

CHAPTER 90

AN ACT concerning the tax treatment of forgiven federal paycheck protection program loans.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Notwithstanding N.J.S.54A:5-1, a loan, or portion thereof, forgiven pursuant to section 1106 of the federal CARES Act, Pub.L.116-136, or any subsequent expansion of the federal Paycheck Protection Program, including the provision of second draw loans pursuant to section 311 of Division N of the “Consolidated Appropriations Act, 2021,” Pub.L.116-260, shall not be included in the calculation of New Jersey gross income subject to tax under the New Jersey Gross Income Tax Act.

2. a. A taxpayer under the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.) shall not be denied a deduction for ordinary and necessary business expenses paid for with the proceeds of a federal Paycheck Protection Program loan by reason of the exclusion from entire net income under P.L.1945, c.162 of such loan, or portion thereof, forgiven pursuant to section 1106 of the federal CARES Act, Pub.L.116-136 or any subsequent expansion of the federal Paycheck Protection Program, including the provision of second draw loans pursuant to section 311 of Division N of the “Consolidated Appropriations Act, 2021,” Pub.L.116-260.

b. A taxpayer under the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. shall not be denied a deduction for ordinary and necessary business expenses paid for with the proceeds of a federal Paycheck Protection Program loan by reason of the exclusion from New Jersey gross income under the New Jersey Gross Income Tax Act of such loan, or portion thereof, forgiven pursuant to section 1106 of the federal CARES Act, Pub.L.116-136, or any subsequent expansion of the federal Paycheck Protection Program, including the provision of second draw loans pursuant to section 311 of Division N of the “Consolidated Appropriations Act, 2021,” Pub.L.116-260, or pursuant to section 1 of this act.

3. This act shall take effect immediately and shall apply retroactively to taxable years beginning on or after January 1, 2020.

Approved May 11, 2021.