Included and Excluded Business Entities in a Combined Group*

*and the Minimum Tax of a Taxpayer that is a Member of a Combined Group.*

### Included Entity Types

- U.S. Corporations
- Foreign Corporations
- Casino Licensees
- Banking Corporations
- Financial Corporations
- Limited Liability Companies (unless treated as partnerships or disregarded entities for federal purposes)
- Foreign Limited Liability Companies (unless treated as partnerships or disregarded entities for federal purposes)
- Federal S Corporations (that have not made a New Jersey S Corporation election)
- New Jersey S Corporations (that have elected to be included in the combined group)
- Combinable Captive Insurance Companies
- Qualified Subchapter S Subsidiaries (that have not made a New Jersey S Corporation election)
- New Jersey Qualified Subchapter S Subsidiaries (that elected to be included in the combined group)
- Professional Corporations
- Any other business entities however and/or wherever incorporated or formed that are treated as corporations for federal purposes except when excluded by statute or as described below

### Casino Licensees

Pursuant to the Casino Control Act, any business conducted by an individual, partnership, or corporation or any other entity, or any combination thereof, holding a license in New Jersey is required to file a consolidated return. A consolidated return is similar to an affiliated group combined return. See [N.J.S.A. 5:12-148](#). All Casino licensees are taxable members. The affiliated businesses that are unitary with the casino licensees must also be included when completing CBT-100U.

### Disregarded Entities

A business entity that is treated as a disregarded entity for federal income tax purposes is also treated as a disregarded entity for New Jersey Corporation Business Tax purposes pursuant to [N.J.S.A. 42:2C-92](#). Disregarded entities also include legal partnerships that are disregarded entities for federal purposes. A disregarded entity is not itself a member of a combined group. However, the tax attributes of a disregarded entity are reported by a member of a combined group when the member owns the disregarded entity. The attributes of a disregarded entity owned by a member of a combined group are included in the income and allocation factor of that member as well as the combined group. In making a determination of which members are included in a water's-edge combined group pursuant to [N.J.S.A. 54:10A-4.11](#), the disregarded entity's attributes shall be used by the member that owns the disregarded entity. A disregarded entity is **not** subject to the \$2,000 minimum tax as a member of a combined group because a disregarded entity is not a member of the combined group. However, if a disregarded entity is part of a unitary business of a combined group, the owner of the disregarded entity will be a member of the combined group and must be included as part of the combined group except as otherwise excluded.

## Entities that File as Partnerships for Federal Purposes

Partnerships, limited partnerships, or limited liability companies treated as partnerships for federal purposes are business entities that can be unitary with a combined group. However, these entities are not members of a combined group for New Jersey Corporation Business Tax purposes. Their income flows through to the corporate partners that are members of the combined group. Partnerships, limited partnerships, and limited liability companies that are treated as partnerships for federal purposes are **not** subject to the \$2,000 minimum tax as members of a combined group because they are not members of the combined group. However, Form NJ-CBT-1065 must still be filed.

## Excluded Entity Types

- New Jersey S Corporations that do not elect inclusion in the combined group
- New Jersey Qualified Subchapter S Subsidiaries that do not elect inclusion in the combined group
- Captive Insurance Companies that do not meet the definition of a Combinable Captive Insurance Company as defined in N.J.S.A. 54:10A-4(y)
- All other insurance companies that are not Combinable Captive Insurance Companies
- Corporations exempt from the Corporation Business Tax under N.J.S.A. 54:10A-3
- Corporations that are regulated, in whole or in part, by the Federal Energy Regulatory Commission, the New Jersey Board of Public Utilities, or similar regulatory body of another state, with respect to rates charged to customers for electric or gas services and water and wastewater services
- Real Estate Investment Trusts
- Regulated Investment Companies
- Investment Companies

**A taxpayer that has nexus with New Jersey that is excluded from the New Jersey combined return must file a separate return.**

## When to File

### 2020 Accounting Periods and Due Dates

The 2020 Corporation Business Tax return should only be used for accounting periods ending on and after July 31, 2020, through June 30, 2021.

**NEW FOR 2020** For privilege periods ending on and after July 31, 2020, the due date for all Corporation Business Tax returns and payments except estimated payments is 30 days after the original due date of the federal corporate income tax return. If the due date falls on a weekend or a legal holiday, the return and payment are due on the following business day. Use the following schedule for 2020 CBT-100U forms and payments:

If accounting period ends on:	July 31, 2020	Aug. 31, 2020	Sept. 30, 2020	Oct. 31, 2020	Nov. 30, 2020	Dec. 31, 2020
Due date for filing is:	Dec. 15, 2020	Jan. 15, 2021	Feb. 15, 2021	Mar. 15, 2021	Apr. 15, 2021	May 15, 2021
If accounting period ends on:	Jan. 31, 2021	Feb. 28, 2021	Mar. 31, 2021	Apr. 30, 2021	May 31, 2021	June 30, 2021
Due date for filing is:	June 15, 2021	July 15, 2021	Aug. 15, 2021	Sept. 15, 2021	Oct. 15, 2021	Nov. 15, 2021

**Note:** The start of the 2020 filing season was delayed due to changes to the Corporation Business Tax statutes. Information on affected due dates is available on the Division of Taxation's [website](#).

A New Jersey combined return must be filed for the accounting period (calendar or fiscal, as applicable) of the managerial member of the combined group, or part of the period, beginning on the date the combined group acquired a taxable status in New Jersey regardless of whether it had any assets or conducted any business activities. All accounting periods must end on the last day of the month, except that the managerial member may use the same 52-53 week accounting year that is used for federal income tax purposes.

The combined group's reporting period for the New Jersey combined return is the same tax period that the managerial member uses for federal purposes. Generally, this is the same privilege period as the federal consolidated return since in most instances the managerial member is one of the members included in the federal consolidated return. Any members that operate under a different return period must file a short-period return to align their privilege periods with the group's privilege period. This is done either on Form CBT-100 (separate filers) or Form BFC-1 (Banking Corporations). Affected members must also fiscalize or annualize their income and attributes reported as part of the combined group. See N.J.S.A. 54:10A-4.10.c and N.J.S.A. 54:10A-4.8.b.

## Extension of Time to File

The Tentative Return and Application for Extension of Time to File, Form CBT-200-T, must be filed and paid [electronically](#). You can also check with your software provider to see if the software you use supports filing of extensions.

Combined groups filing Form CBT-100U will automatically receive a six-month extension only if they have paid at least 90% of the tax liability and timely filed Form CBT-200-T.

An extension of time is granted only to file the New Jersey combined return. There is no extension of time to pay the tax due. The Division will notify you only if we deny your extension request, but not until after you actually file your return. Penalties and interest are imposed whenever tax is paid after the original due date.

**Note:** An extension payment must include any applicable professional corporation (PC) fees and/or installment payments. See the online application for more information.

## How to Pay

The managerial member acts as the agent on behalf of the combined group and is responsible for making payments on behalf of the group.

To make payments electronically, go to the Division of Taxation's [website](#). Managerial members who do not have access to the internet can call the Division's Customer Service Center at (609) 292-6400.

If registered, payments can also be made by Electronic Funds Transfer (EFT). For information or to enroll in the program, visit the Division of Revenue and Enterprise Services' website at [www.nj.gov/treasury/revenue/eff1.shtml](http://www.nj.gov/treasury/revenue/eff1.shtml), call (609) 984-9830, fax (609) 292-1777, or write to NJ Division of Revenue and

Enterprise Services, EFT Section, PO Box 191, Trenton, NJ 08646-0191.

**Note:** Managerial members that are required to remit payments by EFT can satisfy the EFT requirement by making e-check or credit card payments.

## Penalties and Interest

**Each taxable member is jointly and severally liable for any penalties and interest assessed.** See N.J.S.A. 54:10A-4.8 and N.J.S.A. 54:10A-4.10.

**Insufficiency Penalty.** If the amount paid with the Tentative Return, Form CBT-200-T, is less than 90% of the tax liability computed on Form CBT-100U, or in the case of a combined group with a preceding return covering a full 12-month period that is less than the amount of the tax computed at the rates applicable to the current accounting year but on the basis of the facts shown and the law applicable to the preceding accounting year, the combined group may be liable for a penalty of 5% per month or part of a month not to exceed 25% of the amount of underpayment from the original due date to the date of actual payment.

**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](#).

**Note:** The average predominant prime rate is the rate as determined by the Board of Governors of the Federal Reserve System, quoted by commercial banks to large businesses on December 1st of the calendar year immediately preceding the calendar year in which payment was due or as redetermined by the Director in accordance with N.J.S.A. 54:48-2.

**Collection Fees.** In addition, if the tax bill is sent to our collection agency, a referral cost recovery fee of 10.7% of any tax, penalty, and interest due will be added to the liability in accordance with N.J.S.A. 54:49-12.3. If a certificate of debt is issued for the outstanding liability, a fee for the cost of collection of the tax may also be imposed.

**Underpayment of Estimated Tax.** To calculate the amount of interest for the underpayment of estimated tax, complete either Form CBT-160-A or Form CBT-160-B. If the combined group qualifies for any of the exceptions to the imposition of interest for any of the installment payments, Part II must be completed and submitted with the return as evidence of such exception.

For 2020 **only**, no interest or penalties are due on an underpayment that results from an additional tax liability created by the provisions of P.L. 2020, c.118.

**Civil Fraud.** If any part of an assessment is due to civil fraud, there shall be added to the tax an amount equal to 50% of the assessment in accordance with N.J.S.A. 54:49-9.1.

