



**If you would like to make a donation on your return to any of the charitable funds described below, see the instructions on page 30.**

**Line 52B - New Jersey — Endangered Wildlife Fund... *Be a Partner in Protection!***

**Help keep NJ's wildlife in our future!** Over 70 endangered and threatened species struggle for survival in NJ, the most densely populated state in the nation – and each day brings them closer to extinction. You can help stem the tide of species and habitat loss when you “Check Off for Wildlife” this year. Your donation goes directly to conservation, research, restoration, and education – real dollars that help the Endangered & Nongame Species Program protect imperiled animals such as the bald eagle, bobcat, and bog turtle, plus over 400 other nongame species in NJ. **Your contribution will provide critical matching funds for federal grants, so this year please “Check Off for Wildlife.” Thank you!**



Please visit [www.NJFishandWildlife.com/ensphome.htm](http://www.NJFishandWildlife.com/ensphome.htm) for more info. For a free subscription to our newsletter, please write to Conserve Wildlife Foundation, PO Box 400, Trenton, NJ 08625-0400, or contact [patricia.shapella@dep.state.nj.us](mailto:patricia.shapella@dep.state.nj.us).

**Line 52C - New Jersey — Children's Trust Fund... “A Person Who Cares Can Prevent Child Abuse”**

Every year thousands of children in New Jersey are neglected and abused. We rely on your support to ensure that community-based programs throughout New Jersey have the resources to prevent these tragedies and strengthen families. 100% of your contribution goes directly to support child abuse prevention programs such as:

- parent education and support groups
- home visitation for parents of newborns
- respite care for children with special needs and their families

**You can help children in New Jersey have a safe and healthy childhood.**

For more information and/or a copy of the Children's Trust Fund's booklet of current programs please contact: NJ Children's Trust Fund, PO Box 711, Trenton, NJ 08625-0711 Phone: 609-633-3992 Web: [www.njchildrenstrustfund.org](http://www.njchildrenstrustfund.org)



**Line 52D - New Jersey — Vietnam Veterans' Memorial Fund**

“To Remember, To Heal, To Honor”

Your support honors 1,560 New Jerseyans whose names are engraved on the Memorial and helps us teach future generations about this unique time in our nation's history at the Vietnam Era Educational Center.

For more information, write: **New Jersey Vietnam Veterans' Memorial, PO Box 648, Holmdel, NJ 07733** or call: **732-335-0033**. Visit us on the Web at [www.njvvmf.org](http://www.njvvmf.org)



**Line 52E - New Jersey — Breast Cancer Research Fund**

***YOUR STATE TAX REFUND TODAY HELPS OUR DAUGHTERS TOMORROW***

Join the fight against breast cancer and help New Jersey based researchers find a cure now so our daughters won't have to fight this disease in the future. 100% of your donation supports research relating to the prevention, screening, treatment, and cure of breast cancer. For further information, please contact: The New Jersey Commission on Cancer Research, PO Box 369, Trenton, NJ 08625-0369. Web: [www.state.nj.us/health](http://www.state.nj.us/health)



**Line 52F - New Jersey — U.S.S. New Jersey Educational Museum Fund****Mission: Support the Battleship New Jersey**

Help the continued restoration and preservation of our nation's most decorated battleship — the Battleship New Jersey Museum and Memorial along the Camden Waterfront. Your contribution goes directly to restoring this historic vessel and expanding her educational programs for all residents of our state to enjoy and learn.

For more information, visit [www.battleshipnewjersey.org](http://www.battleshipnewjersey.org) or call 1-866-877-6262.

Tours available daily.

**Line 52G - New Jersey — Designated Contribution****01 - Drug Abuse Education Fund - THE EPIDEMIC OF DRUG ABUSE NEEDS**

**YOUR HELP!** Your contribution helps New Jersey children receive valuable education from highly trained uniformed law enforcement officers throughout the State in providing drug abuse education programs. Research has shown that the more resistance education children receive, the more likely they will be drug free. The monies raised will help maintain K-6 curricula and increase program activity to Middle School and High School students as well as parents.

For more information contact **D.A.R.E. New Jersey** at 292 Prospect Plains Rd., Cranbury, NJ 08512 or call 1-800 DARENJ1. Web address: <http://www.dare.com>

**Line 52G - New Jersey — Designated Contribution****02 - Korean Veterans' Memorial Fund**

"To Honor, To Educate, To Recognize, To Commemorate"

Your support to the Korean War Memorial in Atlantic City honors all the New Jerseyans who served and especially the more than 889 soldiers who died during the *Forgotten War*. We need to inform future generations of the past so that no one ever forgets these men and women. Your contribution will be used to maintain this place of honor.

For more information, write: Korean War Memorial, c/o Dept. of Military and Veterans Affairs, PO Box 340, Eggert Crossing Road, Trenton, NJ 08625-0340. Phone: 609-530-7049. <http://www.state.nj.us/military/korea/>

**Line 52G - New Jersey — Designated Contribution****03 - Organ and Tissue Donor Awareness Education Fund**

Close to 3,000 critically ill New Jerseyans from all walks of life — parents, children, siblings, grandparents — are waiting for life-saving organ transplants. Each day 17 people on waiting lists will die due to the lack of donated organs. But you have the power to donate life. Just one organ and tissue donor can save up to 8 lives and enhance the health of 50 others. Your support will help raise awareness of this drastic need for organ and tissue donors. Begin today by checking off line 52G to help fund organ and tissue donor education awareness in New Jersey.

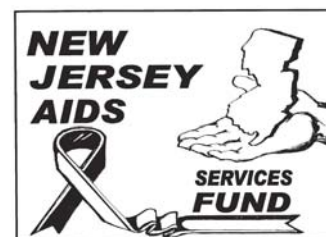
**For more information, call 1-800-SHARE-NJ or visit [www.sharenj.org](http://www.sharenj.org)**



**Line 52G - New Jersey — Designated Contribution**  
**04 - NJ-AIDS Services Fund**

New Jersey currently ranks fifth in the country in total cases of HIV infection with an estimated 60,000 people living with HIV/AIDS. Your donation will be used for prevention, education, treatment and research.

For more information write to: New Jersey AIDS Services Fund, c/o Positive Connection, PO Box 1502, Bloomfield, New Jersey 07003, call: 973-485-6596, or visit us online: [www.positiveconnection.info](http://www.positiveconnection.info)



**Line 52G - New Jersey — Designated Contribution**  
**05 - Literacy Volunteers of America – New Jersey Fund**

“Literacy is the key to personal freedom.”

Since 1979 Literacy Volunteers of New Jersey has been committed to increasing adult literacy in New Jersey. We are the state-level organization that provides training and technical support to a network of community-based literacy programs throughout New Jersey. These local programs focus on recruiting, training, and matching volunteers with adults who need help learning to read and write or to understand and speak English. A corps of 2,500 volunteers provide free one-on-one instruction to 5,000 students each year. Your donation will enable LV-NJ to expand its services so that more adults can acquire the literacy skills needed to reach their full potential as individuals, parents, workers, and citizens.

**For more information call Literacy Volunteers of New Jersey at 1-800-848-0048 or visit our website at [www.lvnj.org](http://www.lvnj.org).**



**Line 52G - New Jersey — Designated Contribution**  
**06 - New Jersey – Prostate Cancer Research Fund**  
**DONATE FOR DAD**

Over the past several years, New Jersey has had the dubious distinction of consistently ranking in the top ten states in the nation for prostate cancer incidence and mortality. So join our fight against prostate cancer and help New Jersey cancer researchers find a cure. 100% of your donation supports approved prostate cancer research relating to the prevention, screening, treatment, and cure of prostate cancer. For further information, please contact: The New Jersey Commission on Cancer Research, PO Box 369, Trenton, NJ 08625-0369. Web: [www.state.nj.us/health](http://www.state.nj.us/health)



**Line 52G - New Jersey — Other Designated Contribution**  
**07 - World Trade Center Scholarship Fund**

Contributions to The New Jersey World Trade Center Scholarship will aid the dependent children and surviving spouses of New Jersey residents who were killed in the terrorist attacks against the United States on September 11, 2001. Having lost the financial resources of a parent or spouse, survivors are deemed to have financial need. This scholarship is intended to defray a portion of their higher education expenses. To qualify, students must attend an eligible institution on a full-time basis.

For more information call 1-800-792-8670 or visit [www.hesaa.org](http://www.hesaa.org).



**WTC**  
**Scholarship Fund**

## FILING INFORMATION

- ◆ Your filing status and gross income determine whether you have to file a tax return.
- ◆ Age is not a factor in determining whether a person must file. Even minors (including students) and senior citizens must file if they meet the income filing requirements.
- ◆ *Gross income* means reportable income after exclusions but before personal exemptions are subtracted. It does not include nonreportable (exempt) benefits. See page 16 to find out which types of income are not reportable.
- ◆ Members of the Armed Forces see page 7 for additional information.
- ◆ Compensation paid to Pennsylvania residents employed in New Jersey is not subject to New Jersey income tax. See page 5 for more information.

Use the following chart to determine whether you must file a tax return. This chart is a guide only and may not cover every situation. If you need assistance, contact the Division's Customer Service Center (609-292-6400).

## Who Must File

**You must file a New Jersey income tax return if –**  
Your residency status is:

**and your gross income was more than:**  
your filing status is:

### Nonresident — File Form NJ-1040NR as a nonresident if:

- ◆ New Jersey was not your domicile (permanent legal residence); and you spent 183 days or less here; **OR**
- ◆ New Jersey was not your domicile, you spent more than 183 days here, but you did not maintain a *permanent*\* home here

You may also be considered a nonresident for **New Jersey income tax purposes** if you were domiciled in New Jersey and you met **all** three of the following conditions for the entire year:

1. You did not maintain a *permanent* home in New Jersey; **and**
2. You did maintain a *permanent* home outside of New Jersey; **and**
3. You did not spend more than 30 days in New Jersey.

Single	\$10,000
Married, filing separate return	(from all sources)
Married, filing joint return	\$20,000
Head of household	(from all sources)
Qualifying widow(er)	

### Part-Year Resident — File Form NJ-1040 as a part-year resident if:

You met the definition of resident for only part of the year.

**NOTE:** Both part-year resident (Form NJ-1040) and part-year nonresident (Form NJ-1040NR) returns may have to be filed when a part-year resident receives income from New Jersey sources during the period of nonresidence.

Single	\$10,000 from all sources
Married, filing separate return	(for the entire year)
Married, filing joint return	\$20,000 from all sources
Head of household	(for the entire year)
Qualifying widow(er)	

### Full-Year Resident — File Form NJ-1040 as a full-year resident if:

- ◆ New Jersey was your domicile for the entire year; **OR**
- ◆ New Jersey was not your domicile, but you maintained a *permanent*\* home in New Jersey for the entire year and you spent more than 183 days in New Jersey. (If you are a member of the Armed Forces stationed here and New Jersey is not your domicile, you are not a resident under this definition.)

Single	\$10,000
Married, filing separate return	(from all sources)
Married, filing joint return	\$20,000
Head of household	(from all sources)
Qualifying widow(er)	

\* A home (whether inside or outside of New Jersey) is not permanent if it is maintained only during a temporary or limited period for the accomplishment of a particular purpose. Likewise, a home used only for vacations is not a permanent home.

## Other Filing Information

**Married Persons and Filing Status.** If both you and your spouse were nonresidents of New Jersey during the entire taxable year, and only one of you earned, received, or acquired income from New Jersey sources, the spouse who had income from New Jersey sources may file a separate New Jersey return even though you filed a joint Federal return. The spouse with income from New Jersey sources computes income and exemptions as if a Federal married, filing separate return had been filed. You have the option of filing a joint return, but remember, joint income would be reported in Column A of Form NJ-1040NR.

If one spouse was a nonresident and the other a resident of New Jersey during the entire taxable year and both had income from New Jersey sources, separate New Jersey returns may be filed (the nonresident files a nonresident return and the resident files a resident return). Each spouse computes income and exemptions as if Federal married, filing separate returns had been filed. You have the option of filing a joint resident return, but remember, joint income would be taxed as if both spouses were residents.

