This Week in State Tax (TWIST)

July 13, 2026

New Jersey: Garden State enacts cap on NOL utilization

A bill signed by Governor Mikie Sherrill imposes a temporary $1 million annual cap on net operating losses claimed for purposes of the corporation business tax. Any deduction reduced or disallowed under this provision may be carried forward for up to six additional years past the year in which it would have otherwise expired. This limitation will apply to any tax year ending on or after July 31, 2026, and before July 31, 2030. For tax years ending on or after July 31, 2030, through July 31, 2032, a taxpayer may claim any deductions that were disallowed by the cap (up to 75 percent of the taxpayer's allocated net income); any deduction disallowed will be similarly entitled to a carryforward of up to six years beyond the standard expiration date. Interest and penalties will not be assessed against a taxpayer for an underpayment of estimated tax due prior to January 1, 2027, resulting from the new limitation. Contact Andrew Eskola with questions about Assembly Bill 5322.