

§1 - T&E & Note
to C.54A:5-1
§2 - T&E & Notes
to C.54A:5-1 &
C.54:10A-4
§3 - Note

P.L. 2021, CHAPTER 90, *approved May 11, 2021*
Senate, No. 3234 (*Second Reprint*)

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

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

6
7 1. Notwithstanding N.J.S.54A:5-1, a loan, or portion thereof,
8 forgiven pursuant to section 1106 of the federal CARES Act,
9 Pub.L.116-136, ¹or any subsequent expansion of the federal
10 Paycheck Protection Program, including the provision of second
11 draw loans pursuant to section 311 of Division N of the
12 “Consolidated Appropriations Act, 2021,” Pub.L.116-260,¹ shall not
13 be included in the calculation of New Jersey gross income subject to
14 tax under the New Jersey Gross Income Tax Act.

15
16 2. a. A taxpayer under the Corporation Business Tax Act (1945),
17 P.L.1945, c.162 (C.54:10A-1 et seq.) shall not be denied a deduction
18 ²for ordinary and necessary business expenses paid for with the
19 proceeds of a federal Paycheck Protection Program loan² by reason of
20 the exclusion from entire net income under P.L.1945, c.162 of ²**[a]**
21 such² loan, or portion thereof, forgiven pursuant to section 1106 of the
22 federal CARES Act, Pub.L.116-136 ¹or any subsequent expansion of
23 the federal Paycheck Protection Program, including the provision of
24 second draw loans pursuant to section 311 of Division N of the
25 “Consolidated Appropriations Act, 2021,” Pub.L.116-260¹.

26 b. A taxpayer under the ¹**[New Jersey Gross Income Tax Act]**
27 “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq.¹ shall not
28 be denied a deduction ²for ordinary and necessary business expenses
29 paid for with the proceeds of a federal Paycheck Protection Program
30 loan² by reason of the exclusion from New Jersey gross income under
31 the New Jersey Gross Income Tax Act of ²**[a]** such² loan, or portion
32 thereof, forgiven pursuant to section 1106 of the federal CARES Act,
33 Pub.L.116-136, ¹or any subsequent expansion of the federal Paycheck

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted January 21, 2021.

²Assembly AAP committee amendments adopted February 24, 2021.

1 Protection Program, including the provision of second draw loans
2 pursuant to section 311 of Division N of the “Consolidated
3 Appropriations Act, 2021,” Pub.L.116-260,¹ or pursuant to section 1
4 of this act.

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6 3. This act shall take effect immediately ²and shall apply
7 retroactively to taxable years beginning on or after January 1, 2020².

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12 Allows deduction from tax of certain expenses when taxpayer’s
13 federal paycheck protection program loan is forgiven and excludes
14 those forgiven loans from gross income tax.