**Domicile.** A domicile is any place you regard as your permanent home—the place to which you intend to return after a period of absence (as on vacation abroad, business assignment, educational leave, etc.). A person has only one domicile, although he or she may have more than one place to live. Once established, your domicile continues until you move to a new location with the intent to establish your permanent home there and to abandon your New Jersey domicile. Moving to a new location, even for a long time, does not change your domicile if you intend to return to New Jersey.

A place of abode, whether inside or outside of New Jersey, is not permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose (e.g., temporary job assignment). If New Jersey is your domicile, you will be considered a resident for New

## TAXPAYERS' BILL OF RIGHTS

The New Jersey Taxpayers' Bill of Rights simplifies tax administration and ensures that all taxpayers—individuals and businesses alike—are better informed and receive fair and equitable treatment during the tax collection process. Highlights of the Taxpayers' Bill of Rights include:

### Service—

- ♦ Division must respond to taxpayers' questions within a reasonable time period.
- ♦ Notices of taxes and penalties due must clearly identify the purpose of the notice and must contain information about appeal procedures.

### Appeals—

- ♦ Time to appeal to the Tax Court is generally 90 days.

### Interest on Refunds—

- ♦ Interest is paid at the prime rate on refunds for all taxes when the Division takes more than six months to send you a refund.
- ♦ You may request that your overpayment of this year's tax be credited towards next year's tax liability, however, interest will not be paid on overpayments that are credited forward.

For more information on the rights and obligations of both taxpayers and the Division of Taxation under the Taxpayers' Bill of Rights, request our publication ANJ-1, *New Jersey Taxpayers' Bill of Rights*.

Jersey tax purposes *unless* you meet all three conditions for nonresident status (see "Who Must File" on page 4). Likewise, if New Jersey is not your domicile, you will only be considered a New Jersey resident if you maintain a permanent home and spend more than 183 days here.

## Pennsylvania Residents

**Income From New Jersey.** As a result of the Reciprocal Personal Income Tax Agreement between the Commonwealth of Pennsylvania and the State of New Jersey, compensation paid to Pennsylvania residents employed in New Jersey is not subject to New Jersey income tax. Compensation means salaries, wages, tips, fees, commissions, bonuses, and other remuneration received for services rendered as an employee.

If New Jersey income tax was withheld from your wages, you must file a New Jersey nonresident return to obtain a refund. To stop the withholding of New Jersey income tax, complete a New Jersey Certificate of Nonresidence (Form NJ-165) and give it to your employer. You may obtain Form NJ-165 by contacting the Division's Customer Service Center. Form NJ-165 is also available on the

Division's Web site at [www.state.nj.us/treasury/taxation/](http://www.state.nj.us/treasury/taxation/)

The Reciprocal Agreement covers compensation only. If you are self-employed or receive other income (for example, gain from sale of property) which is taxable in both states, you must file a New Jersey nonresident return and report the income received.

**Column A.** Complete Column A, Lines 14 through 26, showing income from everywhere.

**Column B.** When Pennsylvania residents complete Column B, employee compensation from New Jersey sources should not be included on Line 14. For Pennsylvania residents Line 14, Column B, is zero, so enter "0."

**Withholdings.** If New Jersey income tax was withheld, enter the amount from your W-2(s) on Line 44.

**Signed Statement.** Pennsylvania residents employed in New Jersey who had New Jersey income tax erroneously withheld must attach a signed statement declaring the following, "Under penalties of perjury, I affirm that I am a resident of the Commonwealth of Pennsylvania and

that, pursuant to an agreement existing between the Commonwealth and the State of New Jersey, I claim exemption from payment of New Jersey gross income tax on compensation paid to me in the State of New Jersey. I understand that under the agreement between Pennsylvania and New Jersey this information is available to the Commonwealth of Pennsylvania.”

## Guidelines for Part-Year Nonresidents

**Filing Requirements.** Any person who became a resident of New Jersey or moved out of this State during the year, and whose income from all sources for the entire year is greater than \$20,000 (\$10,000 if filing status is single or married, filing separate return), must file a **resident** return and report that portion of the income received while a resident of New Jersey. A person who receives income from a New Jersey source while a nonresident, and whose income from all sources for the entire year exceeds \$20,000 (\$10,000 if filing status is single or married, filing separate return), must file a New Jersey nonresident return, even though the income from New Jersey sources reported for the period of nonresidence was below these thresholds.

**Part-year nonresidents must prorate all exemptions, deductions, and credits, as well as the pension and other retirement income exclusions, to reflect the period covered by each return.**

If your income for the entire year from all sources was \$20,000 or less (\$10,000 if filing status is single or married, filing separate return), no tax is due. You must attach a copy of your Federal income tax return or a statement to that effect if you did not file a Federal return.

**NOTE:** If you derived any income while a resident of New Jersey, it may also be necessary to file a New Jersey resident return. Any withholdings should be allocated between the resident and nonresident returns. For more information, see Form NJ-1040, New Jersey resident return and instructions.

## AVOIDING COMMON MISTAKES

Check the following items to avoid delays in processing returns and refunds.

- ✓ **Name, Address, and Social Security Number** should be checked for accuracy. Be sure your social security number appears on all documents submitted with your return. Also indicate your state of residency in the space provided.
- ✓ **Use correct form** for your tax situation. See the “Who Must File” chart on page 4.
- ✓ **Use only blue or black ink** when completing forms.
- ✓ **Read instructions** carefully before completing your return.
- ✓ **You may not report a loss on Form NJ-1040NR.**
- ✓ **Use “STATE WAGES” figure(s) from your W-2(s), NOT Federal wages figure(s).** If you received wages from sources outside New Jersey, this figure may need to be adjusted to reflect New Jersey tax law.
- ✓ **Complete** both Column A and Column B, Lines 14–26.
- ✓ **Locate the correct column** for your filing status in the Tax Table when calculating tax on Line 37.
- ✓ **Request a refund** by completing Line 54.
- ✓ **Attach all necessary forms**, schedules, and other documents to your return. See page 32.
- ✓ **Check your math.**
- ✓ **Sign and date your return.** Both spouses must sign a joint return.
- ✓ **Keep a copy of your return** and all supporting documents or schedules.
- ✓ **Changes or mistakes** to your original return may be corrected by filing an amended return. See page 12.

### Line 14 - Wages

**Column A.** Enter your wages from sources both inside and outside New Jersey for your period of nonresidence.

**Column B.** Enter your wages from New Jersey sources for your period of nonresidence (unless you were a Pennsylvania resident).

### Other Income

**Column A.** Enter your interest, dividends, pensions, and all other income from sources both inside and outside New Jersey for your period of nonresidence. Partners and shareholders should request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*, for instructions on reporting distributive share of partnership income and net pro rata share of S corporation income.

**Column B.** Enter only the income from New Jersey sources for your period of nonresidence. Part-year nonresident partners and, in general, S corporation shareholders, must prorate the entity’s income

based on the number of days in the entity’s fiscal year that you were a nonresident divided by 365 (366 for leap years).

### Line 21 - Pensions, Annuities, IRA Withdrawals, Less Exclusion

**Column A.** If you were a New Jersey nonresident for only part of the taxable year and your gross income for the *entire year* from all sources was \$100,000 or less before subtracting any pension exclusion, you may qualify for a pension exclusion if you meet the other eligibility requirements. If you qualify, prorate the exclusion by the number of months you were a New Jersey nonresident. For this calculation 15 days or more is a month.

**Column B.** No entry is necessary.

### Line 27 - Other Retirement Income Exclusion

If you (and/or your spouse if filing jointly) were 62 years of age or older on the last day of the tax year, you may qualify to exclude other income on Line 27. There are two parts to the total exclusion: Part I, the unclaimed portion of your prorated pension exclusion, and

*Part-Year Nonresidents - continued*

Part II, an exclusion for taxpayers who are unable to receive Social Security or Railroad Retirement benefits. **Do not complete Worksheet D** on page 25 to calculate the total exclusion amount you are eligible to claim. Instead, calculate your total exclusion as follows:

**Part I.** Total the earned income (wages, net profits from business, partnership income, and S corporation income) you received from all sources for the *entire* year. If your earned income for the entire year was \$3,000 or less and you did not use your entire *prorated* pension exclusion at Line 21, you may be able to use the unclaimed pension exclusion at Line 27 provided your gross income from all sources (combined income if filing jointly) for the entire year before subtracting any pension exclusion was \$100,000 or less.

**Part II.** If you are unable to receive Social Security or Railroad Retirement benefits, but would have been eligible for benefits had you fully participated in either program, you may also be eligible for an additional exclusion, whether or not you used all of your *prorated* pension exclusion at Line 21.

For more information, request Tax Topic Bulletin GIT-6, *Part-Year Residents*.

**Line 30 - Total Exemption Amount.** Your total exemptions must be prorated based upon the number of months you were a New Jersey nonresident. For this calculation 15 days or more is a month.

$$\frac{\text{Total Exemptions}}{12} \times \frac{\text{Mos. NJ Nonresident}}{12} = \text{Line 30}$$

See the instructions for Line 30 on page 26 to calculate the "total exemption" amount to be prorated.

**Lines 31, 32, 33, and 34 - Deductions.** You may deduct medical expenses, qualified Archer medical savings account (MSA) contributions, health insurance costs of the self-employed, alimony and separate maintenance payments, and qualified conservation contributions based on the actual amounts paid for the period of time you were a nonresident of

New Jersey. Complete Worksheet E for medical expenses. See page 27. In addition, eligible taxpayers may qualify for a prorated Health Enterprise Zone (HEZ) deduction.

**Part III - Allocation of Wage and Salary Income Earned Partly Inside and Outside New Jersey.** If you must complete Part III, use the total number of days for your *period of nonresidence*. For more information on part-year nonresidents, request Tax Topic Bulletin GIT-6, *Part-Year Residents*.


### Guidelines for Military Personnel

**Residents.** A member of the Armed Forces whose home of record (domicile) is New Jersey when entering the service remains a resident of New Jersey for income tax purposes, and must file a resident return even if assigned to duty in another state or country, unless he or she qualifies for nonresident status (see chart on page 4). If you are a New Jersey resident, you are subject to tax on all your income, including your military pay, regardless of where it is earned, unless the income is specifically exempt from tax under New Jersey law. Mustering-out payments, subsistence and housing allowances are exempt.

**TAX TIP** Military pensions are exempt from New Jersey gross income tax, regardless of age or disability status. See *Pensions, Annuities, IRA Withdrawals, Less New Jersey Exclusion* on page 20.

A member of the Armed Forces whose home of record is New Jersey and who is stationed outside the State (whether living in barracks, billets, apartment, or house) and does not intend to remain outside New Jersey, continues to be a resident and must file a resident return and report all taxable income. However, if a serviceperson pays for and maintains facilities such as an apartment or a home outside of New Jersey, either by out-of-pocket payments or forfeiture of quarters allowance, such facilities will constitute a *permanent* home outside of New Jersey.

In this case, the serviceperson is not considered a New Jersey resident for tax purposes.

**TAX TIP**  **Nonresidents.** A member of the Armed Forces whose home of record (domicile) is outside of New Jersey does not become a New Jersey resident when assigned to duty in this State. A nonresident serviceperson's military pay is not subject to New Jersey income tax. As a result, nonresident servicepersons should not report their military pay on the wages line in either Column A (Amount of gross income everywhere) or Column B (Amount from New Jersey sources) on Form NJ-1040NR. Mustering-out payments, subsistence and housing allowances are also exempt.

A nonresident serviceperson is not required to file a New Jersey income tax return unless he or she has received income from New Jersey sources other than military pay. A nonresident serviceperson who has income from New Jersey sources such as a civilian job in off-duty hours, income or gain from property located in New Jersey, or income from a business, trade, or profession carried on in this State must file a New Jersey nonresident return, Form NJ-1040NR.

If your permanent home (domicile) was New Jersey when you entered the military, but you have changed your state of domicile or you satisfy the conditions for nonresident status (see chart on page 4), then your military pay is not subject to New Jersey income tax. File Form DD-2058-1 or DD-2058-2 with your finance officer to stop future withholding of New Jersey income tax. If New Jersey income tax was erroneously withheld from your military pay, you must file a nonresident return (Form NJ-1040NR) to obtain a refund of the tax withheld.

