

STATE OF NEW JERSEY  
DEPARTMENT OF THE TREASURY  
DIVISION OF TAXATION

## Schedule G-2

(R-2, 05-04)

# NEW JERSEY CORPORATION BUSINESS TAX



# CLAIM FOR EXCEPTIONS TO DISALLOWED INTEREST AND INTANGIBLE EXPENSES AND COSTS

### This Packet Contains:

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

## 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 the New Jersey CBT-100, CBT-100S or BFC-1 return.

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### PART I

#### Exception 1

1. Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100S, or BFC-1 return that was directly or indirectly paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States.

#### Exception 2

1. Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100S, or BFC-1 return that was directly or indirectly paid, accrued or incurred to a related member and for which the payment of such interest:
  - a) was not to avoid taxes otherwise due under Title 54 of the Revised Statutes of Title 54A of the New Jersey Statutes,
  - b) was paid pursuant to arm's length contracts at an arm's length rate of interest, and
  - c)
    - 1) 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,
    - 2) A measure of the tax includes the interest received from the related member,
    - 3) 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

1. Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100S, or BFC-1 return 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.
2. 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.
3. 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

1. Complete the enclosed schedule if the taxpayer included any interest expense on Schedule G, Part I of the CBT-100, CBT-100S, or BFC-1 return 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

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-100S, or BFC-1 return that were directly or indirectly paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States.

#### Exception 2

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-100S, or BFC-1 return 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.
2. If claiming this exception for more than one related member then 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 can not 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

**SCHEDULE G-2 PART I EXCEPTIONS TO THE ADDBACK OF INTEREST**

**Exception 1 - Amounts Paid, Accrued, or Incurred to a Related Member(s) in a Foreign Nation**

1. Was any interest included on Schedule G, Part I of the CBT-100, CBT-100S, or BFC-1 return, directly or indirectly paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States?

"Yes" or "No" \_\_\_\_\_. If "Yes", complete the following schedule. If "No", you do not qualify for this exception.

Name of Related Member	Name of Foreign Nation	Description of Treaty	Amount Deducted
(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 line 2, page 1 of the New Jersey CBT-100, CBT-100S, or BFC-1 return. If non-allocating, enter 1.00 .....			
3. Enter the taxpayer's tax rate from line 9, of the New Jersey CBT-100 or BFC-1 or line 4 of New Jersey CBT-100S. ....			
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 here. ....			
8. Subtract column B, line 7 from Column B, line 4 and enter result here. ....			
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. ....			

**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.**

NAME AS SHOWN ON RETURN

FEDERAL ID NUMBER

**SCHEDULE G-2 PART I EXCEPTIONS TO THE ADDBACK OF INTEREST**

**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: \_\_\_\_\_

1. Was any interest expense included in Schedule G, Part I if this return, directly or indirectly paid, accrued or incurred to the above related member and included in a New Jersey CBT-100, CBT-100S, or BFC-1 filed by the related member?  
"Yes" or "No" \_\_\_\_\_. If "Yes", answer question 2. If "no", you do not qualify for this exception.
2. Was the tax liability reported on the related member's New Jersey CBT-100, CBT-100S, or BFC-1 greater than the statutory minimum tax?  
"Yes" or "No" \_\_\_\_\_. If "Yes", complete the following schedule. If "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 line 1, page 1 of New Jersey CBT-100, CBT-100S, or BFC-1 return. IF THE AMOUNT ON LINE 2 IS ZERO OR LESS, STOP HERE. THE EXCEPTION AMOUNT TO BE ENTERED ON LINE 8 IS ZERO, OTHERWISE PROCEED TO LINE 3 . . . . .		
3. Enter the lesser of line 1, column B or line 2, column B . . . . .		
4. Enter the respective allocation factors from line 2, page 1 of the New Jersey CBT-100, CBT-100S, or BFC-1 return. If non-allocating, then 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 from line 9, of the New Jersey CBT-100 or BFC-1 or line 4 of CBT-100S . . . . .		
7. Multiply line 5 by line 6 and enter the result here . . . . .		
8. Exception 3 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 then divide that result by line 4, column A. Enter result here and on line 3 of the Total Exceptions Chart for Part I. . . . .		

**Exception 4 - Interest Paid, Accrued, or Incurred to an Independent Lender**

1. Was any interest listed on Schedule G, Part I of the New Jersey CBT-100, CBT-100S, or BFC-1 return directly or indirectly paid, accrued or incurred to an independent lender? "Yes" or "No" \_\_\_\_\_.
2. Is the debt upon which the interest is required guaranteed by the taxpayer filing this return? Yes" or "No" \_\_\_\_\_.

If "Yes" is checked for both questions 1 and 2, complete the chart below. If "No" is checked for either question 1 or 2, 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 an on line (b) of Schedule G, Part I . . . . .	

NAME AS SHOWN ON RETURN

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**SCHEDULE G-2 PART II EXCEPTIONS TO THE ADDBACK OF INTANGIBLE EXPENSES AND COSTS**

**Claim for an exception to the requirement under N.J.S.A. 54:10A-4.4b 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).**

**Intangible Expenses and Costs**

**Exception 1 - Amounts Paid, Accrued, or Incurred to a Related Member(s) in a Foreign Nation**

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-100S, or BFC-1 return directly or indirectly paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States?

"Yes" or "No" \_\_\_\_\_. If "Yes", complete the following schedule. If "No", you do not qualify for this exception.

Name of Related Member	Name of Foreign Nation	Description of Treaty	Amount Deducted

(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-100S, or BFC-1 return directly or indirectly paid, accrued or incurred to the above related member and included in a New Jersey CBT-100, CBT-100S, or BFC-1 return, filed by the related member? "Yes" or "No" \_\_\_\_\_. If "Yes", answer question #2. If "No", you do not qualify for this exception.

2. Was the tax liability of the related member greater than the statutory minimum tax? "Yes" or "No" \_\_\_\_\_. If "Yes", complete the following schedule. If "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 intangible expenses and costs claimed by the taxpayer as being deductible .....		
2. Enter entire net income of related member from line 1, page 1 of New Jersey CBT-100, CBT-100S, or BFC-1 return. IF THE AMOUNT ON LINE 2 IS ZERO OR LESS, STOP HERE. THE EXCEPTION AMOUNT TO BE ENTERED ON LINE 8 IS ZERO, OTHERWISE PROCEED TO LINE 3 .....		
3. Enter the lesser of line 1, column B or line 2, column B .....		
4. Enter the respective allocation factors from line 2, page 1 of the New Jersey CBT-100, CBT-100S, or BFC-1 return. If non-allocating, then 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 from line 9, of the New Jersey CBT-100 or BFC-1, or line 4 of CBT-100S .....		
7. Multiply line 5 by line 6 and enter the result here .....		
8. Exception 2 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 then divide that result by line 4, column A. Enter result here and on line 2 of the Total Exceptions Chart for Part II. ....		

**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 an on line (b) of Schedule G, Part II .....	