

NEW JERSEY CORPORATION BUSINESS TAX



CLAIM FOR EXCEPTIONS TO DISALLOWED INTEREST AND INTANGIBLE EXPENSES AND COSTS FOR TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2018

This Packet Contains:

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| Schedule G-2 Part I | Exceptions to the Addback of Interest Expenses |
| Schedule G-2 Part II | Exceptions to the Addback of Intangible Expenses and Costs |

These schedules are for TAX YEARS BEGINNING ON OR AFTER January 1, 2018.
The previous version of this schedule is available on the Division of Taxation's website (njtaxation.org)

Schedule G-2

Instructions

For definitions of a related member, intangible expenses and costs, intangible interest expenses and costs, and intangible property, see the instructions for Schedule G of Form CBT-100, CBT-100U, CBT-100S, BFC-1, or BFC-1-F. When completing this schedule, BFC-1-F filers must use the lines that correspond to the lines referenced for the BFC-1.

For tax years beginning on or after January 1, 2018, **the treaty exceptions are limited** pursuant to P.L. 2018, c. 48.

Note: If there are transactions between members of a combined group that are included on the same New Jersey combined return, and those amounts are reported on Schedule A, they are also eliminated on Schedule A. No exception is required.

PART I

Exception 1

Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100U or CBT-100S (or the BFC-1, if applicable) that was directly or indirectly paid, accrued, or incurred to a related member in a foreign nation that has in force a comprehensive income tax treaty with the United States pursuant to P.L. 2018, c. 48 and:

- (1) The related member was subject to tax in the foreign nation on a tax base that included the payment paid, accrued, or incurred; and
- (2) The related member's income received from the transaction was taxed at an effective tax rate equal to or greater than a rate of three percentage points less than the rate of tax applied to taxable interest by the State of New Jersey.

Exception 2

Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100U, or CBT-100S (or the BFC-1, if applicable) that was directly or indirectly paid, accrued, or incurred to a related member and for which the payment of such interest:

- (1) Was not to avoid taxes otherwise due under Title 54 of the Revised Statutes of Title 54A of the New Jersey Statutes;
- (2) Was paid pursuant to arm's length contracts at an arm's length rate of interest; and
- (3)
 - (a) The related member was subject to a tax on its net income or receipts in this State or another state or possession of the United States or in a foreign nation;
 - (b) A measure of the tax includes the interest received from the related member;
 - (c) The rate of tax applied to the interest received by the related member is equal to or greater than a rate three percentage points less than the rate of tax applied to taxable interest by this State.

A copy of the return from the state, possession, or foreign nation on which the related member reported interest income must be submitted with the taxpayer's return.

Exception 3

Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100U, or CBT-100S (or the BFC-1, if applicable) that was directly or indirectly paid, accrued, or incurred to a related member that is a corporation that files a Corporation Business Tax return in New Jersey, and such member included those amounts in its entire net income.

If claiming this exception for more than one related member, complete Exception 3 for each related member, and enter the total for all related members in the Total Exceptions Chart for Part I.

If an exception to the disallowance of the interest expense was determined under Exception 1 and/or 2, an exception under this provision for that related member is not available.

Exception 4

Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100U, or CBT-100S (or the BFC-1, if applicable) that was directly or indirectly paid, accrued, or incurred to an independent lender, and the taxpayer filing this return guarantees the debt on which the interest is required.

PART II

Exception 1

Complete the enclosed schedule if the taxpayer included any intangible expenses and costs including intangible interest expenses and costs on Schedule G, Part II of the CBT-100, CBT-100U, or CBT-100S (or the BFC-1, if applicable) that were directly or indirectly paid, accrued, or incurred to a related member in a foreign nation that has in force a comprehensive income tax treaty with the United States and:

- (1) The related member was subject to tax in the foreign nation on a tax base that included the payment paid, accrued, or incurred; and
- (2) The related member's income received from the transaction was taxed at an effective tax rate equal to or greater than a rate of three percentage points less than the rate of tax applied to taxable interest by the State of New Jersey.