**Spouses of Military Personnel.** Spouses (of military personnel) who were not domiciled in New Jersey when they married the military spouse are not considered residents of New Jersey if:

- ◆ The principal reason for moving to this State was the transfer of the military spouse; and
- ◆ It is their intention to leave New Jersey when the military spouse is transferred or leaves the service.

New Jersey law requires that a couple's filing status for New Jersey gross income tax purposes be the same as for Federal income tax purposes. A married couple filing a joint Federal return must file a joint return in New Jersey unless both spouses are nonresidents and only one had income from New Jersey. Another exception to this rule is where one spouse is a New Jersey resident and the other is a nonresident for the entire year. In this case, the resident may file a separate return unless both spouses agree to file jointly as residents. If a joint resident return is filed, their joint income will be taxed as if both spouses were residents.

**Extensions.** Special rules apply to members of the Armed Forces of the United States and civilians providing support to the Armed Forces. See "Military Extensions" below.

**Death Related to Duty.** When a member of the Armed Forces serving in a combat zone or qualified hazardous duty area dies as a result of wounds, disease, or injury received there, no income tax is due for the taxable year the death occurred, nor for any earlier years served in the zone or area.

For more information on military personnel, request Tax Topic Bulletin GIT-7, *Military Personnel*.

## When to File

In general, your New Jersey income tax return is due when your Federal income tax return is due. For calendar year filers, the 2006 New Jersey income tax return is due by April 16, 2007. Fiscal year filers must file their New Jersey income tax return by the 15th day of the fourth month following the close of the fiscal year.


**Postmark Date.** All New Jersey income tax returns postmarked on or before the due date of the return are considered to

be filed on time. Tax returns postmarked after the due date are considered to be filed late. When a return is postmarked after the due date, the filing date for that return is the date the return was received by the Division, not the postmark date of the return. Interest on unpaid liabilities is assessed from the due date of the return.

## Extension of Time to File

An extension of time is granted only to file your New Jersey income tax return. There is no extension of time to pay tax due. **Penalties and interest are imposed whenever tax is paid after the original due date.**

## Six-Month Extension

**TAX TIP**  You may receive a six-month extension of time to file your New Jersey nonresident income tax return if at least 80% of the tax liability computed on your Form NJ-1040NR when filed is paid in the form of withholdings, estimated, or other payments by the original due date, **and**

- 1. Federal extension filed.** A copy of your Federal Application for Automatic Extension is attached to your final return and the box at the top of the NJ-1040NR is checked (if the extension application was filed by phone or online, your confirmation number is entered in the space provided at the top of Form NJ-1040NR); **or**
- 2. No Federal extension filed.** You file a request for a six-month extension on Form NJ-630, Application for Extension of Time to File New Jersey Gross Income Tax Return, by the original due date of the return.

**NOTE:** If a Federal extension is filed, Form NJ-630 must still be filed by the original due date if you are required to make a payment to satisfy the 80% requirement.

Taxpayers who file Form NJ-630 will not receive an approved copy. We will notify you only if your request is denied, but not until after your return is actually filed.

**If you fail to satisfy the requirements outlined for extension, or you fail to file your return by the extended due date, your extension will be denied and penalties and interest will be imposed from the original due date of the return. See "Penalties, Interest, and Collection Fees" on page 11.**

## Military Extensions

Special rules apply to members of the Armed Forces of the United States and civilians providing support to the Armed Forces.

A person on active duty with the Armed Forces of the United States who may not be able to file timely because of distance, injury, or hospitalization as a result of this service, will automatically receive a six-month extension by attaching an explanation to the return when filed.

**Combat Zone.** New Jersey allows extensions of time to file income tax returns and pay any tax due for members of the Armed Forces and civilians providing support to the Armed Forces serving in an area which has been declared a "combat zone" by executive order of the President of the United States or a "qualified hazardous duty area" by Federal statute. Once you leave the combat zone or qualified hazardous duty area, you have 180 days to file your tax return. Enclose a statement with your return to explain the reason for the extension.

In addition, if you are hospitalized outside of the State of New Jersey as a result of injuries you received while serving in a combat zone or qualified hazardous duty area, you have 180 days from the time you leave the hospital or you leave the combat zone or hazardous duty area, whichever is later.

Qualifying military and support personnel, as defined above, are granted an extension of time for paying tax for the period of combat service or hospitalization, plus 180 days.

Attach a statement of explanation to your return when you file. No interest or penalties will be assessed during a valid extension for service in a combat zone or



Extension of Time to File - continued

qualified hazardous duty area. This extension is also granted to a taxpayer's spouse who files a joint return.

**How to Pay**

The balance of tax due must be paid in full by the original due date of the return. If you owe less than \$1, no payment is required. You may make your payment by check or money order, electronic check (e-check), or credit card.

**Check or Money Order.** You will find a payment voucher (Form NJ-1040NR-V) at the front of this booklet. If you owe tax and are sending the payment with your 2006 return, enter the amount of tax due in the boxes on the payment voucher. Do not make changes to any information pre-printed on the payment voucher. Instead, make any necessary changes on the NJ-1040NR. For information about mailing forms, see "Where to Send Your Return" on page 10.

Make check or money order payable to: **State of New Jersey – TGI.** Write your social security number on the check or money order. Use social security numbers of both husband and wife for a joint return. Send your payment for the balance due with the payment voucher in the same envelope with your tax return.

If you are paying a balance due for the 2006 tax year and are making the first installment of estimated tax for 2007, please use separate checks or money orders for each payment. Send your 2007 estimated tax payment with an NJ-1040ES voucher to the address on that payment voucher. **Do not include the estimated tax payment with your 2006 income tax return.**

**Electronic Check (e-check).** You may be able to pay your 2006 New Jersey income taxes or make a payment of estimated tax for 2007 by e-check. This option is available on the Division's Web site ([www.state.nj.us/treasury/taxation/](http://www.state.nj.us/treasury/taxation/)). Taxpayers who do not have Internet access can make a payment by e-check by contacting the Division's Customer Service Center at 609-292-6400. Do not send in the payment voucher if you pay your taxes by e-check.

When using e-check on the Web, you will need your social security number and date of birth to make a payment. Be sure the social security number you enter matches the first social security number shown on the form for which you are making the payment, and the date of birth you enter is the date of birth for that person.

**NOTE:**

- (1) If you do not enter your social security number and date of birth properly, you will not be able to pay by e-check.
- (2) If you are filing a New Jersey return for the first time, or your filing status is different than the filing status on your 2005 return, you may not be able to pay by e-check.

**Credit Card.** You may pay your 2006 New Jersey income taxes or make a payment of estimated tax for 2007 by credit card. Pay by phone (1-800-2PAYTAX, toll-free) or online ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)), and use a Visa, American Express, MasterCard, or Discover credit card. You may be asked to enter a jurisdiction code to make your payment. The code for New Jersey is 4000. Do not send in the payment voucher if you pay your taxes by credit card.

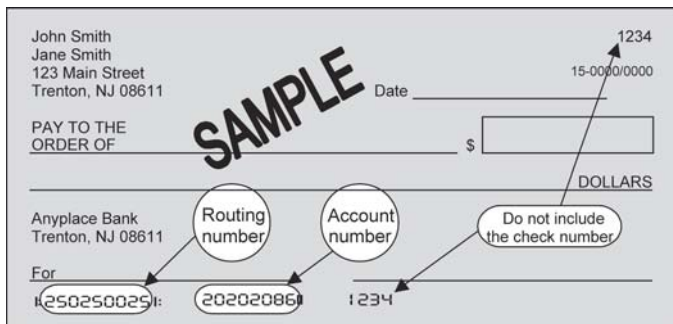
Transaction Amount	Convenience Fee	Total Amount
\$ 100.00	\$ 2.49	\$ 102.49
200.00	4.98	204.98
400.00	9.96	409.96
600.00	14.94	614.94
1,000.00	24.90	1,024.90
1,400.00	34.86	1,434.86
2,000.00	49.80	2,049.80
2,700.00	67.23	2,767.23
3,500.00	87.15	3,587.15
4,400.00	109.56	4,509.56
5,400.00	134.46	5,534.46
6,400.00	159.36	6,559.36
7,400.00	184.26	7,584.26
8,700.00	216.63	8,916.63
10,400.00	258.96	10,658.96
13,000.00	323.70	13,323.70
17,400.00	433.26	17,833.26
21,000.00	522.90	21,522.90
28,000.00	697.20	28,697.20
36,000.00	896.40	36,896.40
45,000.00	1,120.50	46,120.50
55,000.00	1,369.50	56,369.50
66,000.00	1,643.40	67,643.40
77,000.00	1,917.30	78,917.30
88,000.00	2,191.20	90,191.20

**NOTE:** Fees are subject to change. For payments above \$100,000, please contact Official Payments Corp. at 1-866-621-4109

There is a convenience fee of 2.49% paid directly to Official Payments Corporation based on the amount of your tax payment. See Sample Convenience Fees. A \$1 convenience fee will be charged for all tax payments of \$40 or less.

**Time Limit for Assessing Additional Taxes.** The Division of Taxation has three years from the date you filed your income tax return or the original due date of the return, whichever is later, to send you a bill for additional taxes you owe. There is no time limit if you did not file your tax return, or if you filed a false or fraudulent return with the intent to evade tax. The time limit may be extended if:

- ♦ You amended or the IRS adjusted your Federal taxable income;
- ♦ You amended your New Jersey taxable income;



You will need your bank's 9-digit routing number and your account number to make a payment by e-check. Do not enter the check number as part of the account number. **NOTE:** The routing and account numbers may be in different places on your check.

*How to Pay - continued*

- ◆ You entered into a written agreement with the Division extending the time to make an assessment;
- ◆ You omit more than 25% of your gross income on your New Jersey income tax return; or
- ◆ An erroneous refund is made as a result of fraud or misrepresentation by you.

## Where to Send Your Return

Your packet contains a large envelope. Use the large envelope to mail your NJ-1040NR along with related enclosures, payment voucher, and check or money order for any tax due.

### Mail Your Return to:

STATE OF NEW JERSEY  
DIVISION OF TAXATION  
REVENUE PROCESSING CENTER  
PO BOX 244  
TRENTON NJ 08646-0244

## Refunds

A return must be filed to claim a refund for overpayment of tax. If the refund is \$1 or less, you must enclose a statement specifically requesting it.

**Time Period for Refunds.** You have three years from the date the return was filed or two years from the time tax was paid, whichever was later, to claim a refund. If you and the Division agree in writing to extend the period of assessment, the period for filing a refund claim will also be extended.

**Interest Paid on Refunds.** If the Division takes more than six months to send you your income tax refund, you have a right to receive interest on that refund. Interest at the prime rate, compounded annually, will be paid from the *later* of:

- ◆ the date the refund claim was filed;
- ◆ the date the tax was paid; or
- ◆ the due date of the return.

No interest will be paid when an overpayment is credited to the next year's tax liability.

New Jersey law requires that any money owed to the State of New Jersey, any of its

agencies, the Internal Revenue Service, or another claimant state or city that has a personal income tax set-off agreement with New Jersey be deducted from your refund or credit before it is issued. These debts include, among other things, money owed for past due taxes, child support due under a court order, school loans, hospital bills, and IRS levies. If the Division applies your refund or credit to any of these debts, you will be notified by mail.

## Deceased Taxpayers

If a person received income in 2006 but died before filing a return, the New Jersey income tax return should be filed by the surviving spouse, executor, or administrator. Use the same filing status that was used on the final Federal income tax return. Print "Deceased" and the date of death above the decedent's name. **Do not** prorate deductions or exemptions unless the decedent was a part-year nonresident.

The due date for filing is the same as for Federal purposes. In the area where you sign the return write "Filing as Surviving Spouse," if appropriate. A personal representative filing the return must sign in his or her official capacity. Any refund check will be issued to the decedent's surviving spouse or estate.

**Income in Respect of a Decedent.** If you had the right to receive income that the deceased person would have received had he or she lived, and the income was not included on the decedent's final return, you must report the income on your own return when you receive it. The income or gain is included on Line 25, as "Other" income.

