



Income Reporting and Returns for Banking Corporations for Privilege Periods Ending on and after July 31, 2020

TB-99(R) - Revised November 1, 2023

Tax: Corporation Business Tax

P.L. 2020, c. 118 (Chapter 118), which was signed into law on November 4, 2020, made a series of technical corrections, clarifications, and changes affecting the Corporation Business Tax Act. This Technical Bulletin discusses Section 16 of Chapter 118 (N.J.S.A. 54:10A-34.1), in conjunction with TB-91 and N.J.S.A. 54:10A-14(d).

Subsequent to P.L. 2018, c. 48, and P.L. 2018, c. 131, banking corporations that were part of a combined group were required to harmonize their reporting period with that of the managerial member of the combined group for which it was a member. In accordance with TB-91, affected taxpayers filed a series of transitional returns to synchronize their income reporting with that of the managerial member, since the legacy income reporting method for banking corporations under N.J.S.A. 54:10A-34 was different than the requirements for all other Corporation Business Tax (CBT) taxpayers. If a banking corporation was not a member of a combined group, it would not have been required to file transitional returns. Pursuant to N.J.S.A. 54:10A-34.1, all banking corporations are required to transition away from the legacy income reporting method (N.J.S.A. 54:10A-34) and report their income and file their returns in the same manner as all other CBT taxpayers. This was enacted to modernize and simplify the New Jersey Corporation Business Tax returns.

N.J.S.A. 54:10A-34.1 states:

- a. For a banking corporation that is a member of a combined group that has a fiscal group privilege period, before the banking corporation is included as a member of the New Jersey combined return, the banking corporation shall first file the applicable BFC-1 return reporting their calendar year income in accordance with section 4 of P.L.1975, c.170 (C.54:10A-34) for the applicable privilege period which ended during the privilege period of the managerial member and then file a transitional short period return covering January 1st through the end of the month of the combined group's fiscal group privilege period during the current calendar year. Subsequently, the banking corporation shall file for the fiscal combined group's privilege period and report all of its income on a fiscal basis with the combined group. Thereafter, the banking corporation shall continue reporting on a fiscal basis for future privilege periods. If a banking corporation, that would otherwise be a member of a fiscal combined group but for the transitional provisions of this section, believes that application of the filing requirements set forth will result in an unfair or distorted reflection of income, the banking corporation may request relief from the director, which may be granted at the director's discretion.
- b. For a banking corporation that is not a member of a combined group, which files a BFC-1 return reporting its calendar year income in accordance with section 4 of P.L.1975, c.170 (C.54:10A-34), but which files on a fiscal federal tax year basis, the banking corporation may elect to file separate returns in a manner similar to subsection a. of this section, file a transitional short period return, and subsequently file its New Jersey corporation business tax returns on a fiscal year basis. Otherwise, such banking corporations shall file transitional returns in order to subsequently file in the same manner as other corporation business taxpayers. If a banking corporation, that would otherwise continue to file the BFC-1 return reporting its calendar year income in accordance with section 4 of P.L.1975, c.170 (C.54:10A-34) but for the transitional provisions provided for in this section, believes that application of the filing requirements set forth will result in an unfair or

distorted reflection of income, the banking corporation may request relief from the director, which may be granted at the director's discretion.

- c. For a banking corporation that is not a member of a combined group, which files a BFC-1 return reporting its calendar year income in accordance with section 4 of P.L.1975, c.170 (C.54:10A-34), and files on a calendar federal tax year basis, the banking corporation shall file transitional returns in order to subsequently file in the same manner as other corporation business taxpayers. If a banking corporation, that would otherwise continue to file the BFC-1 return reporting its calendar year income in accordance with section 4 of P.L.1975, c.170 (C.54:10A-34) but for the transitional provisions provided for in this section, believes that application of the filing requirements set forth will result in an unfair or distorted reflection of income, the banking corporation may request relief from the director, which may be granted at the director's discretion.
- d. No penalties or interest shall be assessed on any underpayment due to this section if the applicable returns are filed within six months of enactment of this section.

All banking corporations that have not already filed transitional returns under TB-91, **must file transitional returns. The transition is mandatory.** A banking corporation with a fiscal tax year for federal purposes has the option to switch to a fiscal year basis when the banking corporation files its transitional returns, so that it also reports on a fiscal-year basis for New Jersey Corporation Business Tax purposes. In order to identify which returns are transitional returns, taxpayers must check the box on the top portion of page 1 titled "BFC-1-F" when completing Form BFC-1.

Example 1: A banking corporation that was not part of a combined group and continued to file separate returns for New Jersey Corporation Business Tax purposes has a federal calendar tax year. The banking corporation will file the 2020 BFC-1 reporting their 2019 calendar year income. The banking corporation would then file the 2020 BFC-1 with the BFC-1-F check box marked off, reporting its 2020 calendar year income.

Example 2: A banking corporation that was not part of a combined group and continued to file separate returns for New Jersey Corporation Business Tax purposes has a federal fiscal tax year. If the banking corporation opts to transition to a fiscal reporting basis, the banking corporation will file the 2020 BFC-1 reporting their 2019 calendar year income. The banking corporation would then file short year 2020 BFC-1 with the BFC-1-F check box marked off, reporting the income from the months in 2020 from its fiscal year that ended in 2020.

If a banking corporation believes that the transition away from the legacy income reporting method will result in an unfair or distorted reflection of income, the banking corporation may request relief from the director, which may be granted at the director's discretion.

Beginning with Tax Year 2023, Form BFC-1 is discontinued. Banking corporations and financial business corporations that are members of a combined group have been required to be included as a member reported on the CBT-100U, so the discontinuation of the form does not impact combined filers. However, the webpage also includes information about changing EFT payment codes, which may impact combined filers. For more information, see [BFC-1 Returns Being Replaced with Form CBT-100](#). No penalties or interest will be assessed on any underpayment due to this statutory change if the applicable returns are filed timely by the taxpayer's original [automatic extension](#) due date for the return or six months after November 4, 2020, whichever is later.

For more information, see [N.J.A.C. 18:7-1.14](#), [N.J.A.C. 18:7-12.1](#), and [N.J.A.C. 18:7-21.25](#). For information on Captive Investment Companies, Real Estate Investment Trusts, and Regulated Investment Companies and Combined Groups, see [TB-113](#).

Revision Information: This Technical Bulletin was revised on November 1, 2023, to add a link to the [notice](#) posted on the Division of Taxation’s website regarding the discontinuation of Form BFC-1, which also includes information about changing EFT payment codes.

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