**Transacting Business Without a Certificate of Authority.** In addition to any other liabilities imposed by law, a foreign corporation that transacts business in this State without a certificate of authority shall forfeit to the State a penalty of not less than \$200, nor more than \$1,000 for each calendar year, not more than 5 years prior thereto, in which it shall have transacted business in this State without a certificate of authority. N.J.S.A. 14A:13-11(3).

## Amended Returns

All CBT-100U amended returns must be submitted electronically.

**Final Determination of Net Income by Federal Government.** Any change or correction made by the Internal Revenue Service to the federal taxable income must be reported to the Division within 90 days.

## Page 1 Line-by-Line Instructions

Enter the unitary ID number, unitary group name, and complete mailing address in the space provided on the return. Also provide the managerial member's FEIN, name, complete mailing address, and contact information.

Check the box if this is an amended return.

Check the box to indicate which filing method is being used. A New Jersey combined return will default to a water's-edge group, unless the managerial member makes a world-wide or affiliated group election (N.J.S.A. 54:10A-4.11). The election must be made on a timely filed original combined return in the privilege period it becomes effective. The world-wide group election and affiliated group election cannot be made at the same time, and the managerial member can only choose one election. The elections are binding for the privilege period of the election plus five subsequent privilege periods. If filing on an affiliated group or world-wide basis, indicate the number of years into the election period of the combined group.

**FYI**

P.L. 2020, c.118, included several changes impacting combined groups for privilege periods ending on and after July 31, 2019, and in future privilege periods. These changes may impact taxpayers' decisions on their combined return filing method option. As a result of the law change, the Division of Taxation is providing a one-time exception to prospectively allow a change to the combined group's filing methods. If a combined group chooses to select a different filing method on the 2020 CBT-100U, the method selected on the 2019 CBT-100U will not be binding for subsequent years, and the method selected on the **2020 CBT-100U, will be considered the start of the binding period for the purposes of N.J.S.A. 54:10A-4.11(b)**.

### Line 1 – Total Tax of Combined Group

Enter amount from line 5, column (a) of Schedule A, Part III.

**Line 2 – Total Tax Credits Used by Combined Group**

Enter amount from line 6, column (a) of Schedule A, Part III.

**Line 3 – Total Combined Group CBT Tax Liability**

Enter amount from line 7, column (a) of Schedule A, Part III.

**Line 4 – Total Surtax of Combined Group Members**

Enter amount from line 8, column (a) of Schedule A, Part III.

**Line 5 – Total Combined Group Tax Due**

Enter amount from line 9b, column (a) of Schedule A, Part III.

**Line 7 – Professional Corporation Fees**

Enter amount from the combined group column of Schedule PC, line 9.

**Line 8 – Total Tax and Professional Corporation Fees**

Enter the total of lines 5 and 7.

**Line 9 – Payments and Credits**

Enter amount from Schedule E, line 4.

**Line 10 – Payments Made by Partnerships**

Include the total payments made by partnerships on behalf of the members. Total the amounts reported in column 7 of Schedule P-1, Part I for all members. Submit copies of the NJK-1s or K-1s (as applicable) reflecting payments made by each partnership entity.

**Line 11a – Total Refundable Tax Credits**

Add the amounts from Schedule A-3, Part II, line 5 and Schedule A-3, Part II, line 6 and enter the total.

**Line 11b – Total Refundable Tax Credits Refunded to Members**

Enter the amount from Schedule A-3, Part II, line 5. This amount will be refunded to the managerial member, which is responsible for distributing to the appropriate group members.

**Line 11c – Total Refundable Tax Credits Applied to Group**

Enter the amount from Schedule A-3, Part II, line 6.

**Line 12 – Total Payments and Credits**

Add lines 9, 10, and 11c and enter the result.

**Amount Due or Overpayment – Lines 13–18**

Compare lines 12 and 8.

- If line 12 is less than line 8, you have a balance due. Complete lines 13, 14, and 15.
- If line 12 is more than line 8, you have an overpayment. Complete line 14 (if applicable) and lines 16 through 18.

**Line 13 – Balance of Tax Due**

Subtract line 12 from 8 and enter the difference.

**Line 14 – Penalty and Interest Due**

Include any penalties and interest. See "Penalties and Interest" for information.

**Note:** If the group has an overpayment or no tax liability and has calculated penalties and interest due, such amounts must be added to the balance due line or subtracted from the overpayment.

**Line 15 – Total Balance Due**

Enter the total of line 13 and line 14.

**Line 16 – Amount Overpaid**

Subtract the sum of line 8 and line 14 (if applicable) from the amount on line 12.

**Line 17 – Refund**

Enter the amount of the overpayment to be refunded. This amount will be refunded to the managerial member.

**Line 18 – Credit to 2021**

Enter the amount of the overpayment that you want to credit to the 2021 combined group tax liability.

**Signature**

Each return must be signed by an officer of the managerial member who is authorized to attest to the truth of the statements contained therein. The fact that an individual's name is signed on the return shall be prima facie evidence that such individual is authorized to sign the return on behalf of all of the members of the combined group.

**Tax preparers** who fail to sign the return or provide their assigned tax identification number shall be liable for a \$25 penalty for each such failure. If the tax preparer is not self-employed, the name of the tax preparer's employer and the employer's tax identification number should also be provided. In the case of a corporation in liquidation or in the hands of a receiver or trustee, certification shall be made by the person responsible for the conduct of the affairs of such corporation.

**Members and Affiliates Schedule**

Enter the requested information for each member of the combined group. This schedule is used, in part, to add and remove members from the group. Any members included on this schedule that were not included on the last CBT-100U that was filed will be added to the group. Likewise, any member that was included on the last CBT-100U but is not included on this schedule will be removed from the group. All members that were part of the group for any part of the tax period must be included on this schedule.

**Annual General Questionnaire**

Answer all questions on this schedule for each member. If necessary, include a rider detailing the requested information.

**Schedule A**

The managerial member must complete this schedule for each member.

**Intercompany Eliminations**

Enter member's amounts in the member's column. In column (c), enter the total amounts of all members prior to intercompany eliminations and adjustments. In column (b), enter the intercompany eliminations and adjustments. In column (a) enter the total amounts for the combined group after intercompany eliminations and adjustments.

**Income of the Combined Group**

The relevant portions of [N.J.S.A. 54:10A-4.6](#) require the income of the members derived from the unitary business of the combined group to include what was reported for federal purposes (federal taxable income before federal net operating losses and federal special deductions) modified for New Jersey modifications (additions and subtractions) required by the

Corporation Business Tax Act. See N.J.S.A. 54:10A-4(k). For a member of the combined group that is a non-U.S. corporation, N.J.S.A. 54:10A-4.6.b requires all of the income be included even if the entity did not file a federal return. In instances where the other members of the combined group filed a federal form 5471 with the IRS reporting the non-U.S. members income, the form 5471 may be used if the non-U.S. member did not file Form 1120-F. However, the copy of the Form 5471 that was filed with the federal government must be included with the combined return. The member's income and tax attribute data from Form 5471 must be entered in Part I of Schedule A in that member's column as though the taxpayer filed a federal return, and in Part II, line 2, enter the amount of income that would not be in federal taxable income. If a non-U.S. corporation did not file federal Form 1120-F or was not reported on federal Form 5471, it must complete an 1120-F reporting its income and tax attributes as though the entity filed a federal return. For New Jersey purposes, on Schedule A, in Part I and Part II, the non-U.S. corporation will make the additions and deductions. **All data must match the federal return that was filed or that would have been filed.**

**Note:** Members that only use I.F.R.S. as their method of accounting can use I.F.R.S. when reporting their income; however, the member must include a rider noting the potential differences, if any, from the rest of the group.

### Federal Consolidated Return Principles

Combined returns are not necessarily the same as a consolidated return, although they are similar. The principles set forth in the Treasury regulations promulgated under Section 1502 of the Internal Revenue Code **generally** apply to the extent consistent with the New Jersey Corporation Business Tax Act and the unitary business principle to a combined group filing a New Jersey combined return. See N.J.S.A. 54:10A-4.6(h). **However**, for purposes of the New Jersey Corporation Business Tax Act, the starting point for taxable income is entire net income before net operating losses and special deductions with several modifications for additions and deductions. See N.J.S.A. 54:10A-4.6.e; N.J.S.A. 54:10A-4(k); N.J.S.A. 54:10A-4(bb); and *MCI Communication Services, Inc. v. Director Division of Taxation*, Docket No. 013905-2010, (Tax Court of New Jersey 2015); affirmed 2018 N.J. Super. Unpub. LEXIS 1401; cert. denied 195 A.3d 528 (October 18, 2018).

For the purposes of applying I.R.C. § 163(j) and N.J.S.A. 54:10A-4(k)(2)(K), the members included in a New Jersey combined return will be treated in the same manner as though they filed a single federal consolidated return. This is true regardless of whether the members of the New Jersey combined return are on one federal consolidated return. See TB-87, Initial Guidance for Corporation Business Tax Filers and the IRC § 163(j) Limitation, for more information.

**Note:** For the purposes of I.R.C. § 163(j), New Jersey follows the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

To the extent consistent with the Corporation Business Tax Act (1945), the federal rules and regulations governing consolidated return net operating losses and net operating loss carryovers apply to the New Jersey net operating loss carryover provisions under N.J.S.A. 54:10A-4.6(h) as though the combined group filed a federal consolidated return, regardless of how the members of the combined group filed for federal purposes. See N.J.S.A. 54:10A-4.6(m) and N.J.S.A. 54:10A-4.5.

