



GMS Flash Alert



2023-076 | April 5, 2023

United States - 2022 Rebates to NJ Taxpayers May Require Amended Return

In order to alleviate double taxation, most states allow their residents to claim a credit for the taxes paid to a non-resident state on income that is taxed by both the resident and non-resident states.

The New Jersey Division of Taxation has provided guidance to taxpayers who claimed credits on their 2021 New Jersey resident income tax return (NJ-1040) for taxes paid to certain states that issued specific payments in 2022.¹

Special payments or rebates issued by Massachusetts, South Carolina, Georgia, and Virginia in 2022 to New Jersey residents are considered refunds of state taxes paid to that state.² These refunds may impact the credit for taxes paid to other jurisdictions taxpayers claimed on the 2021 NJ-1040 and may require taxpayers to amend their New Jersey return and pay additional tax due, according to the New Jersey tax authorities.

WHY THIS MATTERS

The receipt of a non-resident state refund payment related to tax year 2021 may result in additional tax (and related interest) due on the 2021 NJ-1040. Global mobility programs with tax-equalized New Jersey-resident assignees in 2021 who have a balance due as a result of receiving any of the special refund payments attributable to the 2021 tax year should have such assignees file amended 2021 returns as soon as possible to mitigate the interest impact.³ While the additional balance due may be nominal, the per-assignee cost is compounded when factoring in gross-ups for federal, state, and social taxes.

Furthermore, global mobility programs with assignees who reside or work in Massachusetts, South Carolina, Georgia, or Virginia should make sure they have a system in place to determine whether their assignees received any of these special payments in 2022, as these refund payments may be due back to the company.

KPMG INSIGHTS

Taxpayers who received refunds or rebates related to the 2021 tax year from other states should review their 2021 NJ-1040 to determine if, as a result of receiving a refund of state tax paid, they are required to adjust the credit for taxes paid to other jurisdictions. If a resident taxpayer also claimed a credit for taxes paid to South Carolina, Georgia, or Virginia, the taxpayer should similarly review those credit calculations to determine if they are required to make an adjustment as a result of receiving a refund of state taxes paid to those states.

FOOTNOTES:

- 1 See New Jersey Division of Taxation website, "[Credit for Taxes Paid to Other Jurisdictions and Refunds of Other State Taxes Paid.](#)"
- 2 See [IR-2023-23 \(Feb. 10, 2023\)](#) for IRS guidance on how to treat such payments for federal income tax purposes.
- 3 The 2021 New Jersey amended resident income tax return (NJ-1040X) and instructions are available at: https://nj.gov/treasury/taxation/pdf/other_forms/tgi-ee/2021/1040x.pdf.

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The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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