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Taxing event: How accounting firms are preparing clients for sudden change in laws around N.J.-Pennsylvania border

By [Brett Johnson](#), October 24, 2016

[excerpt]

...The revenue consequences such changes may have on the state's coffers could serve as impetus for a tax legislation push that could have a large impact on certain businesses, according to Bill Korman of Ernst & Young.

Korman, an executive director of state and local tax at the global firm, said a focus could be put on combined reporting, which treats a company's subsidiaries and other entities, such as trusts and partnerships, as a single entity for tax purposes.

"One of the reasons combined reporting is going to be more and more compelling during next year's gubernatorial elections is that downward pull in revenue collections over the next few years as part of that (Transportation Trust Fund deal)."

New Jersey is included in the minority of states in the country that does not operate under combined reporting, and its introduction could be seen as a way to increase revenues.

"Way back when — in the '70s or sooner — few states required combined reporting, but today it's the other way around," Korman said. "New Jersey has been a holdout, but combined reporting has been a conversation here (for decades).

"Those conversations are starting to take more serious form, and in the upcoming election cycle, it could be a major issue."

Considered a nonstarter under Trenton's current administration, combined reporting has been criticized by business interests that Korman said benefit financially from having entities taxed separately and outside the high-tax Garden State.

“Small businesses (are) in this instance not against combined reporting, because it doesn’t so much affect them; if a business is 100 percent in New Jersey, it doesn’t matter if you file one return or 10 returns,” he said. “Every time you have a tax law, some companies don’t mind it, some do.”

Andrew Ebnetter, a tax and business partner with Marcum LLP, said not to expect much movement on the issue in the interim.

“But I wouldn’t be surprised to see something here soon like the state of North Carolina did,” he said. “Last year, North Carolina distributed a form that certain corporations were required to fill out if they had receipts over \$10 million in the state, to fill out a schedule that showed what their income would be like if they were a (market sourcing state).

“It wouldn’t shock me if New Jersey’s leaders were to start studying combined reporting (similarly, through the use of forms and surveys). But we’ll have to wait and see.”