### Intercompany Dividend Elimination

N.J.S.A. 54:10A-4.6 allows a 100% intercompany dividend elimination for dividends and deemed dividends between members of the combined group included on the same New Jersey combined return. This elimination is a pre-allocation elimination that occurs in column (b) of Schedule A, Part I or on Schedule A, Part II (above line 21). Dividends and deemed dividends from subsidiaries that are not included as members of the combined group are not eligible for this elimination, but may be eligible for the dividend exclusion in Schedule R if those dividends and deemed dividends received from the excluded subsidiaries are part of the unitary business of the combined group.

### Part I – Computation of Entire Net Income Lines 4b and 4c – FDII and GILTI

The **gross** I.R.C. § 951A and the **gross** I.R.C. § 250(b) amounts included in income for federal purposes must be included for New Jersey purposes. Enter the **gross** I.R.C. § 951A (GILTI) and/or the **gross** I.R.C. § 250(b) (FDII) amounts. **Do not enter negative amounts on line 4b or 4c of Schedule A, Part I.** Include a copy of federal Forms 8993 and 8992 that were completed and submitted with federal Form 1120. **Do not enter the net numbers.** The I.R.C. § 250(a) deductions are taken in Schedule A Part II since the I.R.C. § 250(a) deductions permitted by N.J.S.A. 54:10A-4.15 are special deductions taken below line 28 for federal purposes (and are to be taken below in Part II, and **not** in Part I).

A combined group may include the controlled foreign corporations (CFC) that generated Global Intangible Low Tax Income (GILTI) included in other members' entire net income. Members of a combined group that are incorporated under the laws of a foreign nation must include all world-wide income regardless of whether it is included as income for federal purposes. If the CFCs are included as members in the combined return, the GILTI income that is attributable to those CFCs should be eliminated on Schedule A in column (b) rather than on an additional special schedule.

**Note:** Only GILTI amounts that are directly attributable to the CFC combined group members that are included in the same New Jersey combined return can be excluded. GILTI that is not attributable to any of the members of the same New Jersey combined return cannot be eliminated in column (b) of Schedule A.

<b>FYI</b>	To avoid double reporting the income on Schedule A, Part I, members must reduce the amounts reported on any other lines by the amount of the FDII and GILTI included on lines 4b and 4c. <b>Amounts on lines 4b and 4c cannot be negative.</b>
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### Line 8 and Line 9

Include a rider or schedules showing the same information shown on federal Form 1120, Schedule D and/or Form 4797. Gains and losses resulting from the disposition of property where an I.R.C. § 179 expense deduction was passed through to S corporation shareholders are not reported on federal Form 4797, and should be reported on Schedule A, Part I, line 10. If a sale of shares of stock or partnership interest resulted in a taxable transfer of a controlling interest in certain commercial real property under N.J.S.A. 54:15C-1, indicate so on a rider.

**Line 28 – Taxable income before federal net operating loss deductions and federal special deductions**

The amount on line 28 must agree with line 28, page 1, of the federal Form 1120 or the appropriate line of any other federal corporate return that was filed or would have been filed by the member.

**FYI**

The managerial member must include a copy of the federal returns and any forms or schedules that accompanied the returns that were filed with the Internal Revenue Service. Failure to include the forms and schedules will result in an incomplete New Jersey Corporation Business Tax return and the taxpayer may be assessed penalties and interest for noncompliance.

**Part II – Modifications to Entire Net Income Additions**

**Line 1a – Taxable income/(loss)**

Enter the amount from Schedule A, Part I, line 28.

**Line 1b – Separate activity income**

Enter the amount of entire net income that is not derived from the unitary business of the combined group. Also enter this amount on Schedule X, Part I, line 1. See “Portion of a Company’s Operations That are Nonunitary With This Combined Group” for more information.

**Line 1c – Taxable income/(loss) of combined group**

Subtract line 1b from line 1a and enter the result. The amount in column (a) represents the entire net income attributable to the unitary business of the combined group before New Jersey additions and subtractions.

**Note:** The amount reported in column (a) on line 1c must match the amount reported on Schedule CG, line 9.

**Line 2 – Income of non-U.S. group members**

Enter the income attributable to the unitary business of the combined group of the members that were organized in a foreign nation, if such income was not included on line 1c.

**Line 3 – Other federally exempt income**

All income that was exempt for federal income tax purposes under any provision of the Internal Revenue Code or any federal law must be added back. If such amounts were not added back on any other line of Schedule A, include such amounts on line 3 and include a rider detailing such amounts and such provisions of the Internal Revenue Code. See N.J.S.A. 54:10A-4(k)(2)(A).

**Note:** Items of income excluded from federal taxable net income pursuant to U.S. tax treaties with the following countries are not required to be added back: India, Canada, Japan, Germany, Mexico, and the United Kingdom. This list of countries is not all-inclusive. For information on a specific treaty country, contact the Division of Taxation.

**Line 4 – Interest on federal, state, municipal, and other obligations**

Include any interest income that was not taxable for federal income tax purposes and was not included in taxable net income reported on line 1c.

**Line 5 – New Jersey State and other states taxes**

Enter the total taxes paid or accrued to the United States, a possession or territory of the United States, a state, a political

subdivision thereof, or the District of Columbia, or to any foreign country, state, province, territory or subdivisions thereof, on or measured by profits or income, business presence or business activity, including any foreign withholding tax taken as a deduction in Part I of Schedule A and reflected in line 28. For additional information, see TB-80, Addback of Other States’ Taxes, and the Schedule H instructions.

**Line 6 – Related party interest addback**

Enter the total amount of interest deducted on Schedule A that was paid to related members that were not included as members of this combined return and reported on Schedule G, Part I. See Schedule G instructions for more information.

**Line 7 – Related party intangible expenses and costs addback**

Enter the total amount of intangible expenses and costs deducted on Schedule A that was paid to related members not included as members of this combined return and reported on Schedule G, Part II. See Schedule G instructions for more information.

**Line 9 – Depreciation modification being added to income**

Enter the depreciation and other adjustments being added to income if Schedule S, line 23, is a positive number. See Schedule S instructions for more information.

**Line 10 – Other additions**

Report any other additions to income for which a place has not been provided somewhere else on the return. This includes, but is not limited to:

- Gross income, less deductions and expenses in connection with such income, from sources outside the United States, not included in federal taxable income;
- I.R.C. § 199A amounts that were deducted for federal purposes;
- Any deductions for research and experimental expenditures, to the extent that those research and experimental expenditures are qualified research expenses or basic research payments for which an amount of credit is claimed pursuant to section 1 of P.L.1993, c.175 (C.54:10A-5.24) unless those research and experimental expenditures are also used to compute a federal credit claimed pursuant to I.R.C. § 41.

**Note:** Items of income excluded from federal taxable net income pursuant to U.S. tax treaties with the following countries are not required to be added back: India, Canada, Japan, Germany, Mexico, and the United Kingdom. This list of countries is not all-inclusive. For information on a specific treaty country, contact the Division of Taxation.

Include separate riders explaining any items reported.

**Line 11 – Taxable income/(loss) with additions**

Add line 1c through line 10 and enter the total.

**Deductions**

**Line 12 – Depreciation modification being subtracted from income**

Enter the depreciation and other adjustments being subtracted from income if Schedule S, line 23 is a negative number. Enter this amount on line 12 as a positive number. See Schedule S instructions for more information.

**Line 13 – Previously Taxed Dividends**

If line 1 includes any dividends that were previously taxed for New Jersey purposes, complete Schedule PT and Schedule R to determine the amount that can be deducted. Include only dividends that were taxed in a prior privilege period by New Jersey. Do not include any federal previously taxed income that was not taxed by New Jersey. Schedule PT is available on the Division's [website](#).

**Lines 14(a)–14(b) – I.R.C. § 250(a) Deduction**

If lines 4b and 4c of Schedule A, Part I include GILTI and/or FDII amounts, enter the amount of the deduction allowable and taken for federal purposes under I.R.C. § 250(a) on the appropriate line. The amounts claimed must match the amounts reported on federal Form 8993 (federal Form 8993 must be submitted).

**Note:** If the GILTI income (or portion thereof) or FDII income (or portion thereof) amounts were excluded from the tax base or exempt from taxation by this State, no deduction or portion of the deduction can be taken for the amount of income that was excluded or exempt from taxation. See [N.J.S.A. 54:10A-4.15](#).

**Line 14c – Net GILTI previously taxed by New Jersey**

Enter the amount of net GILTI previously taxed by New Jersey not deducted or excluded elsewhere on the return. Attach a rider detailing the amount of GILTI that was previously taxed and the years in which the tax was paid.

**Line 15 – I.R.C. § 78 Gross-Up**

The portion of any I.R.C. § 78 gross-up included in dividend income on line 4 of Schedule A, Part I, that is not excluded/deducted from taxable net income elsewhere may be treated as a deduction. This line cannot include the amount deducted under the I.R.C. § 250(a) deduction. Include a copy of federal foreign tax credit, Form 1118.

**Note:** I.R.C. § 78 gross-up amounts cannot be included in the dividend exclusion calculation on Schedule R or Form 332, which is the form used to calculate the Tiered Subsidiary Dividend Pyramid Tax Credit. In addition, if any portion of the Section 78 amount is included in the member's Section 250 deduction, the amount being deducted on line 15 must be reduced accordingly.