## Estates and Trusts

**Filing Requirements for Estates and Trusts.** The fiduciary of an estate or trust may be required to file a New Jersey gross income tax return for that estate or trust. The return for an estate or trust must be filed on a New Jersey Fiduciary Return, Form NJ-1041. The fiduciary must also provide each beneficiary with a New Jersey Schedule NJK-1 which shows the beneficiary's share of the estate or trust

income actually distributed or required to be distributed during the taxable year.

Revocable grantor trusts are required to file a New Jersey Fiduciary Return, Form NJ-1041, where there is sufficient nexus with this State and the statutory filing requirement is met. For further information, see the Fiduciary Return, Form NJ-1041, instructions.

### Filing Requirements for Beneficiaries.

The net income earned by an estate or trust does not retain its character, i.e., interest, partnership income; rather it is a specified income category – "Net Gains or Income Derived Through Estates or Trusts." You must report as net income from estates or trusts the Total Distribution and New Jersey Source Income reported on your Schedule NJK-1, Form NJ-1041 and include it on Line 25, Other Income. If a Schedule NJK-1 was not received, the interest, dividends, capital gains, business or partnership income, etc. listed on your Federal K-1 must be adjusted to reflect New Jersey tax law and then netted together before inclusion on the "Other" income line. Enclose a copy of your NJK-1 or Federal K-1 with your return.


If the income from a grantor trust is reportable by or taxable to the grantor for Federal income tax purposes, it is also taxable to the grantor for New Jersey gross income tax purposes. See instructions for Line 25 for reporting requirements.

## Partnerships

A partnership is not subject to gross income tax. Individual partners are subject to tax on the income they earned from the partnership under the Federal Internal Revenue Code and the New Jersey Gross Income Tax Act. See page 23 for information on reporting income from a partnership. Every partnership having a New Jersey resident partner or income from New Jersey sources must file New Jersey Form NJ-1065 with the New Jersey Division of Taxation by the 15th day of the fourth month following the close of the partnership's taxable year. For more information on partnership filing, request Form NJ-1065 and instructions.

## Estimated Tax

*Estimated tax* means the amount which you estimate to be your income tax for the taxable year after subtracting payments, withholdings, and other credits.

**TAX TIP**  You are required to make estimated tax payments using Form NJ-1040-ES when your estimated tax exceeds \$400. Instructions for computing the estimated tax and making the payments are included with the form. Review the amount of your New Jersey gross income tax on your expected gross income (after deductions and credits) to determine if you need to make estimated tax payments for 2007.

To avoid having to make estimated tax payments, you may ask your employer to withhold an additional amount from your wages by completing Form NJ-W4. Failure to file a Declaration of Estimated Tax or to pay all or part of an underpayment *will result in interest charges* on the underpayment.

**Underpayment of Estimated Tax.** If you failed to make all of the required estimated tax payments as described above, you should request Form NJ-2210, Underpayment of Estimated Tax by Individuals, Estates or Trusts, and instructions. Complete Form NJ-2210 to determine if interest is due and if so, calculate the amount. Enter on Line 42 the amount of interest due from line 19, Form NJ-2210. Be sure to check the box at Line 42 and attach Form NJ-2210 to your return.

## Penalties, Interest, and Collection Fees

Penalty and interest should be included with the payment of any tax due.

### Late Filing Penalty

5% per month (or fraction of a month) up to a maximum of 25% of the outstanding tax liability when a return is filed after the due date or extended due date. A penalty of \$100 for each month the return is late may also be imposed.

### Late Payment Penalty

5% of the outstanding tax balance may be imposed.

### Interest

3% above the prime rate for every month or fraction of a month the tax is unpaid, compounded annually. At the end of each calendar year, any tax, penalties, and interest remaining due (unpaid) will become part of the balance on which interest is charged.

### Collection Fees

In addition, if your tax bill is sent to our collection agency, a referral cost recovery fee of 10% of the tax due will be added to your liability. If a certificate of debt is issued for your outstanding liability, a fee for the cost of collection of the tax may also be imposed.

## Rounding Off to Whole Dollars

When completing your return and any accompanying schedules, you may show the money items in whole dollars. If you have to add two or more items to figure the total to enter on a line, include cents when adding the items and round off only the total. When entering the rounded total on the line, you may eliminate any amount under 50 cents and increase any amount 50 cents or more to the next higher dollar. If you do round off, do so for all amounts. When rounding, enter zeros in the space provided for cents.

## Keeping Tax Records

Keep copies of your tax returns and the supporting documentation of income, age and/or disability, deductions, and credits until the statute of limitations has expired for each return. Generally, this is three years after the filing date or two years from the date the tax was paid, whichever is later.

## Federal/State Tax Agreement

The New Jersey Division of Taxation and the Internal Revenue Service have entered into a Federal/State Agreement to exchange income tax information in order

to verify the accuracy and consistency of information reported on Federal and New Jersey income tax returns.

## Signatures

Sign and date your return in blue or black ink. Both husband and wife must sign a joint return. The signature(s) on the form you file must be original; photocopied signatures are not acceptable. A return without the proper signatures cannot be processed and will be returned to you. This causes unnecessary processing delays and may result in penalties for late filing.

**Preparer Authorization.** Because of the strict provisions of confidentiality, Division of Taxation personnel may not discuss your return or attachments with anyone other than you without your written authorization. If, for any reason, you want a Division of Taxation representative to discuss your tax return with the individual who signed your return as your "Paid Tax Preparer," we must have your permission to do so. To authorize the Division of Taxation to discuss your return and attachments with your "Paid Tax Preparer," check the box above the preparer's signature line.

**Tax Preparers.** Anyone who prepares a return for a fee must sign the return as a "Paid Preparer" and enter his or her social security number or Federal preparer tax identification number. Include the company or corporation name and Federal identification number, if applicable. A tax preparer who fails to sign the return or provide a tax identification number may incur a \$25 penalty for each omission. Someone who prepares your return but does not charge you should not sign your return.

**NOTE:** Any tax preparer who prepared 100 or more New Jersey gross income tax resident returns in 2005 must use electronic methods to file all 2006 New Jersey resident income tax returns and to pay any tax on behalf of the taxpayer. A tax preparer is liable for a penalty of \$50 for each return he or she fails to file electronically when required to do so.

## Fraudulent Return

Any person who deliberately fails to file a return, files a fraudulent return, or attempts to evade the tax in any manner may be liable for a penalty up to \$7,500 or imprisonment for a term between three and five years or both.

## Amended Returns

If you received an additional tax statement (W-2 or 1099) after your return was filed, or you discovered that you made any error or omission on your return, file an amended tax return by completing a new NJ-1040NR and writing **AMENDED** across the top. Do not use Form NJ-1040X to amend a nonresident return.

## Changes in Your Federal Income Tax.

If you receive a notice from the Internal Revenue Service that they changed your reported income, and that change altered your New Jersey taxable income, you must notify the Division of the change in writing within 90 days. File an amended tax return and pay any additional tax due. If you file an amended Federal return which changes your New Jersey taxable income, you must file an amended New Jersey return within 90 days.

## Privacy Act Notification

The Federal Privacy Act of 1974 requires an agency requesting information from individuals to inform them why the request is being made and how the information is being used.

Your social security number is used primarily to account for and give credit for tax payments. The Division of Taxation also uses social security numbers in the administration and enforcement of all tax laws for which it is responsible.

## Accounting Method

Use the same accounting method for New Jersey gross income tax that you used for Federal income tax purposes. Income must be recognized and reported in the same period as it is recognized and reported for Federal income tax purposes.

## Name and Address

Place the peel-off label from the front of this booklet in the name and address section at the top of the return. **Do not use the label if any of the information is incorrect.** If your label contains inaccurate information or you do not have a label, print or type your name (last name first), complete address, and zip code in the spaces provided. Also include your spouse's name if filing jointly. Your refund and next year's form will be sent to the address you provide.

If your legal residence and the address on the return differ, attach a statement of explanation to avoid a delay in processing.

## Social Security Number

Your social security number(s) is not printed on your name and address label. **You must enter your social security number(s)** in the space provided on the return. If your filing status is married, filing joint return, remember to report both spouses' numbers in the order in which the names are listed on the return.

If you (or your spouse) do not have a social security number, file Form SS-5 with the Social Security Administration to apply for a social security number. Taxpayers who are not eligible for a social security number must file Form W-7 with the Internal Revenue Service to obtain an individual taxpayer identification number (ITIN). Enter on Form NJ-1040NR the same number (social security number or ITIN) that you entered on your Federal income tax return. If you applied for but have not received an ITIN by the return due date, enclose a copy of your Federal Form W-7 application with your New Jersey income tax return.

## State of Residency

Indicate the place outside New Jersey where you resided for the period covered by this return.

## NJ Residency Status

If you were a New Jersey resident for any part of the taxable year, list the month,

day, and year your residency began and the month, day, and year it ended.

## Filing Status (Lines 1–5)

In general, you must use the same filing status on your New Jersey return as you do for Federal income tax purposes. Indicate the appropriate filing status. Check only **one** box.

### TAX TIP



If both you and your spouse were nonresidents of New Jersey during the entire taxable year, and only one of you earned, received, or acquired income from New Jersey sources, the spouse who had income from New Jersey sources may file a separate New Jersey return even though you filed a joint Federal return. The spouse with income from New Jersey sources computes income and exemptions as if a Federal married, filing separate return had been filed. You have the option of filing a joint return, but remember, joint income would be reported in Column A of Form NJ-1040NR.

If one spouse was a nonresident and the other a resident of New Jersey during the entire taxable year and both had income from New Jersey sources, separate New Jersey returns may be filed (the nonresident files a nonresident return and the resident files a resident return). Each spouse computes income and exemptions as if Federal married, filing separate returns had been filed. You have the option of filing a joint resident return, but remember, joint income would be taxed as if both spouses were residents.

If your spouse died during the year, you are considered married for that entire year and you may file a joint return for yourself and your deceased spouse provided you did not remarry before the end of the year. You may be eligible to use the filing status "qualifying widow(er)" for each of the *two tax years after the year in which your spouse died* if you pay more than one-half of the cost of keeping up a home for yourself and at least one child, stepchild, adopted child, or foster child who qualifies as your dependent.

*Filing Status (Lines 1–5) - continued*

If you meet the requirements to file as head of household for Federal income tax purposes, you may file as head of household for New Jersey. Certain married individuals living apart may file as head of household for New Jersey if they meet the requirements to file as head of household for Federal purposes.

If your filing status is married, filing separate return, be sure to enter the name and social security number of your spouse in the space provided under Line 3.

**NOTE:** You may use the filing status “Married, filing joint return” or “Married, filing separate return” only if you and your spouse were married on the last day of the tax year. If you were a member of a domestic partnership registered in New Jersey, you are not “married” and you may not use these filing statuses.

For more information on filing status, request Tax Topic Bulletin GIT-4, *Filing Status*.

### Exemptions - Personal (Lines 6–8)

The exemptions claimed on Line 6 apply only to you and either your spouse or your domestic partner. The exemptions claimed on Lines 7 and 8 apply only to you and your spouse. The exemptions for age and disability are not available for a domestic partner or for your dependents. If your filing status is married, filing separate return, you generally do not check the spouse box on Lines 6, 7, or 8.

### Line 6 - Regular Exemptions

As a taxpayer you may claim a personal exemption for yourself, even if you are a minor who is claimed as a dependent on your parents’ return. For your convenience, “Yourself” is already checked. If you are married and filing a joint return with your spouse, check the spouse box as well.

If you were a member of a domestic partnership that was registered in New Jersey on the last day of the tax year, you may

claim an exemption for your domestic partner **only if he or she does not file a New Jersey income tax return.** *You must attach a copy of your New Jersey Certificate of Domestic Partnership the first time you claim the exemption, and you may be asked to provide additional information.* If you are claiming this exemption, check the domestic partner box.

Add the number of boxes checked and enter the result on Line 6.

### Line 7 - Age 65 or Older

If you (or your spouse if filing a joint return) were 65 years of age or older on the last day of the tax year, you (and your spouse if qualified) are eligible for an additional exemption. *You must attach proof of age such as a copy of a birth certificate, driver’s license, or church records to your return the first time you claim the exemption.* Check the appropriate box(es). Add the number of boxes checked and enter the result on Line 7.

