



October 26, 2022

RE: CPAs urge Yes Vote on S2876/A4295, making Administrative Changes to Corporate and Individual Taxes

Dear Honorable Members of the Senate Budget and Appropriation Committee:

On behalf of the 12,000 members of the NJ Society of CPAs, we urge you to vote yes on S2876/A4295 at the SBA committee meeting on Monday. This bill makes important administrative changes to the gross income tax and corporation business tax. This legislation is also supported by the New Jersey Treasury and Division of Taxation. As far as we know, there are no opponents to the bill

In short, the bill adopts the new federal partnership audit regime, ends COVID-related extensions concerning certain State taxes and eliminates the requirement to affirmatively elect New Jersey S Corporation status. The bill also provides for an opt out of the automatic S corporation election. Below is more information on the three main provisions in the legislation.

- Removes taxpayer inequity caused by continuance of COVID State of Emergency
Ends the imposition of an unfair burden on taxpayers caused by the fact that while the COVID Public Health Emergency has ended, the State of Emergency has not. The bill ends the extension of time for the statute of limitations on tax due that was enacted in response to the COVID-19 pandemic. The bill also ends the extension for the provisions regarding the State's payment of interest on a taxpayer's overpayment of tax. This bill restores the parity that has always been in place by changing the end dates for the extension of time for the statute of limitations and payment of interest so that the extensions are tied to the end of the Public Health Emergency, as is the case with the extension for refunds.
- Changes S corporation tax filing process
Eliminates requirement that a taxpayer that chooses S corporation status for federal tax purposes must also affirmatively choose S corporation status for New Jersey. The bill also allows a company that has chosen federal S corporation status to opt out from being classified as an S corporation for New Jersey purposes.
- Partnership Audit Regime
Adapts New Jersey Income Gross Income Tax to the new federal partnership audit regime that audits the partnership for greater efficiency instead of auditing individual partners.



If you have any questions, please feel free to reach out to me at 862-702-5610 or jkaserman@njcpa.org. Thank you for considering our position on this bill.

Sincerely,

Jeffrey Kaszerman
Government Relations Vice President

CC: John Ficara, Director, NJ Division of Taxation
Alan Kline, Counsel to the Director, NJ Division of Taxation