Exception 2

Complete the enclosed schedule if the taxpayer included any intangible expenses and costs including intangible interest expenses and costs on Schedule G, Part II of the CBT-100, CBT-100U, or CBT-100S (or the BFC-1, if applicable) that were directly or indirectly paid, accrued, or incurred to a related member that is a corporation that files a Corporation Business Tax return in New Jersey, and such member has included those amounts in its entire net income.

If claiming this exception for more than one related member, complete Exception 2 for each related member, and enter the total for all related members in the Total Exceptions Chart for Part II.

Notes:

Any other exceptions cannot be made on the return. The amounts paid to related members as reported on line (a) of Schedule G, Part I and/or Part II, must be included in the amount reported on line (c) of Schedule G, Part I and/or Part II.

A separate Refund Claim (Form A-3730) stipulating all the facts and providing all applicable evidence to support the taxpayer's claim, must be submitted in order to request any other exception.

Name as Shown on Return	Federal ID Number	Unitary ID number, if applicable NU
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SCHEDULE G-2 PART I EXCEPTIONS TO THE ADDBACK OF INTEREST

NOTE: A copy of the return from the state, possession, or foreign nation on which the related member reported interest income must be submitted with the taxpayer's return. If more space is needed, enclose a schedule listing the information.

EXCEPTION 1 – Amounts Paid, Accrued, or Incurred to a Related Member(s) in a Foreign Nation that has a Comprehensive Treaty with the United States

1. Was any interest included on Schedule G, Part I of the CBT-100, CBT-100U, CBT-100S, or BFC-1 directly or indirectly paid, accrued, or incurred to a related member in a foreign nation that has a comprehensive income tax treaty with the United States?
 Yes. Complete the following schedule. No. You do not qualify for this exception.

Name of Related Member	Name of Nation	Description of Treaty	Allocation Factor	Nation's Rate of Tax	Tax Paid	Amount Allowed to Deduct
(a) Total – Enter here and on line 1 of the Total Exceptions Chart for Part I						

EXCEPTION 2

Interest paid to a related member that was subject to a tax on its net income or receipts in this State or another state or possession of the United States or in a foreign nation and which jurisdiction includes as a measure of the tax the interest received from the related member and applies a rate of tax to the interest received by the related member equal to or greater than a rate three percentage points less than the rate of tax applied to taxable interest by this State.

If claiming this exception for more than one related member, complete Exception 2 for each related member and enter the total for all related members in the Total Exceptions Chart.

Name of Related Member _____
FID # of Related Member _____
Fiscal Period of Related Member _____
Name of the state, possession, or foreign nation in which the related member is subject to a tax on net income or receipts _____
Amount of interest income included in the measure of net income or gross receipts subject to tax by the state, possession, or foreign nation _____

	Column A	Column B	Column C
1. Enter the amount of interest claimed by the taxpayer as deductible and reported as income or receipts subject to tax by the related member.....			
2. Enter the taxpayer's allocation factor from Schedule A, Part II, line 21 of the CBT-100, CBT-100U, or BFC-1 or Schedule A, Part I, line 39 of the CBT-100S. If non-allocating, enter 1.00			
3. Enter the tax rate used to compute line 2 of the CBT-100, CBT-100S, or BFC-1 or Schedule A, Part III, line 5 of CBT-100U.....			
4. Multiply column A, line 2 by column A, line 3 and enter the result here.....			
5. Enter the tax rate applied to the net income or receipts from the return of the related member filed in the state, possession, or foreign nation of the related member on which the interest income is being reported.....			
6. Enter the related member's allocation factor from the return filed in the state, possession, or foreign nation on which the interest income is being reported. If non-allocating, enter 1.00.....			
7. Multiply column A, line 5 by column A, line 6 and enter the result.....			
8. Subtract column B, line 7 from Column B, line 4 and enter result.....			
9. Exception Amount. If the amount on column B, line 8 is greater than .03, enter zero in column C, line 9. If the amount on column B, line 8 is equal to or less than .03, enter amount from column C, line 1 in column C, line 9 and on line 2 of the Total Exceptions Chart for Part I			

Name as Shown on Return	Federal ID Number	Unitary ID number, if applicable NU
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SCHEDULE G-2 PART I *continued* **EXCEPTIONS TO THE ADDBACK OF INTEREST**

NOTE: A copy of the return from the state, possession, or foreign nation on which the related member reported interest income must be submitted with the taxpayer's return. If more space is needed, enclose a schedule listing the information.