### Line 8 - Blind or Disabled

If you (or your spouse if filing a joint return) were blind or disabled on the last day of the tax year, you (and your spouse if qualified) are eligible for an additional exemption. “Disabled” means total and permanent inability to engage in any substantial gainful activity because of any physical or mental impairment, including blindness. *You must attach a copy of the doctor’s certificate or other medical records to your return the first time you claim the exemption.* This information need not be submitted each year providing there is no change in your condition. Check the appropriate box(es). Add the number of boxes checked and enter the result on Line 8.

### Exemptions - Dependency (Lines 9–11)

The exemptions claimed on Lines 9, 10, and 11 apply only to dependents. The exemption for dependents attending colleges is not available to you, the taxpayer, or your spouse or your domestic partner.

### Line 9 - Dependent Children

You may claim an exemption for each dependent child who qualifies as your dependent for Federal income tax purposes. Enter the number of your dependent children on Line 9.

### Line 10 - Other Dependents

You may claim an exemption for each other dependent who qualifies as your dependent for Federal income tax purposes. Enter the number of your other dependents on Line 10.

### Line 11 - Dependents Attending Colleges

You may claim an additional exemption for each dependent under age 22 who is a full-time student at an accredited college or postsecondary institution for whom you paid one-half or more of the tuition and maintenance costs. Financial aid received by the student is not calculated into your cost when totaling one-half of your dependent’s tuition and maintenance. However, the money earned by students in College Work Study Programs is income and is taken into account.

**Remember, to claim this additional exemption, each dependent must have already been claimed on Line 9 or 10.**

#### Requirements

- ◆ Student must be **under 22 years of age** for the entire tax year.
- ◆ Student must attend full-time. “Full-time” is determined by the institution.
- ◆ Student must spend at least some part of each of five calendar months of the tax year at school.
- ◆ The educational institution must maintain a regular faculty and curriculum and have a body of students in attendance.

Enter the number of exemptions for your qualified dependents attending colleges on Line 11.

### Line 12 - Totals

Add Lines 6, 7, 8, and 11 and enter the total on Line 12a. Add Lines 9 and 10 and enter that total on Line 12b.

## Line 13 - Dependents' Information

**New for 2006**

Enter on Line 13 the full name, social security number, and year of birth for each dependent child or other dependent claimed on Lines 9 and/or 10. If the spaces provided are not sufficient, enclose a statement with the return listing the required information for each additional dependent.

The dependents you list must be the same persons who qualify as your dependent children or other dependents for Federal income tax purposes. Enter the same social security number, individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN) for each dependent that you entered on your Federal return. To obtain an ATIN, file Form W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions, with the Internal Revenue Service. See page 12 for information on obtaining a social security number or ITIN.

## Gubernatorial Elections Fund

The Gubernatorial Elections Fund, financed by taxpayer designated \$1 contributions, provides partial public financing to qualified candidates for the office of Governor of New Jersey. With its contribution and expenditure limits, the Gubernatorial Public Financing Program has since 1977 assisted 63 candidates to conduct their campaigns free from the improper influence of excessive campaign contributions. Operation of the program has also permitted candidates of limited financial means to run for election to the State's highest office. As a condition of their receipt of public financing, candidates must agree to participate in two debates which provide the public with an opportunity to hear the views of each candidate. For more information on the Gubernatorial Public Financing Program, contact the New Jersey Election Law Enforcement Commission at 609-292-8700 or write to:

NJ ELECTION LAW ENFORCEMENT COMMISSION  
PO Box 185  
TRENTON NJ 08625-0185

Lists of contributors to gubernatorial candidates and copies of reports filed by gubernatorial candidates may be viewed on the Election Law Enforcement Commission Web site at: [www.elec.state.nj.us](http://www.elec.state.nj.us)

Participation in the \$1 income tax check-off protects the continuity and integrity of the Gubernatorial Elections Fund by providing that funds will be reserved for future gubernatorial elections thereby deterring the use of needed funding for other purposes. If you want to designate \$1 to go to help candidates for governor pay campaign expenses, check the "Yes" box in the Gubernatorial Elections Fund section of the return. If you are filing a joint return, your spouse may also designate \$1 to this fund by checking "Yes." **Checking the "Yes" box will not in any way increase your tax liability or reduce your refund.**

## Income (Lines 14–26)

Enter on Lines 14 through 26 the amount of gross income received while a nonresident of New Jersey during the taxable year for each of the various categories of income.

In Column A, report your gross income from all sources (both inside and outside New Jersey). **These figures cannot be copied from the figures reported on the Federal return.** *Reportable income* means income that would be taxable if you were a New Jersey resident. Married couples filing a joint return must report the income of both spouses in Column A, even if only one had income from New Jersey.


In Column B, enter the income that comes from New Jersey sources. For every entry in Column A, there should be an entry on the corresponding line in Column B. If none of your income is from New Jersey sources, enter "0" in Column B. Your final tax liability is based on the percentage of your income from New Jersey sources.

**Income of a Nonresident Subject to Tax.** Some examples of income taxable to a nonresident include:

1. Wages, salaries, tips, fees, commissions, bonuses, and other payments received, whether in cash or in property, for services performed in New Jersey;
2. Profits and other income from a business, trade, profession, or partnership conducted in New Jersey;
3. Rents or royalties from real and tangible personal property located in New Jersey or from other business activities in New Jersey;
4. Gains from the sale of your principal residence or other real estate located in New Jersey;
5. Gambling winnings from New Jersey sources (other than the New Jersey Lottery) such as winnings from a casino or racetrack located in New Jersey;
6. Income of a New Jersey S corporation allocated to New Jersey.

Income or losses which a nonresident taxpayer receives from a business entity (i.e., sole proprietorship, partnership, LLP, or LLC) located in New Jersey will not be deemed to be derived from New Jersey sources if the business entity's only activity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers.

*Gross income* means all income you received in the form of money, goods, property, and services unless specifically exempt by law.

**TAX TIP**  **Important! A net loss in any category of income cannot be reported as such on Form NJ-1040NR. A loss within one category of income may be applied against other income within the same category. However, a net loss in one category of income cannot be applied against income or gains in another. In case of a net loss in any category, enter "0" for that category. No carryback or carryover of losses is permitted under New Jersey law.**

**Gross Income** includes the following:

- ◆ Wages and other compensation
- ◆ Interest and dividends
- ◆ Earnings on nonqualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- ◆ Net profits from business, trade, or profession
- ◆ Net gains or income from sale or disposition of property
- ◆ Pensions, annuities, and IRA withdrawals
- ◆ Net distributive share of partnership income
- ◆ Net pro rata share of S corporation income
- ◆ Net rental, royalty, and copyright income
- ◆ Net gambling winnings
- ◆ Alimony
- ◆ Estate and trust income
- ◆ Income in respect of a decedent
- ◆ Prizes and awards, including scholarships and fellowships (unless they satisfy the conditions on page 24)
- ◆ Value of residence provided by employer
- ◆ Fees for services rendered, including jury duty

New Jersey gross income also **includes** the following which are not subject to Federal income tax:

- ◆ Interest from obligations of states and their political subdivisions, other than New Jersey and its political subdivisions
- ◆ Income earned from foreign employment
- ◆ Certain contributions to pensions and tax-deferred annuities
- ◆ Employee contributions to Federal Thrift Savings Funds, 403(b), 457, SEP, or any other type of retirement plan other than 401(k) Plans

## Line 14 - Wages, Salaries, Tips, etc.

### COLUMN A

Enter the total amount you received during the taxable year from wages, salaries, tips, fees, commissions, bonuses, and other payments received for services performed as an employee. Include all payments you received whether in cash, benefits, or property.

Enter the total of State wages, salaries, tips, etc. from **all** employment both inside and outside New Jersey. **Be sure to take the figure(s) from the "State wages" box on your W-2(s).** See sample W-2 on page 17. All W-2(s) must be attached to your tax return.

**NOTE:** The "State wages" figure on W-2(s) you received from employment outside New Jersey may need to be adjusted to reflect New Jersey tax law.

Nonresident servicepersons, see page 7.

**Pension and annuity income or early retirement benefits should not be included on this line but should be reported on Line 21.**

**Retirement Plans.** Under New Jersey law, contributions to retirement plans (other than 401(k) Plans) are included in the State wages figure on the W-2 in the year the wages are earned. This may cause your State wages figure to be higher than your Federal wages figure.

**Meals and/or Lodging.** You may exclude from the amount reported on Line 14 meals and/or lodging reported as wages on your W-2 provided that:

1. The meals and/or lodging were furnished on the business premises of your employer; and
2. The meals and/or lodging were furnished for the convenience of your employer; and

*For lodging only:*

3. You were required to accept the lodging as a condition of your employment.

If you exclude the value of meals and/or lodging from your wages, you **must** attach a signed statement explaining how you have met these conditions. If the statement is not attached, your wages will be adjusted to represent the full amount shown on your W-2.

Food and maintenance payments made to New Jersey State Police officers as part of their union contract **cannot** be excluded from gross income. These payments do not meet the criteria above.

### Employee Business Expenses.

Employee business expenses are **not** deductible for New Jersey gross income tax purposes. However, you may exclude from the amount reported on Line 14 reimbursements for employee business expenses reported as wages on your W-2 provided that:

1. The expenses for which you are reimbursed are job-related expenses;
2. You are required to and do account for these expenses to your employer; and
3. You are reimbursed by your employer in the exact amount of the allowable expenses.

If you receive excludable reimbursements for employee business expenses which are included in your wages on your W-2, attach a statement explaining the amount you are excluding and your reasons for excluding this amount. Also attach a copy of your Federal Form 2106.

### Commuter Transportation Benefits.

Certain amounts you receive from your employer up to \$1,360 for using alternative means of commuting (such as public transportation, carpools, vanpools, etc.) may be excluded from your New Jersey gross income. Commuter transportation benefits may not be excluded from gross income unless your employer provides those benefits *in addition* to your regular compensation.

Line 14 - Wages, Salaries, Tips, etc. - continued

If the commuter transportation benefits you receive exceed the maximum excludable amount, the excess amount is taxable and is included in your gross income.

Your W-2 form will show both the taxable and nontaxable benefit amounts. The taxable benefits are included in the "State wages" figure on your W-2, while the nontaxable benefits are not.

An employee who receives money towards commuter transportation benefits must provide his/her employer with suitable proof (receipts, ticket stubs, etc.) to show that the employer-provided money was used for an alternative means of commuting.

**Federal Statutory Employees.** If you are considered a "statutory employee" for Federal income tax purposes, you may not deduct your business expenses unless you are self-employed or an independent contractor under New Jersey law. The Federal label of "statutory employee" has no meaning for New Jersey gross income tax purposes. Business expenses may only be deducted from the business income of a self-employed individual. See the instructions for Line 17 (Net Profits From Business).

**Moving Expenses.** Moving expenses are **not** deductible for New Jersey gross income tax purposes. However, you may exclude from the amount reported on Line 14 reimbursements for the following moving expenses if the Federal requirements to claim moving expenses were met and the expenses were included in wages on your W-2.

1. The cost of moving your household goods and personal effects from the old home to the new home.
2. The actual expenses incurred by you for traveling, meals, and lodging when moving you and your family from your old residence to your new residence.

Reimbursements for any other moving expenses may **not** be excluded from income.

### Exempt Income

The following income is not taxable to residents or nonresidents. These items should **not** appear anywhere on your nonresident return (Column A or Column B).