**Line 17a – Nonoperational Activity**

Enter the net effect of the elimination of nonoperational activity from Schedule O, Part I, line 36. Schedule O is available on the Division's [website](#).

**Note:** Members cannot net nonoperational losses against operational income.

**Line 17b – Nonunitary Partnership Income**

Enter the net effect of the elimination of nonunitary partnership income and expenses from Schedule P-1, Part II, line 4.

**Note:** Members cannot net nonunitary partnership losses against operational income.

**Line 18 – Other deductions**

Report any other deduction adjustments for which a place has not been provided somewhere else on the return. Include a rider detailing the information.

**Line 19 – Total Deductions**

Add lines 12 through 18 and enter the total.

**Line 20 – Entire Net Income/(Loss) Subtotal**

Subtract line 19 from line 11 and enter the result.

**FYI**

If column (a) of line 20 is positive, all of the members will have entire net income derived from the unitary business of the combined group. Conversely, if column (a) of line 20 is negative, all of the members will have a combined group net operating loss derived from the unitary business of the combined group. The members will determine their share of the combined group net operating loss by using the member's current year allocation factor calculated from Schedule J. This amount becomes the member's post allocation net operating loss for the current period available for carryover into future privilege periods.

**Line 21 – Group Allocation Factor from Schedule J**

Enter the group allocation factor from Schedule J.

**Line 22 – Allocated entire net income/(loss) before net operating loss deductions and dividend exclusion**

Multiply the group entire net income on line 20, column (a) by the group allocation factor on line 21 and enter the result.

**If the amount is zero or less,** this is the current year combined group net operating loss that can be carried forward as a post allocation net operating loss (NOL) deduction to a succeeding tax period pursuant to [N.J.S.A. 54:10A-4\(v\)](#) and [N.J.S.A. 54:10A-4.6.h](#). Skip lines 23 through 26 and enter zero on line 28.

**Line 23 – Net operating loss (NOL) deduction**

Enter the amount from Form 500U, Section C, line 3. Do not enter more than the amount on line 22. See Form 500U instructions.

**Line 24 – Allocated entire net income before allocated dividend exclusion**

Subtract line 23 from line 22 and enter the result. If the amount is zero or less, enter zero here and on line 28.

**Line 25 – Allocated dividend exclusion**

Enter the amount from Schedule R, line 12. Do not enter more than the amount on line 24. See Schedule R instructions for more information.

Pursuant to [N.J.S.A. 54:10A-4\(k\)\(5\)](#), [N.J.S.A. 54:10A-4\(u\)](#), [N.J.S.A. 54:10A-4\(v\)](#), and [N.J.S.A. 54:10A-4\(w\)](#), the dividend exclusion is now an allocated exclusion.

**Line 26 – Allocated entire net income subtotal**

Subtract lines 25 from line 24 and enter the result.

**Line 27a – I.B.F. exclusion**

If a combined group includes a taxable member that is a banking corporation with an international banking facility as defined by [N.J.S.A. 54:10A-4\(n\)](#), the combined group is eligible to deduct such income amounts that were not eliminated (so that the entire combined group is treated as one banking corporation). The income must have otherwise been eligible for the I.B.F. deduction under [N.J.S.A. 54:10A-4\(k\)\(4\)](#) and is an allocated amount. See [N.J.S.A. 54:10A-4.6\(o\)](#).

**Note:** Income that was eliminated above line 27a is not eligible for the I.B.F. exclusion.

**Line 27b – Allocated I.B.F. exclusion**

Multiply the amount on line 27a, column (a) by the group allocation factor from line 21 and enter the result.

**Line 28 – Combined group taxable net income/(loss)**

Subtract line 27b from line 26 and enter the result.

**Part III – Calculation of Tax Credits, Minimum Tax and Surtax, and Group Tax**

**NEW FOR 2020** For privilege periods ending on and after July 31, 2020, a combined group will be treated as one taxpayer for purposes of paragraph (1) of subsection (c) of section 5 of P.L. 1945, c.162 (C.54:10A-5) and section 1 of P.L. 2018, c.48 (C.54:10A-5.41) for the income derived from the unitary business. However, the portion of income that is attributable to a member that is a public utility exempt from the surtax shall not be included when computing the surtax due.

**Line 1 – Combined group taxable net income/(loss)**

Enter the amount from Schedule A, Part II, line 28.

**Line 2 – Member’s taxable net income from separate activities**

If the member completed Schedule X, include the taxable net income from Part I of Schedule X on this line. If the amount is zero or less, enter zero. See Schedule X instructions for more information.

**Line 3a – New Jersey nonoperational income**

Enter the amount from Schedule O, Part III. See Schedule O for more information. The schedule is available on the Division’s [website](#).

**Note:** Nonoperational losses cannot be netted against operational income.

**Line 3b – Nonunitary partnership income**

Enter the amount from Schedule P-1, Part II, line 5. See Schedule P-1 instructions for more information.

**Note:** Nonunitary partnership losses cannot be netted against operational income.

**Line 4 – Tax base**

Add lines 1 through 3b in column (a) and enter the total.

**Line 5 – Amount of tax**

For the combined group, multiply the amount on line 4 by the applicable tax rate. The tax rate is imposed at the group level.

- If line 4 is greater than \$100,000, the tax rate is 9% (.09).
- If line 4 is greater than \$50,000 and less than or equal to \$100,000, the tax rate is 7.5% (.075). Tax periods of less than 12 months qualify for the 7.5% rate if the prorated entire net income does not exceed \$8,333 per month.
- If line 4 is \$50,000 or less, the tax rate is 6.5% (.065). Tax periods of less than 12 months qualify for the 6.5% rate if the prorated entire net income does not exceed \$4,166 per month.

Also enter this amount on page 1, line 1.

**Line 6 – Tax credits**

Enter the amount from Schedule A-3, Part I, line 28. Also enter this amount on page 1, line 2. Include the applicable credit

form(s) with the return. See Schedule A-3 instructions for more information.

**Line 7 – CBT tax liability**

Subtract line 6 from line 5 and enter the result. Also enter this amount on page 1, line 3.

**Line 8 – Total surtax of combined group**

Enter the amount from Schedule A-5, Part II, line 5. Also enter this amount on page 1, line 4.

**Line 9a – Aggregate minimum tax of combined group**

Multiply the number of taxable group members by \$2,000 and enter the result.

**Line 9b – Tax due**

Add the surtax calculated on line 8 to the greater of line 7 or line 9a. Also enter this amount on page 1, line 5.

**Note:** If a tax credit can be applied to 100% of the tax liability, add the surtax (if applicable) to any remaining liability not exhausted on the credit form and enter the amount on line 9b.

**Schedule A-2****Cost of Goods Sold**

Enter member’s amounts in the member’s column. In column (c), enter the total amounts of all members prior to intercompany eliminations and adjustments. In column (b), enter the intercompany eliminations and adjustments. In column (a), enter the total amounts for the combined group after intercompany eliminations and adjustments.

The amounts reported on this schedule must be the same as the amounts reported on Form 1125-A.

**Schedule A-3****Summary of Tax Credits**

This schedule must be completed if any tax credits are being claimed for the current tax period. There are various tax credits with a variety of limitations. Each tax credit has its own limitations and carryovers.

In general, tax credits are earned by the member of the combined group and are shareable among combined group members. However, members are not *required* to share their credits. See [N.J.S.A. 54:10A-4.6.i](#) and [TB-90, Tax Credits and Combined Returns](#). See the instructions of the applicable credit form(s) for more information.

Any tax credit(s) claimed on this schedule must be documented with a valid New Jersey Corporation Business Tax Credit form and must be included with the tax return. See “Additional Forms and Instructions” for a list of available credit forms and for instructions on obtaining them. If a member is claiming a valid tax credit that is allowable in accordance with the New Jersey Corporation Business Tax Act for which a place has not been provided somewhere else on the schedule, report the amount on line 27 of Schedule A-3, Part I.

**Part I – Tax Credits Used Against Liability**

On line 28, enter the total credits from all members in the combined group column. This amount must equal the amount reported on Schedule A, Part III, line 6. Amounts to be entered

for each member are calculated on the credit forms. See the specific New Jersey Corporation Business Tax Credit form for information about each credit.

**Note:** Most tax credits cannot reduce the tax liability below the minimum tax. However, there are rare instances where it can. Follow the instructions on the credit form regarding how and where to record the information to ensure the credit is properly offsetting the tax liability.

## Part II – Refundable Tax Credits

If a credit form for a member calculates an amount to be refunded, enter the refundable portion on the appropriate line for that member. On line 5, enter the total for all members in the combined group column. This amount must equal the amount reported on page 1, line 11b. On line 6, enter the total for all members in the combined group column. This amount must equal the amount reported on page 1, line 11c.

## Schedule A-4

### Summary Schedule

This schedule must be completed for each member. Report the information on each line of Schedule A-4 from the return schedules indicated.

## Schedule A-5

### Computation of Group and Member Surtax

**NEW FOR 2020** For privilege periods beginning on or after January 1, 2020, a combined group or an affiliated group is a taxpayer for purposes of the surtax; therefore, the surtax is calculated at the group level. If Schedule A, Part III, line 1, column (a) is more than \$1,000,000, the group is subject to the surtax.