EXCEPTION 3 – Interest Paid, Accrued, or Incurred to Related Corporations Filing in New Jersey

If claiming this exception for more than one related member, complete Exception 3 for each related member and enter the total for all related members in the Total Exceptions Chart.

Name of Related Member _____

FID # of Related Member _____

Fiscal Period of Related Member _____

- Was any interest expense included in Schedule G, Part I of this return directly or indirectly paid, accrued, or incurred to the above related member and included in a New Jersey CBT-100, CBT-100U, CBT-100S, or BFC-1 filed by the related member?
 Yes. Answer question 2. No. You do not qualify for this exception.
- Was the tax liability reported on the related member's New Jersey CBT-100, CBT-100U, CBT-100S, or BFC-1 greater than the statutory minimum tax?
 Yes. Complete the following schedule. No. You do not qualify for this exception.

	Column A Taxpayer	Column B Related Member
1. Enter in column A and column B the amount of interest claimed by the taxpayer as being deductible....		
2. Enter entire net income of related member from Schedule A, Part II, line 20 of the CBT-100, CBT-100U, or BFC-1 or Schedule A, Part I, line 38 of CBT-100S. If the amount on line 2 is zero or less, stop here. The exception amount to be entered on line 8 is zero. Otherwise, go to line 3.....		
3. Enter the lesser of line 1, column B or line 2, column B.....		
4. Enter the respective allocation factors from Schedule A, Part II, line 21 of the CBT-100, CBT-100U, or BFC-1 or Schedule A, Part I, line 39 of CBT-100S. If non-allocating, enter 1.00.....		
5. Multiply line 1 by line 4 for column A and line 3 by line 4 for column B. Enter the result here.....		
6. Enter the respective tax rates used to compute line 2 of the CBT-100, CBT-100S, or BFC-1 or Schedule A, Part III, line 5 of CBT-100U.....		
7. Multiply line 5 by line 6 and enter the result.....		
8. Exception Amount. If line 7, column B is greater than line 7, column A, enter the amount from line 1, column A. Otherwise, divide the amount on line 7, column B by line 6, column A, and divide the result by line 4, column A. Enter here and on line 3 of the Total Exceptions Chart for Part I.....		

EXCEPTION 4 – Interest Paid, Accrued, or Incurred to an Independent Lender

- Was any interest listed on Schedule G, Part I of the New Jersey CBT-100, CBT-100U, CBT-100S, or BFC-1 directly or indirectly paid, accrued, or incurred to an independent lender?
 Yes. Answer question 2. No. You do not qualify for this exception.
- Is the debt upon which the interest is required guaranteed by the taxpayer filing this return?
 Yes. Complete the following schedule. No. You do not qualify for this exception.

Name of Independent Lender	Amount of Indebtedness	Amount Deducted
(a) Total – Enter here and on line 4 of the Total Exceptions Chart for Part I.....		

A copy of the loan agreement evidencing the guarantee of the debt by the taxpayer must also be submitted with this return.

TOTAL EXCEPTIONS CHART for Part I

1. Exception 1 – Enter amount from line (a) of Schedule G-2, Part I, Exception 1.....	
2. Exception 2 – Enter amount from line 9 of Schedule G-2, Part I, Exception 2.....	
3. Exception 3 – Enter amount from line 8 of Schedule G-2, Part I, Exception 3.....	
4. Exception 4 – Enter amount from line (a) of Schedule G-2, Part I, Exception 4.....	
5. Total Part I Exceptions – Add lines 1, 2, 3, and 4. Enter total here and on line (b) of Schedule G, Part I...	