- ◆ Federal Social Security
- ◆ Railroad Retirement (Tier 1 and Tier 2)
- ◆ United States military pensions and survivor's benefit payments
- ◆ Life insurance proceeds received because of a person's death
- ◆ Employee's death benefits
- ◆ Permanent and total disability, including VA benefits
- ◆ Temporary disability received from the State of New Jersey or as third party sick pay
- ◆ Worker's Compensation
- ◆ Gifts and inheritances
- ◆ Qualifying scholarships or fellowship grants
- ◆ New Jersey Lottery winnings
- ◆ Unemployment Compensation
- ◆ Interest and capital gains from: (a) Obligations of the State of New Jersey or any of its political subdivisions; **or** (b) Direct Federal obligations exempt under law, such as U.S. Savings Bonds and Treasury Bills, Notes, and Bonds
- ◆ Earnings on qualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- ◆ Distributions paid by mutual funds to the extent the distributions are attributable to interest earned on Federal obligations
- ◆ Certain distributions from "New Jersey Qualified Investment Funds"
- ◆ Employer and employee contributions to 401(k) Salary Reduction Plans (but **not** Federal Thrift Savings Funds)
- ◆ Some benefits received from certain employer-provided cafeteria plans (but not salary reduction or premium conversion plans). Request Division Technical Bulletin TB-39
- ◆ Contributions to and distributions from Archer MSAs if they are excluded for Federal income tax purposes
- ◆ Direct payments and benefits received under homeless persons assistance programs
- ◆ Income tax refunds (New Jersey, Federal, and other jurisdictions)
- ◆ Welfare
- ◆ Child support
- ◆ Amounts paid as reparations or restitution to Nazi Holocaust victims
- ◆ Assistance from a charitable organization, whether in the form of cash or property

If you receive excludable reimbursements for moving expenses which are included in your wages on your W-2, attach a statement explaining the amount you are excluding and your reasons for excluding this amount. Also attach a copy of your Federal Form 3903.

### Compensation for Injuries or Sickness.

Certain amounts received for personal injuries or sickness are not subject to tax. You may exclude from the amount reported on Line 14 such amounts included as wages on your W-2 provided that:

1. The payments must be compensation for wage loss which results from

absence due to injury or sickness of the employee; and

2. The payments must be due and payable under an enforceable contractual obligation under the plan; and
3. The payments must not relate to sick leave wage continuation, the taking of which is largely discretionary and the payments are made regardless of the reason for absence from work.

If such payments are included in the State wages figure on your W-2, you must file Form NJ-2440 with your New Jersey return to exclude them.



Line 14 - Wages, Salaries, Tips, etc. - continued

**COLUMN B**

Enter the portion of your wages, salaries, etc. that comes from New Jersey sources. If zero, enter "0."

Pennsylvania residents, see page 5. Non-resident servicepersons, see page 7.

If you had wage/salary income earned partly within and partly outside of New Jersey, and you cannot easily determine the amount of income from New Jersey, see Part III on page 33.

Do not use Part III if your wage/salary income is based on volume (the amount of sales or amount of business transacted). Instead, enter on Line 14 the portion of your wage/salary income calculated using the following formula:

$$\frac{\text{NJ Vol.}}{\text{Total Vol.}} \times \text{Vol. Income} = \text{Line 14, Col. B}$$

In determining where the business was transacted, the location where the services or sales were actually performed is

the deciding factor. An explanation of how you computed the amount of wage/salary income must be attached to your return.

**Line 15 - Interest Income**

**COLUMN A**

Enter all of your reportable interest from sources both inside and outside of New Jersey on Line 15, Column A. New Jersey reportable interest income includes interest from the following:

- ♦ Banks
- ♦ Savings and loan associations
- ♦ Credit unions
- ♦ Savings accounts
- ♦ Earnings on nonqualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- ♦ Distributions from Coverdell education savings accounts (ESAs), but only the earnings portion

- ♦ Checking accounts
- ♦ Bonds and notes
- ♦ Certificates of deposit
- ♦ Ginnie Maes
- ♦ Fannie Maes
- ♦ Freddie Macs
- ♦ Repurchase agreements
- ♦ Life insurance dividends
- ♦ Obligations of states and their political subdivisions, other than New Jersey
- ♦ Any other interest not specifically exempt

Interest received by your sole proprietorship is reportable as net profits from business on Line 17. Your portion of interest earned and received by a partnership, an estate or trust or, in general, an S corporation is reportable as distributive share of partnership income on Line 22, net income from estates or trusts on Line 25, or net pro rata share of S corporation income on Line 23.

For detailed information regarding the reporting of partnership or S corporation

*continued*

**Sample W-2 (This form is for illustration only and is not reproducible.)**

a Control number <b>22222</b>		Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008			
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages		Social security withheld		
d Employee's social security number		5 Medicare wages and tips		Medicare tax withheld		
		7 Social Security tips		8 Allocated		
e Employee's name and initial last name		9 Advance payment		10 Dependent care benefits		
f Employee's address and ZIP code		11 Nonqualified plans		12a See instructions for box 12		
		13 Status: <input type="checkbox"/> employee <input type="checkbox"/> retirement plan <input type="checkbox"/> third-party sick pay		12b		
		14 Other: UI/HC/WD - \$109.65 DI - \$129.00 DI P.P. #(Private Plan No.)		12c		
				12d		
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
NJ	234-567-890/000	32,250.00	525.00			
<b>Form W-2 Wage and Tax Statement</b>		<b>2006</b>		Department of the Treasury—Internal Revenue Service For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.		

income, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*. For information regarding grantor trusts see the reporting instructions for Line 25 on page 24. Interest paid or deemed to have been paid to you by a partnership or an S corporation and reportable to you on Form 1099 must be included on Line 15 in Column A.

**Forfeiture Penalty for Early Withdrawal.** If you incur a penalty by withdrawing a time deposit early, you may subtract the amount of the penalty from your interest income.

If your reportable interest income on Line 15, Column A, is more than \$1,500, attach a copy of Schedule B, Federal Form 1040, or Schedule 1, Federal Form 1040A.

Do not report tax-exempt interest on Line 15. New Jersey tax-exempt interest income includes:

- Obligations of the State of New Jersey or any of its political subdivisions
- Direct Federal obligations such as U.S. Savings Bonds and Treasury Bills, Notes, and Bonds
- Earnings on qualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- Sallie Maes
- CATS
- TIGRs
- Certain distributions from "New Jersey Qualified Investment Funds"
- Distributions paid by mutual funds to the extent the distributions are attributable to interest earned on Federal obligations

#### **New Jersey Qualified Investment**

**Funds.** A New Jersey Qualified Investment Fund is a regulated investment company in which at least 80% of the fund's investments (other than cash or receivables) are obligations issued either directly by the Federal government or the State of New Jersey or any of its political subdivisions. The Fund must certify such status to the Division of Taxation annually.

If you received a distribution from a qualified investment fund, you may exclude from your income the portion of the distribution which comes from the qualified exempt obligations. The taxable portion of the distribution, if any, is reported as dividends on Line 16. By February 15, shareholders should be notified by the New Jersey qualified investment fund of the portion of their distribution that may be excluded from income. Contact your broker to determine whether your fund qualifies.

**Do not report interest earned on your IRA(s) on Line 15, Interest Income. If you made a withdrawal from your IRA during the year, see the instructions for Line 21.**

For more information on tax-exempt interest income, request Tax Topic Bulletin GIT-5, *Exempt Obligations*.

#### **COLUMN B**

Only interest received as a result of a business or profession carried on in New Jersey and not properly reportable as net profits from business, distributive share of partnership income, net income from estates or trusts, or net pro rata share of S corporation income should be reported on Line 15, Column B. See instructions for Line 15, Column A. **Do not report interest from personal accounts.**

#### **Line 16 - Dividends**

##### **COLUMN A**

Enter on Line 16, Column A, the amount of dividends received during the year from investments (e.g., from stocks, mutual funds) or other income-producing activities which do not constitute a trade or business. The total amount of dividends received, **regardless of where earned**, must be reported.

Dividends received by your sole proprietorship are reportable as net profits from business on Line 17. Your portion of dividends earned and received by a partnership, an estate or trust or, in general, an S corporation are reportable as distributive share of partnership income on Line 22, net income from estates or trusts on Line 25, or net pro rata share of

S corporation income on Line 23. For detailed information regarding the reporting of partnership income or S corporation income and distributions, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*. For information regarding grantor trusts see the reporting instructions for Line 25 on page 24.

**Capital Gains Distributions.** Capital gains distributions you receive from mutual funds or other regulated investment companies are reported on Line 56, Part I and are not to be included as dividends.

**Tax-Free Distributions.** A distribution which is a return of your investment or capital and does not come from earnings or profits is a nontaxable capital or tax-free distribution. These distributions reduce the basis of the stock or investment and are not taxable until your investment is fully recovered.

**Insurance Premiums.** Dividends received from insurance companies are not taxable unless the dividends received exceed the premiums paid. Any interest from accumulated insurance dividends must be reported on Line 15, Column A.

##### **COLUMN B**

Only dividends received as a result of a business or profession carried on in New Jersey and not properly reportable as net profits from business, distributive share of partnership income, net income from estates or trusts, or net pro rata share of S corporation income should be reported on Line 16, Column B. See instructions for Line 16, Column A. **Do not report dividends from personally held securities.**

#### **Line 17 - Net Profits From Business**

##### **COLUMN A**

Report the net profits from your business, trade, or profession, whether carried on inside or outside New Jersey, on Line 17, Column A. To determine your New Jersey profit (or loss), first complete a Federal Schedule C (or Schedule C-EZ or Schedule F). Use the same accounting method (cash or accrual) that you used

Line 17 - Net Profits From Business - continued

for Federal income tax purposes. In the case of a loss, enter "0" on Line 17. Attach a copy of the Federal Schedule C (or Schedule C-EZ or Schedule F) to your return. To comply with New Jersey income tax law you must make the following adjustments to your Federal Schedule C (or Schedule C-EZ or Schedule F):

1. Add any amount you deducted for taxes based on income.
2. Subtract interest you reported on Federal Schedule C (or Schedule C-EZ or Schedule F) which is exempt for New Jersey purposes but taxable for Federal purposes.
3. Add interest not reported on Federal Schedule C (or Schedule C-EZ or Schedule F) from states or political subdivisions outside of New Jersey which is exempt for Federal purposes.
4. Deduct the remaining 50% of meal and entertainment expenses (that were disallowed on the Federal return).
5. Deduct your qualified contributions to a self-employed 401(k) plan. Contributions to a plan in excess of the Federal limits, which are not an allowable deduction for Federal tax purposes, are also not deductible for New Jersey purposes.
6. Add interest and dividends that were derived in the conduct of a trade or business.
7. Add or subtract income or losses derived in the conduct of a trade or business from rentals, royalties, patents, or copyrights.
8. Add or subtract gains or losses from the sale, exchange, or other disposition of the trade or business's property.
9. Add or subtract the net adjustment from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, Part 1, line 7. Be sure to retain the completed worksheet for your records. See page 44 for how to request Worksheet GIT-DEP and instructions.

10. Subtract the New Jersey allowable IRC section 199 deduction, which must be calculated on Form 501-GIT, Domestic Production Activities Deduction. Form 501-GIT can be found on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

Sole proprietors engaged in providing "primary care" medical and/or dental services at a qualified practice located in or within five miles of a designated Health Enterprise Zone (HEZ) may qualify for a deduction on Line 34. For information on eligibility requirements and how to calculate the HEZ deduction, see Technical Bulletin TB-56, Health Enterprise Zones, which is available on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

#### COLUMN B

Enter the portion of your business income that comes from New Jersey sources. If zero, enter "0." If you carry on business both inside and outside New Jersey, you must complete and attach Form NJ-NR-A for each business. Contact our Customer Service Center to request Form NJ-NR-A and instructions or visit the Division's Web site. See page 44.

Do not include in Column B net profits (or losses) which you received from a business entity located in New Jersey if the business entity's only activity is the purchase, holding, or sale of intangible personal property, such as securities or commodities, and such intangible personal property is not held for sale to customers. You must, however, include such net profits in Column A.

### Line 18 - Net Gains or Income From Disposition of Property

#### COLUMN A

Enter on Line 18, Column A, the amount of net gains from Part I, Line 58. See page 32.

#### COLUMN B

Enter the net gains or income from New Jersey sources. If zero, enter "0."

### Line 19 - Net Gains or Income From Rents, Royalties, Patents, and Copyrights

#### COLUMN A

Enter on Line 19, Column A the amount of net gains or income from Part II, Line 61. See page 33.

#### COLUMN B

Enter your net gains or income from New Jersey sources. If zero, enter "0."

### Line 20 - Net Gambling Winnings

#### COLUMN A

Enter on Line 20, Column A, the amount of your net gambling winnings from both inside and outside New Jersey. You may deduct your gambling losses from your winnings that occurred during the same year. **You may not use New Jersey Lottery losses to offset other gambling winnings.** If your net gambling winnings are less than zero, enter "0."