### Part I – Combined Group Surtax

The combined group surtax portion of this schedule is used to calculate the surtax imposed on the combined group. Part I is also used to apply the shareable portion of the Pass-Through Business Alternative Income Tax credit, which is calculated on Form 329. The credit is only shareable if the pass-through entity is unitary with both the member and the combined group. See [N.J.S.A. 54:10A-5.43\(c\)](#)

#### Line 1 – Combined group taxable net income/(loss)

Enter the amount from Schedule A, Part II, line 28. Public utilities are not subject to the surtax. If an includable public utility (i.e., a public utility that is not excluded under [N.J.S.A. 54:10A-4.6\(k\)](#)) is a member of the combined group, the portion of the taxable net income attributable to that public utility must be excluded. Subtract the public utility's portion of Schedule A, Part II, line 28 before entering an amount on Schedule A-5, Part I, line 1.

#### Line 2 – Surtax on combined group taxable net income

Multiply line 1 by the surtax rate. The rate is 2.5% for tax years beginning on or after January 1, 2018, through December 31, 2023. See [Surtax](#) for more information.

#### Line 3 – Pass-Through Business Alternative Income Tax Credit

Enter the amount from Form 329, line 23b. Do not enter more than the amount of surtax on line 2. Include the applicable credit form(s) with the return. See Schedule A-3 instructions for more information.

## Part II – Member's Surtax

The member's surtax portion of this schedule is used to calculate the remaining portion of the group's surtax after the shareable portion of the Pass-Through Business Alternative Income Tax credit is applied. The remaining portion of the combined group surtax is apportioned to each member and then added to any amount of surtax that a member may have from activities independent of the group. The nonshareable portion of the Pass-Through Business Alternative Income Tax credit then is applied against this amount. The Pass-Through Business Alternative Income Tax credit is nonshareable if the pass through entity is unitary with the member but not the combined group. See [N.J.S.A. 54:10A-5.43\(d\)](#)

### Line 1a–1c – Calculating member's share of combined group surtax

Divide the balance of combined group surtax by the group allocation factor, then multiply the result by the member's allocation factor to arrive at the member's share of the combined group surtax.

### Line 2a–2b – Calculating surtax on member's independent taxable net income

Multiply the member's taxable net income from separate activities from Schedule X by the surtax rate. The rate is 2.5% for tax years beginning on or after January 1, 2018, through December 31, 2023. See [Surtax](#) for more information.

### Line 4 – Pass-Through Business Alternative Income Tax Credit

Enter the amount from Form 329, line 32d. Do not enter more than the amount of surtax on line 3. Include the applicable credit form(s) with the return. See Schedule A-3 instructions for more information.

### Line 5 – Total surtax

Subtract the amount on line 4 in the combined group column from the amount on line 3 in the combined group column and enter the result. This is the total surtax for the combined group. Enter this amount on Schedule A, Part III, line 8.

## Schedule B

### Balance Sheet

Schedule B is optional unless the combined group composition is different than that of the federal consolidated return group. The amounts reported must be the same as the beginning-of-year and end-of-year figures shown on the member's books. Where applicable, data must match amounts reported on Schedule L of the federal return. If not, explain and reconcile on a rider. If the member is included in a consolidated federal income tax return, this schedule must be completed by the member on its own separate basis. The total of the members is entered in column (c). Eliminations and adjustments are made in column (b) and the consolidated amount after eliminations and adjustments is reported in column (a).

## Schedule C and Schedule C-1

### Reconciliation of Income per Books

### with Income per Return AND Analysis of

### Unappropriated Retained Earnings per Books

Schedules C and C-1 are optional if Schedules M-1, M-2, or M-3 from the federal return are included with Form CBT-100U. The copies must be legible and each page must include the member's name and tax identification number.

If member files federal Schedule M-3, New Jersey Schedule C must still be filed, and a copy of federal Schedule M-3 must be included with the member's New Jersey combined return.

## Schedule CG

### Reconciliation With Consolidated Group

Schedule CG is used to reconcile taxable income of the federal consolidated group to the taxable income of the members reported on the New Jersey CBT-100U. Any differences between members of the consolidated group and members on the New Jersey combined return must be reconciled on this schedule. Furthermore, differences between federal taxable income and taxable income/(loss) of combined group as reported on Schedule A, Part II, line 1(c) must be reconciled here.

**Note:** If filing under the affiliated group election, the New Jersey combined group must match the members reported in Section A.

### Section A – Federal Consolidated Group

List the entities included in the federal consolidated return(s). List the corporation name, federal employer identification number (FEIN), and the amount on line 28 of the federal Form 1120 or the appropriate line of any other federal corporate return that was filed. The entities listed must match the entities reported on the federal Form 851.

### Section B – Members Included in the New Jersey Combined Group Not Reported in Section A

List any members included in the New Jersey combined group (CBT-100U) not included in Section A. Any member of the New Jersey CBT-100U that is not reported in Section A (federal consolidated group) must be reported in this section.

### Section C – Members Reported in Section A Not Included in the New Jersey Combined Group

List any entity from Section A that is not part of the New Jersey combined group. Any member of the federal consolidated group that is reported in Section A and is not a member of the CBT-100U must be reported in Section C. **Members in this section will not be part of the New Jersey combined return.**

### Section D – Adjustments to Federal Taxable Income

Any adjustment to federal taxable income must be reported in this section. Include a rider detailing each adjustment and the reason for the adjustment.

## Schedule E

### Summary of Estimated Payments and Credits

Complete this schedule to reconcile any overpayments from previously filed returns or estimated payments that were made. The amount and the date on which the estimated payment was submitted must be an exact match in order for the Division to transfer the funds from the member's account to the managerial member's account.

All future estimated payments must be made by the managerial member, not the individual members.

## Schedule F

### Corporate Officers – General Information and Compensation

Provide all applicable information for each corporate officer regardless of whether compensation was received. The data reported on Schedule F must match amounts reported on federal Form 1125-E.

## Schedule G

### Interest

If the member is claiming an exception to the disallowance of the expense reported in Part I or Part II of Schedule G, the member must complete and include Schedule G-2. The schedule is available on the Division's [website](#).

Intercompany transactions between members of the combined group are eliminated/adjusted on Schedule A, Part I or Part II and are exempt from the related party addbacks pursuant to [N.J.S.A. 54:10A-4\(k\)\(2\)\(i\)](#) and [N.J.S.A. 54:10A-4.4](#). Report those amounts on the respective line of column (b) on Schedule A. Do not report these amounts on Schedule G.

**Note:** Treaty exceptions have been limited pursuant to P.L. 2018, c. 48. There are additional requirements to meet the treaty exceptions that are reported for the purposes of Part I and Part II of Schedule G. See the instructions for Schedule G-2 for more information.

For definitions, see [N.J.S.A. 54:10A-4\(k\)\(2\)\(i\)](#) and [N.J.S.A. 54:10A-4.4](#).

### Part I – Interest

Interest paid, accrued, or incurred to related members that was deducted in calculating taxable net income on Schedule A, Part I, line 28, must be reported on Schedule G, Part I. Enter the total of such interest expense on Schedule A, Part II, line 6.

Do not include interest expenses and costs that were deducted directly or indirectly for, related to, or in connection with the direct or indirect acquisition, maintenance, management, ownership, sale, exchange, or disposition of intangible property in Part I of Schedule G.

### Part II – Interest expenses and costs and intangible expenses and costs

Interest expenses and costs and intangible expenses and costs directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with one or more related members that were deducted in calculating taxable net income on Schedule A, Part I, line 28, must be reported on Schedule G, Part II. Enter the total of such intangible expenses and costs on Schedule A, Part II, line 7.

## Schedule H

### Taxes

Itemize all taxes that were in any way deducted in arriving at taxable net income, whether reflected in Schedule A, Part I at line 2 (Cost of goods sold and/or operations), line 17 (Taxes), line 26 (Other deductions) or anywhere else on Schedule A.

If the member is an includable public utility corporation (i.e., a public utility that is not excluded from the combined group per

N.J.S.A. 54:10A-4.6(k)(2)), enter the sales tax paid by the utility vendor.

## Schedule J Computation of Group and Members' Allocation Factors

Enter each member's amount in the member's column. All members must complete this schedule to calculate the allocation factor.

Only activities related to operational activity are to be used in computing the general allocation factors. If the member has nonoperational activity, see Schedule O. If the member has nonunitary partnership income, see Schedule P-1.

**FYI**

In computing the allocation factor for the members and the combined group as a whole, intercompany receipts are eliminated.

### Lines 1–5 – Receipts Fraction

Receipts from sales of tangible personal property are allocated to New Jersey if the goods are shipped to points within New Jersey. Receipts from the sale of goods are allocable to New Jersey if shipped to a New Jersey or a non-New Jersey customer where possession is transferred in New Jersey. Receipts from the sale of goods shipped to a taxpayer from outside New Jersey to a New Jersey customer by a common carrier are allocable to New Jersey. Receipts from the sale of goods shipped from outside New Jersey to a New Jersey location where the goods are picked up by a common carrier and transported to a customer outside New Jersey are not allocable to New Jersey. Receipts from the following are allocable to New Jersey: services performed if the benefit of the service is received in New Jersey; rentals from property situated in New Jersey; royalties from the use in New Jersey of patents, copyrights, and trademarks; all other business receipts earned in New Jersey.

**FYI**

Services are sourced based on market sourcing, not cost of performance. See N.J.A.C. 18:7-8.10A.

