State of New Jersey

Media Companies Voluntary Disclosure Initiative

N.J.S.A. 54:10A-2 of the Corporation Business Tax Act imposes a Corporation Business Tax requirement on corporations who derive receipts or engage in contacts in New Jersey if that level of business activity is sufficient to impose a tax under the Constitution and statutes of the United States.

The Division of Taxation, after having some discussions, has recognized that there may be an opportunity to enable an industry to come into compliance. Therefore, the Division is announcing a Voluntary Disclosure initiative directed to Media and Media Content Companies

Most Media and content companies derive revenue from two (2) primary sources: 1) advertising revenue; and 2) subscription and syndication revenue. Most Media and Media Content Companies may also derive revenue from the following secondary sources: 1) licensing revenue from intangible property used in the sale of consumer products; and 2) miscellaneous revenue.

Beginning on August 15, 2011 and ending on November 15, 2011, Media and Media Content Companies will have the opportunity to come forward and comply with New Jersey Corporation Business Tax filing requirements based on the following principles:

- A look back period will be limited to four (4) years. This includes the current period and the previous three (3) years.
- All late filing penalties will be waived. A 5% Amnesty penalty will be assessed for amnesty eligible periods; i.e., returns due on or after January 1, 2002 and prior to February 1, 2009.
- The amount of receipts earned by licensing intangible property cannot exceed 10% of total gross receipts.
- Advertising revenue will be assigned to the numerator of its sales fraction based on the percentage of subscribers within New Jersey over subscribers everywhere.
- Subscription and syndication revenue will be assigned to the numerator of its sales fraction based on Regulation 18:7-8.10(c).
- Licensing revenue use in the sale of consumer products will be assigned to the numerator of its sales fraction based on the percentage of subscribers within New Jersey over subscribers everywhere.
- All other apportionment and receipts sourcing, including miscellaneous revenue, will be based on current law and regulations.
- Discretionary apportionment relief from “throwout” allocation may be granted on a case-by-case review.
- Prospectively, the taxpayer and the Division of Taxation may agree to continue to use the sourcing methods described in this Agreement for a set period of time into the future to the extent provided by State or Federal Law. If future legislation is enacted that specifically addresses the sourcing methodology for this industry, both the taxpayer and the Division of Taxation will be bound by such changes.
- Within ninety (90) days of execution of its Voluntary Disclosure Agreement, the taxpayer will file its New Jersey Corporation Business Tax Returns for the disclosure period and remit the taxes due.
- will be paid within thirty (30) days of assessment.
- Eligible Media and Media Content Companies choosing not to participate will not be eligible for the general VDA program and will be subject to late filing penalties and a longer look back period if discovered to have a filing responsibility after the expiration of this initiative.
- Participants in the initiative must otherwise qualify for the Voluntary Disclosure program. Refer to www.state.nj.us/treasury/taxation/voldisc.shtml.

If you wish to proceed with a disclosure or if you have any questions, please contact Michael A. Gorczycki, Assistant Chief, Audit Activity at P.O. Box 269, Trenton, NJ 08695-0269, via phone at 609-943-5634 or via fax at 609-633-2681.