You must be able to substantiate gambling losses used to offset winnings reported on your New Jersey nonresident income tax return. Evidence of losses may take several forms, including a daily log or journal of wins and losses, canceled checks, losing pari-mutuel tickets, etc. With respect to winnings or losses resulting from casino gambling, letters from casinos which purport to "rate" the gambling activity of an individual or "estimate" losses are acceptable as **part** of the evidential material required to prove losses.

Winnings or losses from other state lotteries may be reported on this line. **Remember, do not include any winnings or losses from the New Jersey State Lottery.**

Although no specific rider to the New Jersey income tax return is required to substantiate gambling losses, it is suggested that if you enter gambling winnings net of losses on Line 20 of the return, you should note the total winnings and total losses on a supporting schedule. This procedure may eliminate certain questions in the event the return is selected for audit. Although not taxable,

New Jersey Lottery winnings and losses should be listed on the supporting schedule.

**COLUMN B**

Enter your net gambling winnings from New Jersey sources. Gambling losses incurred from sources outside New Jersey may not be used to offset gambling winnings from New Jersey sources. If zero, enter "0."

**Pensions, Annuities, IRA Withdrawals, Less New Jersey Exclusion (Line 21)**

**COLUMN A**

Enter on Line 21, Column A, your reportable pensions, annuities, and certain IRA withdrawals, less your New Jersey pension exclusion. See page 22 for information on Roth IRAs and page 23 for information on the pension exclusion. Pensions, annuities, and IRA withdrawals are reportable on the New Jersey return although the reportable amount may differ from the Federal amount. All state and local government, teachers', and Federal pensions, and Keogh Plans are treated in the same manner as pensions from the private sector. Amounts received as "early retirement benefits" and amounts received as pension on Schedule NJK-1, Partnership Return Form NJ-1065 are also reportable. Social Security and Railroad Retirement benefits are exempt from New Jersey income tax and should not be reported as pension income. Pension payments received by reason of total and permanent disability are also exempt. However, if you retired before age 65 on a total and permanent disability pension and continue to receive pension payments after age 65, your disability pension is then treated as an ordinary pension. See definition of "disabled" on page 13.

**TAX TIP**



If you are receiving a United States military pension or survivor's benefit payments, the military pension or survivor's benefit is not reportable for New Jersey gross income tax purposes, regardless of your age or disability status. Do not include such payments on Line 21, Column A, Form NJ-1040NR.

Military pensions are those resulting from service in the Army, Navy, Air Force, Marine Corps, or Coast Guard. This exemption does not apply to civil service pensions or annuities, even if the pension or annuity is based on credit for military service. Most military pensions and survivor's benefit payments are received from the U.S. Defense Finance and Accounting Service while a civil service annuity is received through the U.S. Office of Personnel Management.

Retirement plans (pensions, annuities, IRAs) are either noncontributory or contributory. A noncontributory plan is one to which you have not made contributions. A contributory plan is one to which **you have** made contributions, usually through payroll deductions.

**Pensions, Annuities, and IRA Withdrawals**

The amount you report on Line 21, Column A, will depend on whether or not you made contributions to the plan.

**Noncontributory Plans.** Amounts you receive from noncontributory plans are fully reportable. Include on Line 21, Column A, the total amount of the pension or annuity from your 1099-R, less any pension exclusion you are eligible to claim. See page 23.

**Contributory Plans (Other Than IRAs).** The total value of your pension or annuity consists of your contributions, your employer's contributions (if any), and earnings. In general, your contributions to a pension or annuity were taxed

when they were made and are not reportable when withdrawn (except for 401(k) Plans). You must determine the reportable part of any distribution you receive. Use Worksheet A below to determine whether you should use the Three-Year Rule Method or the General Rule Method for your pension or annuity.

**NOTE:**

- If you received a distribution from a 401(k) Plan, see the section on 401(k) Plans before continuing.
- The reportable amount of an IRA withdrawal must be determined by completing Worksheet C, IRA Withdrawals, on page 22. **Do not use Worksheet A or B for an IRA withdrawal.**
- After determining the reportable amount of your pensions, annuities, and IRA withdrawals, see page 23 for New Jersey pension exclusion information.

**Three-Year Rule Method.** If you will recover your contributions within three years from the date you receive the first payment from the plan, and both you **and** your employer contributed to the plan, you may use the Three-Year Rule Method to determine your New Jersey reportable pension income. The Three-Year Rule allows you to exclude your pension and annuity payments from gross income until the payments you receive equal your contributions to the plan. Until that time, the amounts you receive, because they are considered your contributions, are not reportable and should not be entered on your return. Once you have received (recovered) an amount equal to the amount you contributed, the payments you receive are fully reportable.

**Worksheet A**  
**Which Pension Method to Use**

1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment ..... 1. \_\_\_\_\_
2. Your contributions to the plan ..... 2. \_\_\_\_\_
3. Subtract line 2 from line 1 ..... 3. \_\_\_\_\_
  - (a) If line 3 is "0" or more, *and* both you and your employer contributed to the plan, you may use the **Three-Year Rule Method**.
  - (b) If line 3 is less than "0," or your employer did not contribute to the plan, you must use the **General Rule Method**.

**Worksheet B  
General Rule Method**

1. Your previously taxed contributions to the plan ..... 1. \_\_\_\_\_
2. Expected return on contract\* ..... 2. \_\_\_\_\_
3. Percentage excludable (Divide line 1 by line 2) ..... 3. \_\_\_\_\_%
4. Amount received this year ..... 4. \_\_\_\_\_
5. Amount excludable (Multiply line 4 by line 3) ..... 5. \_\_\_\_\_
6. Reportable amount (Subtract line 5 from line 4)  
Enter here and then use this figure to calculate the  
amount to put on Line 21, Form NJ-1040NR ..... 6. \_\_\_\_\_

\*The expected return on the contract is the amount receivable. If life expectancy is a factor under your plan, Federal actuarial tables must be used to compute the expected return. The Federal actuarial tables are contained in the Internal Revenue Service's Publication 939, *General Rule for Pensions and Annuities*. Contact the IRS for this publication. If life expectancy is not a factor under your plan, the expected return is found by totaling the amounts to be received.

Since the Three-Year Rule has been repealed for Federal income tax purposes, if you retired after July 1, 1986, the reportable amount of pension or annuity that you enter on your New Jersey return when using this method will differ from the amount you report on your Federal return.

**General Rule Method.** If you will not recover your contributions within three years from the date you receive the first payment from the plan, or your employer did not contribute to the plan, you must use the General Rule Method to determine your New Jersey reportable pension income. From the first year you receive your pension and every year thereafter, part of your pension will be excludable (the amount that represents your contributions) and part will be reportable. Use Worksheet B above to determine the reportable amount.

Complete Worksheet B the year in which you receive your first pension payment. Once calculated, use the percentage on line 3 to determine the reportable amount year after year. You must recalculate the percentage only if your annual pension payments decrease.

**401(k) Plans.** Beginning on January 1, 1984, New Jersey's treatment of 401(k) Plan contributions changed. After that

date employee contributions to 401(k) Plans were no longer included in taxable wages when earned. If you made contributions to your 401(k) Plan prior to January 1, 1984, your distribution will be treated differently than if you made all of your contributions after this date.

**1. All contributions made after January 1, 1984.** If all of your contributions to the 401(k) Plan were made after January 1, 1984, then your distributions from the plan are fully reportable unless your contributions exceeded the Federal limit.

**2. Contributions made before January 1, 1984.** If you made contributions to the 401(k) Plan before January 1, 1984, or you made contributions beyond the Federal limit, calculate the reportable portion of your distributions from the plan using one of the methods described under contributory plans.

**Lump-Sum Distributions and Rollovers.** When a lump-sum distribution of the entire balance from a qualified employee pension, annuity, profit-sharing, or other plan is made, the amount received in excess of the contributions to the plan that have already been taxed must be included in your income in the year received. New Jersey has no provisions for income averaging of lump-sum

distributions. Enter the reportable amount of a lump-sum distribution on Line 21, Column A.

A lump-sum distribution from an IRA or a qualified employee pension or annuity plan which you roll over into an IRA or other eligible plan is excludable from New Jersey income if the rollover qualifies for deferral for Federal income tax purposes. The amount rolled over (minus previously taxed contributions) is reportable later when it is withdrawn. As under Federal law, the rollover must be made within the 60-day period after distribution.

For more detailed information on reporting pension and annuity income on your New Jersey return, request Tax Topic Bulletin GIT-1, *Pensions and Annuities*.

**IRAs.** Your IRA consists of a nonreportable part (your contributions) and a reportable part (earnings plus certain amounts, if any, rolled over from pension plans). If your contributions have been previously taxed, the portion of your distribution that represents earnings is reportable.

Earnings credited to an IRA are not reportable until withdrawn. The interest, dividends, and other earnings, as well as amounts which were tax-free rollovers, will become reportable when withdrawn. If the total amount in the IRA is withdrawn, the entire amount of the interest or accumulated gains becomes reportable in the year the withdrawal is made. If, however, the withdrawal from an IRA is made over a period of years, the portion of the annual distribution that represents interest income and accumulated gains in the IRA is reportable.

A distribution from a rollover IRA which is fully reportable for Federal income tax purposes may be treated differently for New Jersey purposes if your contributions were subject to New Jersey income tax when the contributions were made.

Enter the reportable amount of an IRA withdrawal on Line 21. Use Worksheet C on page 22 to determine the reportable

## Worksheet C - IRA Withdrawals 2006

**Part I**

1. **Value of IRA** on 12/31/06.  
Include contributions made for the tax year from 1/1/07–4/15/07 ..... 1. \_\_\_\_\_
2. **Total distributions from IRA during the tax year.** Do not include tax-free rollovers ..... 2. \_\_\_\_\_
3. **Total value of IRA.**  
Add lines 1 and 2 ..... 3. \_\_\_\_\_
- Unrecovered Contributions:**  
Complete **either** line 4a or 4b:
- 4a. **First year of withdrawal from IRA:**  
Enter the total of IRA contributions that were previously taxed ..... 4a. \_\_\_\_\_
- 4b. **After first year of withdrawal from IRA:** Complete Part II. Enter amount of unrecovered contributions from Part II, line (g)\* ..... 4b. \_\_\_\_\_
5. **Accumulated earnings in IRA on 12/31/06.** Subtract either line 4a or 4b from line 3 ..... 5. \_\_\_\_\_
6. Divide line 5 by line 3 and enter the result as a decimal ..... 6. \_\_\_\_\_
7. **Taxable portion of this year's withdrawal.**  
Multiply line 2 by decimal amount on line 6.  
Enter here and on Line 21, Form NJ-1040NR ... 7. \_\_\_\_\_

**Part II—Unrecovered Contributions**

(For Second and Later Years)

- (a) **Last year's unrecovered contributions.**  
From line 4 of last year's worksheet \* ..... (a) \_\_\_\_\_
- (b) **Amount withdrawn last year.**  
From line 2 of last year's worksheet ..... (b) \_\_\_\_\_
- (c) **Taxable portion of last year's withdrawal.** From line 7 of last year's worksheet ..... (c) \_\_\_\_\_
- (d) **Contributions recovered last year.** Subtract line (c) from line (b) ..... (d) \_\_\_\_\_
- (e) **This year's unrecovered contributions.**  
Subtract line (d) from line (a) ..... (e) \_\_\_\_\_
- (f) **Contributions to IRA during current tax year.** Do not include tax-free rollovers ..... (f) \_\_\_\_\_
- (g) **Total unrecovered contributions.**  
Line (e) plus line (f). Enter here and on Part I, line 4b ..... (g) \_\_\_\_\_

\*If you did not complete a worksheet in prior year(s), skip Part II and calculate the amount of unrecovered contributions as follows:

- A. Determine the total amount of **withdrawal(s)** made from the IRA in previous years.
- B. Total the portion(s) of these previous year withdrawal(s) already reported as income on prior New Jersey tax returns.
- C. Subtract the amount of previous year withdrawals reported (B) from the total amount of previous year withdrawals (A). This difference is the amount of contributions that have been *recovered* thus far.
- D. Subtract the amount of *recovered* contributions (C) from the *total* amount of contributions made to the IRA. This is the amount of **unrecovered** contributions to enter on **line 4b** of **Part I**.