**Receipts From Sales of Capital Assets.** Receipts from sales of capital assets (property not held by the member for sale to customers in the regular course of business), either within or outside New Jersey, should be included in the numerator and the denominator based on the net gain recognized and not on gross selling prices. If the member's business is the buying and selling of real estate or the buying and selling of securities for trading purposes, gross receipts from the sale of such assets should be included in the numerator and the denominator of the receipts fraction.

**Note:** The amount of dividends (deemed and/or paid dividends) excluded from entire net income pursuant to N.J.S.A. 54:10A-4(k)(5), are not included in the numerator or denominator of the receipts fraction. However, the dividend (deemed and/or paid dividends) values that are not excluded **are** included in the numerator or denominator.

**FYI**

Schedule J must be completed **after** calculating the Dividend Exclusion line on the respective parts of Schedule R but **before** calculating the line for the Allocated Dividend Exclusion. The amount from the Dividend Exclusion line from Schedule R is the amount to use when calculating the dividends and deemed dividends excluded from the numerator and/or denominator for the purposes of completing Schedule J.

### Line 9 – Allocation Factor

Divide **line 6c** by the group denominator from **line 8** and enter the result. When computing the allocation factor on Schedule J, division must be carried to six (6) decimal places, e.g., 0.123456.

**Note:** Eliminations and adjustments are made before calculating the Allocation Factor, and the Allocation Factor must be calculated using post-elimination and adjustment numbers.

### Sourcing GILTI and FDII for Combined Groups Water's-Edge Group Basis or Affiliated Group Basis Returns – No CFCs included.

Members must include the net GILTI (i.e., the GILTI reduced by the I.R.C. § 250(a) GILTI deduction) and net FDII income (i.e., the receipts attributable to the FDII reduced by the I.R.C. § 250(a) FDII deduction) amounts in the numerator (if applicable) and the group denominator of the allocation factor on Schedule J pursuant to N.J.S.A. 54:10A-4.7. The GILTI income and FDII income and the corresponding I.R.C. § 250(a) deductions must be reported on Schedule A. Do not include the underlying receipts of the controlled foreign corporation generating the GILTI in the numerator or group denominator since the controlled foreign corporations were not included as members of the combined return.

### Water's-Edge Group Basis or World-Wide Group Basis Returns – With CFCs included as members.

Members must include the CFC's receipts (net of the I.R.C. § 250(a) deduction for GILTI) in the numerator (if applicable) and the group denominator pursuant to N.J.S.A. 54:10A-4.7. The GILTI income is excluded from the combined group's entire net income, as described in TB-88, Combined Groups: Exclusion of Double Inclusion of GILTI and Treatment of Related Party Addbacks, and the GILTI must be excluded in the allocation factor. This is to prevent the double taxation and double counting of the income and receipts derived from the same source since the CFC's income is already included in the combined group's entire net income. The combined group must include the net FDII income (i.e., the receipts attributable to the FDII reduced by the I.R.C. § 250(a) FDII deduction) amount in the numerator (if applicable) and the group denominator of the allocation factor on Schedule J, pursuant to N.J.S.A. 54:10A-4.7. The GILTI income, CFC income, and FDII income and the corresponding I.R.C. § 250(a) deductions must be reported on Schedule A as part of the combined group's entire net income.

See TB-92(R), Sourcing IRC § 951A (GILTI) and IRC § 250 (FDII), for more information.

### Airlines

Airlines have special sourcing rules pursuant to N.J.S.A. 54:10A-6.3, which states: "Notwithstanding the provisions of section 6 of P.L. 1945, c. 162 (C.54:10A-6), the sales fraction for the transportation revenues of a taxpayer that is an airline shall be determined as the ratio of revenue miles in this State divided by total revenue miles; provided however, that if a

taxpayer that is an airline is engaged in the transportation of passengers, the transportation of freight, or the rental of aircraft, the ratio under this section shall be determined by means of an average of a passenger revenue mile fraction, freight revenue mile fraction, and rental revenue mile fraction weighted to reflect the taxpayer's relative gross receipts from passenger transportation, freight transportation, and rentals." See also N.J.S.A. 54:10A-6.3; N.J.A.C. 18:7-8.1; N.J.A.C. 18:7-8.10; and N.J.A.C. 18:7-8.10A.

### Transportation Companies

Transportation companies have special sourcing rules for combined groups pursuant to N.J.S.A. 54:10A-4.7.b, which states: "All business income of a combined group engaged in the transportation of freight by air or ground shall be apportioned to this State by multiplying the income by a fraction, the numerator of which is the ton miles traveled by the combined group's mobile assets in this State by type of mobile asset and the denominator of which is the total ton miles traveled by the combined group's mobile assets everywhere. This section applies if 50% or more of the combined group's entire net income is derived from the transportation of freight by air or ground." If the combined group meets the qualifications of N.J.S.A. 54:10A-4.7.b, attach a rider and enter the applicable amounts on line 9 of Schedule J.

### Allocation Methods for Combined Returns

The two methods available to allocate the income of a combined group are "Joyce" and "Finnigan." These allocation methods derive their names from California Franchise Tax Board cases. These methods are differentiated by their determination of the allocation factor. Under either method, the allocation factor attributes included in the denominator are the same. The denominator includes all of the combined group's total factors, regardless of nexus.

**The Joyce method** includes all of the New Jersey allocation factor attributes in the numerator that were derived from members that have nexus with New Jersey. **The Finnigan method** includes all New Jersey allocation factor attributes in the numerator that were derived from all of the members of the combined group, regardless of whether a member has nexus with New Jersey.

The allocation method is tied to the combined return filing method that the managerial member uses to file the combined return. The Water's-Edge Group Basis and World-Wide Group Basis returns follow Joyce method pursuant to N.J.S.A. 54:10A-4.7.

**Note:** A member of a combined group can have nexus with New Jersey by deriving receipts from New Jersey or from any other factors pursuant to N.J.A.C. 18:7-1.6 through N.J.A.C. 18:7-1.11. The member can have nexus as part of the unitary business of the combined group or it may have nexus independently. If one member in the combined group has nexus and sufficient activities in New Jersey to be taxed based on income, no member that has nexus with New Jersey may claim P.L. 86-272 protection.

Affiliated Group Basis returns follow Finnigan method as statutorily prescribed by N.J.S.A. 54:10A-4.11.c.

**Note:** Pursuant to N.J.S.A. 54:10A-4.6, when an item of income is restored to a member, such restoration must be reflected in both the member's numerator (if applicable) and the group denominator.

## Schedule L

### Allocation of New Jersey Corporation Business Tax for Banking and Financial Corporation Members Among New Jersey Municipalities

**Office Location in New Jersey** – List all offices maintained by the member in this State by indicating the exact taxing district (municipality) and county.

**Note:** The mailing address of an office is not necessarily the taxing district.

**Deposit Balances or Receipts** – Banking corporations must use the deposit balances. Financial corporations use the receipts allocable to such location.

**Percentages** – The percentage indicated is based on the individual deposit balances for banking corporations or receipts for financial corporations divided by total deposit balances in New Jersey, or total receipts in New Jersey, respectively.

Member's totals are the sum of the individual taxing district amounts and percentages. Total percentage reported must equal 100%. Also, each individual computation should be carried to six decimal places.

## Schedule P-1

### Partnership Investment Analysis

#### Part I – Partnership Information

Itemize the investment in each partnership, limited liability company, and any other entity that is treated for federal tax purposes as a partnership. List the name, the federal identification number, and the date and state where organized for each partnership. Also, check the type of ownership (general or limited), the tax accounting method used to reflect your share of partnership activity on this return (flow through method or separate accounting), and whether or not the partnership has nexus in New Jersey. Itemize in column 7 the amount of tax payments made on behalf of the member by partnership entities. Carry the total amount of taxes paid on behalf of members to page 1, line 10. Include a copy of Schedule NJK-1 from Form NJ-1065. Any single-member limited liability company must be included on this schedule.

#### Part II – Separate Accounting of Nonunitary Partnership Income

Members that use a Separate Tax Accounting Method on nonunitary partnership investments must complete Part II to compute the appropriate amount of tax. Pursuant to N.J.S.A. 54:10A-6, members must enter a single sales factor allocation in column 3. Do not use three-factor allocation (property, payroll, and sales) from the partnership return (Form NJ-1065).

## Schedule PC

### Per Capita Licensed Professional Fee

Professional corporations (PC) formed under N.J.S.A. 14A:17-1 et seq. or any similar laws of a possession or territory of the U.S., a state, or political subdivision thereof, are liable for a fee on licensed professionals.

Examples of licensed professionals are: certified public accountants, architects, optometrists, professional engineers, land surveyors, land planners, chiropractors, physical therapists, registered professional nurses, dentist, osteopaths, physicians and surgeons, doctors of medicine, doctors of dentistry, podiatrists, veterinarians and, subject to the Rules of the Supreme Court, attorneys at law (N.J.S.A. 14A:17-3).

The fee is assessed provided there are more than two professionals in the PC. The fee is assessed on professionals that are owners, shareholders, and/or employees of the professional corporation. The number of professionals should be calculated using a quarterly average. The fee for each resident and nonresident professional with physical nexus with New Jersey is \$150. The fee for each nonresident professional without physical nexus with New Jersey is \$150 multiplied by the allocation factor of the corporation. The fee is limited to \$250,000 per year.

In the event of a period shorter than a year, the fee and limit may be prorated by months. A fraction of a month is deemed to be a month.

Check the box on the Members and Affiliates Schedule to indicate this is a professional corporation for applicable members.

**Line 4 – Installment Payment:** A 50% prepayment towards the subsequent year's fee is required with the current year's return.