Name as Shown on Return	Federal ID Number	Unitary ID number, if applicable NU
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SCHEDULE G-2 PART II EXCEPTIONS TO THE ADDBACK OF INTANGIBLE EXPENSES AND COSTS

NOTE: Claim for an exception to the requirement to add back to entire net income intangible expenses and costs including intangible interest expenses and costs, paid, accrued, or incurred to a related member(s). If more space is needed, enclose a schedule listing the information.

EXCEPTION 1 – Amounts Paid, Accrued, or Incurred to a Related Member(s) in a Foreign Nation that has a Comprehensive Treaty with the United States

1. Were any of the intangible expenses and costs, including intangible interest expenses and costs reported on Schedule G, Part II of the CBT-100, CBT-100-U, CBT-100S, or BFC-1 directly or indirectly paid, accrued, or incurred to a related member in a foreign nation that has a comprehensive income tax treaty with the United States?

- Yes. Complete the following schedule. No. You do not qualify for this exception.

Name of Related Member	Name of Nation	Description of Treaty	Allocation Factor	Country's Rate of Tax	Tax Paid	Amount Allowed to Deduct

(a) Total – Enter here and on line 1 of the Total Exceptions Chart for Part II

EXCEPTION 2 – Intangible Expenses and Costs Paid, Accrued, or Incurred to Related Corporations Filing in New Jersey

If claiming this exception for more than one related member, complete Exception 2 for each related member and enter the total for all related members in the Total Exceptions Chart.

Name of Related Member: _____

FID # of Related Member: _____

Fiscal Period of Related Member: _____

1. Were any of the intangible expenses and costs including intangible interest expenses and costs reported on Schedule G, Part II of the CBT-100, CBT-100U, CBT-100S, or BFC-1 directly or indirectly paid, accrued, or incurred to the above related member and included in a New Jersey CBT-100, CBT-100U, CBT-100S, or BFC-1, filed by the related member?

- Yes. Answer question 2. No. You do not qualify for this exception.

2. Was the tax liability of the related member greater than the statutory minimum tax?

- Yes. Complete the following schedule. No. You do not qualify for this exception.

- Enter in column A and column B the amount of intangible expenses and costs claimed by the taxpayer as being deductible
- Enter entire net income of related member from Schedule A, Part II, line 20 of the CBT-100, CBT-100U, or BFC-1 or Schedule A, Part I, line 38 of CBT-100S. If the amount on line 2 is zero or less, stop here. The exception amount to be entered on line 8 is zero. Otherwise, go to line 3
- Enter the lesser of line 1, column B or line 2, column B
- Enter the respective allocation factors from Schedule A, Part II, line 21 of the CBT-100, CBT-100U, or BFC-1 or Schedule A, Part I, line 39 of the CBT-100S. If non-allocating, enter 1.00
- Multiply line 1 by line 4 for column A and line 3 by line 4 for column B. Enter the result
- Enter the respective tax rates used to compute line 2 of the New Jersey CBT-100, CBT-100S, or BFC-1 or Schedule A, Part III, line 5 of CBT-100U
- Multiply line 5 by line 6 and enter the result
- Exception Amount. If line 7, column B is greater than line 7, column A, enter the amount from line 1, column A. Otherwise, divide the amount on line 7, column B by line 6, column A, and divide the result by line 4, column A. Enter result here and on line 2 of the Total Exceptions Chart for Part II.

	Column A Taxpayer	Column B Related Member

TOTAL EXCEPTIONS CHART for Part II

1. Exception 1 – Enter amount from line (a) of Schedule G-2, Part II, Exception 1	
2. Exception 2 – Enter amount from line 8 of Schedule G-2, Part II, Exception 2	
3. Total Part II Exceptions – Add lines 1 and 2. Enter total here and on line (b) of Schedule G, Part II	