ASSEMBLY, No. 4108

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED MAY 7, 2020

Sponsored by:
Assemblyman RONALD S. DANCER
District 12 (Burlington, Middlesex, Monmouth and Ocean)

SYNOPSIS

Allows carryforward of certain losses under New Jersey gross income tax.

CURRENT VERSION OF TEXT

As introduced.

AN ACT allowing a carryforward of certain losses under the New Jersey gross income tax, and amending N.J.S.54A:5-2.

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

1. N.J.S.54A:5-2 is amended to read as follows:

a. Losses which occur within one category of gross income may be applied against other sources of gross income within the same category of gross income during the taxable year. However, a net loss in one category of gross income may not be applied against gross income in another category of gross income.

b. A taxpayer who sustains a net loss from the sale, exchange, or other disposition of property, which if sold for a gain would result in a gain includable in gross income pursuant to subsection c. of N.J.S.54A:5-1, may carry that loss forward, if necessary and in accordance with the terms and conditions prescribed by the director, for application as a deduction from gross income within the same category of gross income for taxable years following the taxable year in which the net loss occurs. Application of this subsection shall be subject to the limitations and restrictions on the deductibility of capital asset losses from federal gross income under the provisions of sections 1211 and 1212 of the federal Internal Revenue Code (26 U.S.C. ss.1211-1212) and any other provision of the federal Internal Revenue Code relating to capital gains and losses.

(N.J.S.54A:5-2)

2. This act shall take effect immediately and shall apply to taxable years beginning on or after January 1 next following the date of enactment.

STATEMENT

This bill permits taxpayers to carry forward net losses from the disposition of property.

As a result of the bill, for example, a taxpayer who generates a profit from the sale of stock may offset that gain with losses sustained from another investment, and if a net loss is unused, may carry it forward to deduct in future years. Under current law, a loss which occurs in one taxable year may not be carried back or forward and applied against past or future tax liabilities.

Additionally, the bill provides that federal income tax laws relating to capital gains and losses govern the amount of losses that a taxpayer may apply and the range of years over which a loss could be carried forward.

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.