**Line 8 – Credit:** Amount to be credited towards next year's fee. **This fee is not eligible for refund.**

## Schedule R Dividend Exclusion

**FYI**

Intercompany dividends (and deemed dividends) between members of the combined group that were eliminated/excluded above Schedule A, Part II, line 20 are not eligible for the dividend exclusion and are not to be included in the computation on Schedule R. Only dividends and deemed dividends that are a part of the unitary business of the combined group that were received from subsidiaries that were not included as members of the same New Jersey combined return are eligible for the exclusion. Water's-edge and world-wide basis filers, see Schedule X for more information.

**NEW FOR  
2020**

For privilege periods ending on and after July 31, 2020, for purposes of the dividend exclusion, the members of a combined group filing a New Jersey combined return are treated as one taxpayer with regard to dividends and deemed dividends that were received as part of the unitary business of the combined group. See N.J.S.A. 54:10A-4(k)(5)(E).

For privilege periods ending on and after July 31, 2019, the dividend exclusion is a post allocation exclusion.

Dividends from all sources must be included in Schedule A. However, taxpayers may exclude from entire net income 95% of dividends from qualified subsidiaries, if such dividends were included in the taxpayer's gross income on Schedule A and not eliminated.

Taxpayers cannot include the following as part of the dividend exclusion:

- Money market fund or REIT income;
- GILTI or FDII (this is not considered income from dividends or deemed dividends for New Jersey Corporation Business Tax purposes); or
- The portion of I.R.C. § 78 gross-up deducted on line 15, Part II, Schedule A.

A qualified subsidiary is defined as ownership by the taxpayer of at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock, except non-voting stock which is limited and preferred as to dividends. With respect to other dividends, the exclusion is limited to 50% of such dividends included in the taxpayer's gross income on Schedule A, provided the taxpayer owns at least 50% of voting stock and 50% of the total number of shares of all other classes of stock.

A 95% dividend exclusion will be granted for dividends that are included in entire net income from an 80% or greater owned subsidiary. If the taxpayer owns 50%, but less than 80% of a subsidiary, they are entitled to a 50% exclusion. Any subsidiary that is owned less than 50% is not entitled to a dividend exclusion. See N.J.S.A. 54:10A-4(k)(5), N.J.S.A. 54:10A-4(u), N.J.S.A. 54:10A-4(v), and N.J.S.A. 54:10A-4(w) for more information.

If the taxpayer received tiered dividends from a tiered subsidiary that filed and paid tax to New Jersey on those same dividends, do not include these dividends on Schedule R.

**NEW FOR  
2020**

The tiered dividend exclusion has been phased out and replaced with the Tiered Subsidiary Dividend Pyramid Tax Credit on Form 332. The tiered dividends from certain subsidiaries may be eligible for a tax credit, which is calculated separately on Form 332. See Form 332 for more information. This form is available on the Division's [website](#).

**FYI**

New Jersey follows the federal ownership attribution rule changes under I.R.C. § 958(b) and I.R.C. § 318 that broadened the federal attribution rules that were retroactive to January 1, 2017, in addition to the already broad Corporation Business Tax attribution rules.

**Schedule PT – Previously Taxed Dividends:** If a taxpayer had subsidiary dividend income that was reported in a previous privilege period for New Jersey Corporation Business Tax purposes **and** for which the taxpayer paid greater than the New Jersey minimum tax in that privilege period **and** those same dividends are included in entire net income this privilege period, complete Schedule PT in conjunction with Schedule R. See Schedule PT for more information. The schedule is available on the Division's [website](#).

## Schedule S Depreciation and Safe Harbor Leasing

This schedule must be completed for each member and a copy of a completed federal Depreciation Schedule, Form 4562 must be included with the return. Schedule S provides for adjustments to depreciation and certain safe harbor leasing transactions.

**FYI**

New Jersey has decoupled from I.R.C. § 168(k) bonus depreciation and I.R.C. § 179 expensing provisions. See N.J.S.A. 54:10A-4(k)(12) and N.J.S.A. 54:10A-4(k)(13). Adjustments must be made accordingly.

**Line 1 through Line 6** – These lines detail the depreciation deduction reflected in the Computation of Entire Net Income (Schedule A, Part I) into several categories. In most circumstances, the information can be found on federal Form 4562.

**Line 13** – New Jersey conforms to I.R.C. § 179 as in effect on December 31, 2002, and the maximum amount that may be expensed is \$25,000. See N.J.S.A. 54:10A-4(k)(13) for more information.

**Line 16 and Line 17** – New Jersey has decoupled from the federal tax code provisions on cost recovery or depreciation and is statutorily tied to the federal depreciation laws that were in effect as of December 31, 2001.

**Line 18** – Deduct any income included in the return with respect to property solely as a result of an I.R.C. § 168(f)(8) election.

**Line 19** – Deduct any depreciation amount that would have been allowable under the Internal Revenue Code on December 31, 1980, had there been no safe harbor lease election.

**Line 20** – Gain or loss on property sold or exchanged is the amount properly to be recognized in the determination of federal taxable income. However, on the physical disposal of recovery property, whether or not a gain or loss is properly to be recognized under the federal Internal Revenue Code, there shall be allowed as a deduction any excess, or there must be restored as an item of income, any deficiency of depreciation disallowed at lines 9, 10, 11, 13, or 14 over related depreciation claimed on that property at lines 16, 17, or 21. A statutory merger or consolidation shall not constitute a disposal of recovery property.

## Form 500U

### Prior Net Operating Loss Conversion Carryover (PNOL) and Post Allocation Net Operating Loss (NOL) Deductions

Prior Net Operating Losses (PNOLs) are losses that were generated in privilege periods ending **prior** to July 31, 2019. To use these losses, the unused, unexpired amounts must be converted to a post allocation basis. This conversion is done on Form 500U-P. PNOLs can only be carried forward for the 20 privilege periods following the period of the initial loss. See [TB-95, Net Operating Losses and Combined Groups](#), for more information.

**FYI**

PNOLs must be deducted from allocated entire net income before any NOLs can be deducted.

Post Allocation Net Operating Losses (NOLs) are losses that were generated in privilege periods ending on or after July 31, 2019. These losses occur on a post allocation basis.

For New Jersey Corporation Business Tax purposes, net operating losses and net operating loss carryovers have a 20-year carryover period and can only be carried forward. **No carry-backs are allowed.**

**NEW FOR 2020**

For tax years beginning on and after January 1, 2020, the federal rules and regulations governing consolidated return net operating losses and net operating loss carryovers apply to the New Jersey net operating loss carryover provisions to the extent they are consistent with the provisions of the New Jersey Corporation Business Tax Act. If the New Jersey and federal provisions differ, the New Jersey Corporation Business Tax Act provisions govern. New Jersey generally follows the federal rules governing mergers, acquisitions, reorganizations, spin-offs, split-offs, dissolution, bankruptcy, or any form of cessation of a business. New Jersey also follows any other provision of the federal rules that limits or reduces federal net operating losses and federal net operating loss carryovers. See N.J.S.A. 54:10A-4.6(m) and N.J.S.A. 54:10A-4.5(c).

### Discharge of Indebtedness

If a member has a discharge of indebtedness amount that is excluded from federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of I.R.C. section 108, adjustments need to be made to the member's PNOLs, NOLs, and/or post allocation net operating loss carryovers. Since the discharge of indebtedness amount is not an allocated amount, the member must multiply the discharge of indebtedness amount by its current year allocation factor (member's numerator over the group's denominator) before making any adjustment to the net operating losses or net operating loss carryovers.

The members must first reduce their PNOLs by the allocated discharge of indebtedness amount. If the allocated discharge of indebtedness amount exceeds all of a member's PNOLs and the member has post allocation net operating loss carryovers, the member must also reduce the post allocation net operating loss carryovers by the remaining balance. If, after reducing their post allocation net operating loss carryovers by the discharge of indebtedness amount, there are still post allocation net operating loss carryovers available, the taxable member may then reduce their allocated entire net income by the remaining post allocation net operating loss carryover.

Members must keep accurate books and records to keep track of the various PNOLs and NOLs.

### Section A – Computation of Prior Net Operating Losses (PNOL) Deduction

This section is only applicable if a member has loss carryovers from periods ending **prior** to July 31, 2019. Only complete this section if the total combined group allocated entire net income/(loss) before net operating loss deductions and dividend exclusion on Schedule A, Part II, line 22 is positive (i.e., income).

To calculate a prior net operating loss conversion carryover, a member must first calculate its pre-allocated net operating losses for each preceding privilege period using Form 500U-P.

**Note:** PNOLs expire 20 privilege periods after the loss was originally generated. **PNOLs cannot be shared.**

**Line 1** – Enter the total amount reported on Form 500U-P, Part II, line 21 for each member.

**Line 2** – Enter the amount of PNOLs reported on line 1 that was deducted in a previous year.

**Line 3** – Enter the amount of PNOLs reported on line 1 that has expired.

**Line 4** – Enter the amount of PNOLs reported on line 1 that was used on the current period Schedule X. An affiliated group election is an election to deem **all** of the activities as one single business. As such, line 4 is not applicable to affiliated group basis returns.

**Line 5** – Enter the amount excluded from federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of Internal Revenue Code (26 U.S.C. s.108) in the current year. If the amount is greater than the PNOLs reported on line 1 (less lines 2, 3, and 4), carry the remainder to Section B, line 5.

