

Client Alert.

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New Jersey Tax Court Rejects Division of Taxation's Attempt to Cut Off Interest Accrual

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The New Jersey Tax Court agreed with our argument and handed IGT a victory on a challenge to the New Jersey Division of Taxation's reduction of refund interest. The Division sought to deprive IGT of almost four years of interest on refunds for the time between IGT's filing of its protest with the Division's Conference and Appeals Branch and the time that a final determination was issued. The Division asserted that IGT's refund claim did not "mature" until after the Division issued a final determination on the company's protest, despite the fact that the Division had the use of IGT's funds during that time. However, the final determination merely confirmed the Division's position on its Throw-Out provision, N.J.S.A. § 54:10A-6(B), but did not impact the refund that IGT was otherwise due. IGT filed its complaint in the New Jersey Tax Court challenging the Division's final determination.

N.J.S.A. 54:49-15.1, which authorizes refunds, provides three dates, the latest from which interest would accrue: (1) the date the refund claim was filed; (2) the date the tax was paid; and (3) the date the return was filed. Since here the date the refund claim could be filed is after both the date the tax was paid and the date the return was filed, the question was when the refund claim was deemed filed. The Tax Court agreed with our statutory argument that, since N.J.S.A. 54:49-14a barred taxpayers from filing refund claims once an administrative protest is filed and, since but for the Throw-Out issue IGT was otherwise due a refund, interest runs from the date the protest was filed. The Division's other adjustments resulted in refunds that "crystallized" when the protest was filed. The Tax Court noted that denying interest until the date that the final determination was issued would penalize taxpayers that protest adverse tax adjustments, here, IGT's challenge to the Throw-Out provision. Thus, the Tax Court interpreted the statutory provisions with an eye for justice.

As the IGT case illustrates, procedural provisions should be pursued as they are critical to protecting taxpayers' interests.

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