**Line 6** – Subtract the amounts reported on lines 2 through 5 from the amount on line 1. This is the total amount of PNOLs available for deduction in the current year. If the amount is zero or less, enter zero.

**Line 7a** – Enter the amount from Schedule A, Part II, line 20, column (a). If the amount is less than zero, enter zero.

**Line 7b** – Multiply line 7a by the member's allocation factor from Schedule J, line 9.

**Line 8a** – Enter the lesser of lines 6 or 7b. This is the current period PNOL deduction. Also enter this amount on line 8 of Section B.

**Line 8b** – Total the member columns and enter the result in the combined group column. Also enter this amount on line 1 of Section C.

#### **Section B – Post Allocation Net Operating Losses (NOL)**

This section is only applicable to loss carryovers from periods ending **on and after** July 31, 2019. Only complete this section if the total combined group allocated entire net income/(loss) before net operating loss deductions and dividend exclusion on Schedule A, Part II, line 22 is positive (i.e., income).

Section B is used to calculate the amount of the New Jersey post allocation net operating loss carryover. There are two types of post allocation net operating loss carryovers:

- Combined group post allocation NOLs (these are losses that were generated by the current combined group) and
- Separate return post allocation NOLs (these are losses that were generated outside the current combined group)

The post allocation net operating loss deduction is subtracted from allocated entire net income after the member uses all of its PNOLs.

Certain taxable members may be eligible to share their post allocation net operating losses. If a loss was generated on a previously filed combined return, the taxable members that were included on that return are each allotted a portion of the loss. Taxable members can use their portion of these combined group post allocation net operating loss (NOL) carryovers, or they can share their portion with other taxable members that were part of the same combined group in the period in which

the loss was generated. See [TB-95](#), *Net Operating Losses and Combined Groups*, for more information.

**Note:** Separate return post allocation net operating loss carryovers and NOLs **generated** on Schedule X are not shareable.

**Line 1** – Enter the total amount reported on Form 500U-PA, Part II, line 21 for each member.

**Line 2** – Enter the amount of NOLs reported on line 1 that was deducted in a previous period or was shared with another taxable member in a **previous** period.

**Line 3** – Enter the amount of NOLs reported on line 1 that has previously expired.

**Line 4** – Enter the amount of the separate return NOLs reported on line 1 that was used on the current period Schedule X. An affiliated group election is an election to deem **all** of the activities as one single business. As such, line 4 is not applicable to affiliated group basis returns.

**Line 5** – Enter the amount of any adjustments required under provisions of the federal Internal Revenue Code. New Jersey generally follows the federal rules governing mergers, acquisitions, reorganizations, spin-offs, split-offs, dissolution, bankruptcy, or any form of cessation of a business. New Jersey also follows any other provision of the federal rules that limits or reduces federal net operating losses and federal net operating loss carryovers. See [N.J.S.A. 54:10A-4.5\(c\)](#) for more information. If the member reported an amount in Section A, line 5 of Form 500U, only enter the excess here. (Section A, line 1 minus lines 2, 3, 4, and 5.)

**Line 6** – Subtract the amounts reported on lines 2 through 5 from the amount on line 1. This is the total amount of NOLs available for deduction in the current year. If the amount is less than zero, enter zero.

**Line 7a** – Enter the amount from Schedule A, Part II, line 20, column (a). If the amount is less than zero, enter zero.

**Line 7b** – Multiply line 7a by the member's allocation factor from Schedule J, line 9.

**Line 8** – Enter the amount from Section A, line 8a.

**Line 9** – Subtract line 8 from line 7b and enter the result.

**Line 10** – Enter the lesser of lines 6 or 9.

**Line 11** – Subtract line 10 from line 6. This is the amount of NOLs available to share with other taxable members.

**Line 12** – Enter the amount of NOLs shared with other taxable members in the current year. This amount cannot exceed the amount on line 11. Taxable members can only share the combined group post allocation net operating losses with other taxable members that were part of the same combined group in the period in which the loss was generated. Provide a rider that breaks out the amount of shared NOL by each taxable member.

**Line 13** – Enter the amount of NOLs received from other taxable members in the current year. This amount cannot exceed the amount on line 9 less line 10. Taxable members can only receive the combined group post allocation net operating

losses from other taxable members that were part of the same combined group in the period in which the loss was generated. Provide a rider that breaks out the amount of received NOL by each taxable member.

**Line 14** – Add line 10 and line 13 and enter the total. The amount cannot exceed the amount on line 9. This is the current period NOL deduction. Enter the total of the members' amounts in the combined group column and on line 2 of Section C.

**Note:** A taxable member that leaves a New Jersey combined group must take their share of the combined group post allocation net operating loss carryover. The combined group cannot continue to use that member's portion of the loss.

**FYI**

Losses generated on Schedule X cannot be shared or used by the group. These losses can only be used on Schedule X.

## Form 500U-P

Any unused, unexpired net operating losses that were generated in privilege periods ending prior to July 31, 2019, must be converted to a post-allocated basis. These loss carryovers can only be carried forward for the 20 privilege periods following the period of the initial loss. Complete Worksheet 500U-P the first year in which the conversion is calculated. Worksheet 500U-P should continue to be included for each year in which the taxpayer has PNOLs.

### Part I – Allocation Factor

Enter the allocation factor for the last privilege period ending prior to July 31, 2019. This amount is taken from that period's Schedule J for each member.

### Part II – Prior Net Operating Loss

**Line (a)** – Enter the date the privilege period ended. All periods must end **before** July 31, 2019.

**Line (b)** – Enter the net operating loss for each period. Enter the entire loss for the period. Amounts that have been used in previous periods or that are expired are reported in Section A on lines 2 and 3. The converted losses can only be carried forward for the 20 privilege periods following the period of the initial loss.

**Note:** For privilege periods ending after June 30, 2014, the loss reported each year must not include any amount excluded from federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of Internal Revenue Code (26 U.S.C. s.108).

**Line (c)** – Multiply the amount on line (b) by the reported allocation factor reported in Part I.

**Line 21** – Enter the total converted prior net operating loss carryovers. Add lines 1c through 20c. This is the amount that is carried to Form 500U, Section A, line 1.

## Form 500U-PA

### Part I

Enter the date on which the member entered the group.

### Part II – Net Operating Loss

**Line (a)** – Enter the date the privilege period ended. All periods must end **on or after** July 31, 2019.

**Line (b)** – Enter the net operating loss for each period. Enter the entire loss for the period. Do not net with previously deducted or expired amounts. Amounts that have been previously deducted or that are expired must be reported on Form 500U, Section B on lines 2 and 3. The converted losses can only be carried forward for the 20 privilege periods following the period of the initial loss.

**Note:** For privilege periods ending after June 30, 2014, the loss reported each year must not include any amount excluded from federal taxable income under subparagraph (A), (B), or (C) of paragraph (1) of subsection (a) of Internal Revenue Code (26 U.S.C. s.108).

**Line 21** – Enter the total post allocation net operating loss carryover. Add lines 1b through 20b. This is the amount that is carried to Form 500U, Section B, line 1.

## Additional Forms and Instructions

Most of the forms and schedules needed to complete the return are included with Form CBT-100U. However, there are several stand alone forms and schedules that can be obtained on the Division's [website](#). This includes:

- Schedule A-7: Gross Income Test for Financial Businesses (Form CBT-100U Filers ONLY)
- Schedule G-2: Claim for Exceptions to Disallowed Interest and Intangible Expenses and Costs
- Schedule I: Certificate of Inactivity (Form CBT-100U Filers ONLY)
- Schedule N: Nexus – Immune Activity Declaration and the [Nexus Questionnaire](#)
- Schedule O: Nonoperational Activity
- Schedule PT: Dividend Exclusion for Certain Previously Taxed Dividends
- Schedule X: Member's Taxable Income From Sources Other Than the Unitary Business of the Combined Group (Form CBT-100U Filers ONLY)
- Form 300: Urban Enterprise Zone Employees Tax Credit
- Form 301: Urban Enterprise Zone Investment Tax Credit
- Form 302: Redevelopment Authority Project Tax Credit
- Form 304: New Jobs Investment Tax Credit
- Form 305: Manufacturing Equipment and Employment Investment Tax Credit
- Form 306: Research and Development Tax Credit
- Form 311: Neighborhood Revitalization State Tax Credit
- Form 312: Effluent Equipment Tax Credit
- Form 313: Economic Recovery Tax Credit
- Form 315: AMA Tax Credit
- Form 316: Business Retention and Relocation Tax Credit
- Form 317: Sheltered Workshop Tax Credit
- Form 318: Film Production Tax Credit

- Form 319: Urban Transit Hub Tax Credit
- Form 320: Grow New Jersey Tax Credit
- Form 321: Angel Investor Tax Credit
- Form 322: Wind Tax Credit
- Form 323: Residential Economic Redevelopment and Growth Tax Credit
- Form 324: Business Employment Incentive Program Tax Credit
- Form 325: Public Infrastructure Tax Credit
- Form 327: Film and Digital Media Tax Credit
- Form 328: Tax Credit for Employers of Employees With Impairments
- Form 329: Pass-Through Business Alternative Income Tax Credit
- Form 330: Apprenticeship Program Tax Credit
- Form 331: Tax Credit for Employer of Organ/Bone Marrow Donor
- Form 332: Tiered Subsidiary Dividend Pyramid Tax Credit
- Form 333: Tax Credit for Investing in a Qualified Facility and Hiring Employees to Manufacture Personal Protective Equipment