**(Keep a copy of this worksheet for your records.)**

portion of your IRA withdrawal. For multiple IRAs, the reportable amount may be determined by using a separate worksheet for each IRA, or all IRAs may be combined on one worksheet.

**Roth IRAs.** Contributions to a Roth IRA are reportable as part of your gross income in the year they are made. However, if the requirements are satisfied, "qualified distributions" from a Roth IRA are excludable and do not have to be included as income in Column A or Column B of Form NJ-1040NR.

A "qualified distribution" is one made after the five-taxable-year period begin-

ning with the first taxable year in which a contribution was made to your IRA, **and** which is:

1. Made on or after the date on which an individual reaches age 59½; or
2. Made to a beneficiary (or the individual's estate) after the individual's death; or
3. Made because the individual becomes disabled; or
4. Made as a qualified first-time home buyer distribution as defined by the Internal Revenue Code.

A payment or distribution cannot be treated as a qualified distribution if it is made within the five-taxable-year period which begins with the year the first contribution was made. A payment or distribution of an allowable rollover contribution (or income earned on the amount rolled over) from an IRA other than a Roth IRA, is not a qualified distribution if it is made within the five-taxable-year period which begins with the year in which the rollover contribution was made.

If you received a nonqualified distribution from a Roth IRA, you must report the earnings as income on Line 21, Column A.

If you converted an existing IRA to a rollover Roth IRA during tax year 2006, any amount from the existing IRA that would be reportable if withdrawn must be reported in your gross income in Column A.

For more detailed information on IRA withdrawals, request Tax Topic Bulletin GIT-2, *IRA Withdrawals*, or Technical Bulletin TB-44.

## New Jersey Pension Exclusion

You qualify for the New Jersey pension exclusion if:

- ♦ You (and/or your spouse if filing jointly) were 62 years of age or older or disabled as defined by Social Security guidelines on the last day of the tax year; **and**
- ♦ Your gross income (combined income if filing jointly) for the entire year before subtracting any pension exclusion was \$100,000 or less.


If you qualify, you may exclude all or a part of the income you received during the year from taxable pensions, annuities, and IRA withdrawals. For tax year 2006 you may exclude up to \$20,000 (filing status married, filing joint return), \$15,000 (filing status single, head of household, or qualifying widow(er)), or \$10,000 (filing status married, filing separate return).

When you and your spouse file a joint return and only one of you is 62 years of age or older or disabled, you may still claim the maximum pension exclusion. However, only the pension, annuity, or IRA withdrawal of the qualified spouse may be excluded.

Enter on Line 21, Column A, the total reportable pension, annuity, and IRA withdrawal income less the amount of pension exclusion you are eligible to claim. If the amount of your maximum pension exclusion is more than the amount of your reportable pension, enter "0." (See the Maximum Pension Exclusion chart.)

## Maximum Pension Exclusion

Amount:	For Filing Status:
\$20,000	Married, filing joint return
\$15,000	Single Head of household Qualifying widow(er)
\$10,000	Married, filing separate return

**TAX TIP**  If you and/or your spouse were 62 years of age or older on the last day of the tax year and the maximum pension exclusion amount for your filing status is more than the amount of your reportable pension, or you did not use the pension exclusion because you did not report any taxable pensions, annuities, and IRA withdrawals, you may still qualify for other income exclusions. See the instructions for Line 27, "Other Retirement Income Exclusion." Part-year nonresidents, see page 6.

### COLUMN B

Pension, annuity, and IRA withdrawal income is not taxable to nonresidents. Therefore, no entry is necessary on Line 21, Column B.

## Line 22 - Distributive Share of Partnership Income

### COLUMN A

Enter on Line 22, Column A, your share of income derived from partnership(s) as reported to you by the partnership(s) on Schedule NJK-1, Form NJ-1065. The appropriate amount to enter appears on the schedule in column A of the line labeled "Distributive Share of Partnership Income" and must be reported whether or not the income was actually distributed. If the net amount from all Schedule NJK-1s is zero or less, enter "0." Attach a copy of each Schedule NJK-1 to your return. For detailed information regarding the reporting of partnership income, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*.

If any adjustments to the amount reported on Line 22, Column A are necessary, follow the detailed instructions in Tax Topic Bulletin GIT-9P, *Income From Partnerships*.

If the partnership had no income from New Jersey sources and you did not receive a Schedule NJK-1, you must attach a copy of the Federal Schedule K-1 and complete Reconciliation Worksheet A contained in Tax Topic Bulletin GIT-9P, *Income From Partnerships*, but only if you had income from other New Jersey sources during the year. Be sure to retain the completed worksheet for your records.

### COLUMN B

Enter the portion of the partnership income that comes from New Jersey sources. If zero, enter "0."

Do not include in Column B distributive share of partnership income which you received from a partnership, LLP, or LLC located in New Jersey if the business entity's only activity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers. You must, however, include such partnership income in Column A.

## Line 23 - Net Pro Rata Share of S Corporation Income

### COLUMN A

Enter on Line 23, Column A, the amount of your net pro rata share of S corporation income, whether or not the income

*Line 23 - Net Pro Rata Share of S Corporation Income - continued*

was actually distributed. For detailed information regarding the reporting of S corporation income, request Tax Topic Bulletin GIT-9S, *Income From S Corporations*.

Attach a copy of the Schedule NJ-K-1, Form CBT-100S, which you received from the S corporation. If you did not receive a Schedule NJ-K-1, you must attach a copy of the Federal Schedule K-1 and complete Reconciliation Worksheet B contained in Tax Topic Bulletin GIT-9S, *Income From S Corporations*. Be sure to retain the completed worksheet for your records.

**COLUMN B**

Enter the portion of the net pro rata share of S corporation income that comes from New Jersey sources. If zero, enter "0."

**Line 24 - Alimony and Separate Maintenance Payments Received****COLUMN A**

Enter on Line 24, Column A, the total amount of alimony and separate maintenance payments you received which were required under a decree of divorce or separate maintenance. Do not include payments received for child support.

**COLUMN B**

Enter "0" on Line 24, Column B.

**Line 25 - Other****COLUMN A**

Enter on Line 25, Column A:

**Amounts Received as Prizes and Awards.** A prize won in a raffle, drawing, television or radio quiz show, contest, or any other event is reportable and must be included on Line 25, Column A. Any prizes or awards received in goods or services must be included as income at fair market value.

**Income in Respect of a Decedent.** If you had the right to receive income that the deceased person would have received had he or she lived, and the income was not included on the decedent's final

return, you must report the income on your own return when you receive it. The income is reported on Line 25, "Other" income. Attach a schedule of the items of income reported together and included on Line 25.

**Income From Estates and Trusts.**

Beneficiaries receiving income from an estate or trust must include on Line 25 the Total Distribution reported on Schedule NJK-1, Form NJ-1041. If a Schedule NJK-1 was not received, include on Line 25 the net of the items listed on the Federal Schedule K-1 received. Interest, dividends, capital gains, business or partnership income, etc. as listed on the Federal K-1(s) must be adjusted to reflect New Jersey tax law and then netted together before inclusion on Line 25, "Other" income. Be sure to include income which is not subject to Federal income tax but is subject to New Jersey gross income tax, such as interest from and losses on the disposition of obligations of states and their political subdivisions, other than New Jersey and its political subdivisions, and exclude income and losses not subject to New Jersey tax, such as gains on New Jersey tax-exempt securities.

For tax years beginning on or after January 1, 2004, New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. The Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP instructions explain the New Jersey adjustments required to determine income reportable in the various net income categories. Worksheet GIT-DEP is available on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

For taxable years beginning on or after December 31, 2004, New Jersey income tax law has uncoupled from some provisions of the IRC section 199 deduction. Information regarding the New Jersey limitations and calculations can be found on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

Attach a copy of the NJK-1(s) or Federal K-1(s).

If the income from a grantor trust is reportable by or taxable to the grantor for Federal income tax purposes, it is also taxable to the grantor for New Jersey gross income tax purposes. The grantor must report the interest, dividends, capital gains, business income, partnership income, net pro rata share of S corporation income, etc. in the categories of income as required for gross income tax purposes and not as income from Estates and Trusts. Attach a copy of the New Jersey or Federal Grantor Trust Attachment.

**Scholarships and Fellowships.** Scholarships and fellowship grants are reportable and must be included on Line 25, Column A, unless they satisfy **all** of the following conditions:

1. The primary purpose of the grant is to further the recipient's education or training; and
2. The grant neither represents payments for past, present, or future services nor payments for services which are subject to the direction or supervision of the grantor (e.g., a fellowship given in exchange for teaching); and
3. The grant is not for the benefit of the grantor.

**Residential Rental Value or Allowance Paid by Employer.** Enter on Line 25, Column A, either the rental value of a residence furnished by an employer or the rental allowance paid by an employer to provide a home. The rental value of the residence furnished is excludable and should not be reported provided that:

1. The lodging is provided on the business premises of the employer; and
2. The lodging is furnished for the convenience of the employer; and
3. The employee is required to accept such lodging as a condition of employment.



**Worksheet D**  
**Other Retirement Income Exclusion**  
**Age Requirement: 62 or older**

Part-year nonresidents, do **not** complete this worksheet. See instructions on page 6.

**Part I**

Is your gross income (combined income if filing jointly) for the entire year before subtracting any pension exclusion on Line 21 or Line 27 **MORE than \$100,000?**

- Yes. Do not complete Part I. Enter "0" on line 9 and continue with Part II.
- No. Continue with line 1.

1. Enter the amount from Line 14, Col. A, NJ-1040NR ..... 1. \_\_\_\_\_
2. Enter the amount from Line 17, Col. A, NJ-1040NR ..... 2. \_\_\_\_\_
3. Enter the amount from Line 22, Col. A, NJ-1040NR ..... 3. \_\_\_\_\_
4. Enter the amount from Line 23, Col. A, NJ-1040NR ..... 4. \_\_\_\_\_
5. Add lines 1, 2, 3, and 4 ..... 5. \_\_\_\_\_

**Is the amount on line 5 MORE than \$3,000?**

- Yes. Enter "0" on line 9 and continue with Part II.
- No. Continue with line 6.

6. **Enter: if your filing status is:**  
 \$20,000 Married, filing joint return  
 \$15,000 Single; Head of household; Qualifying widow(er)  
 \$10,000 Married, filing separate return ..... 6. \_\_\_\_\_
7. Enter amount of pension exclusion used to calculate your taxable pension amount on Line 21, Column A, NJ-1040NR ..... 7. \_\_\_\_\_
8. Subtract line 7 from line 6. Enter the difference here and on line 9 (Part II). If zero, enter "0" ..... 8. \_\_\_\_\_

**Part II**

9. Unclaimed Pension Exclusion (from line 8) ..... 9. \_\_\_\_\_
- 10a. Are you (and/or your spouse if filing jointly) now receiving, or will you (and/or your spouse if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?  
 No — Continue with item 10b  
 Yes — Enter "0" on line 10 and continue with line 11
- 10b. Would you (and your spouse if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?  
 No — Enter "0" on line 10 and continue with line 11  
 Yes — Enter on line 10 the amount of exclusion for your filing status shown below and continue with line 11  
**Enter: if your filing status is:**  
 \$ 6,000 Married, filing joint return; Head of household; Qualifying widow(er)  
 \$ 3,000 Single; Married, filing separate return ..... 10. \_\_\_\_\_
11. **Your Other Retirement Income Exclusion**  
 Add lines 9 and 10. Enter here and on Line 27, Column A and Column B, NJ-1040NR ..... 11. \_\_\_\_\_

**Other.** Enter on Line 25, Column A, the amount of any reportable income for which a place has not been provided elsewhere on the return. Income from sources both legal and illegal is subject to tax.

**COLUMN B**

Enter the portion of your other income that comes from New Jersey sources. If zero, enter "0."

**Amounts Received as Prizes and Awards.**

Do not include in Column B a prize won in a raffle, drawing, television or radio quiz show, or contest. These amounts, although not taxable for New Jersey nonresidents, are reported and included on Line 25, Column A.

**Income From Estates and Trusts.**

Include on Line 25 the Total New Jersey Source Income Distributed reported on Schedule NJK-1, Form NJ-1041. If a Schedule NJK-1 was not received, include on Line 25 the net of the New Jersey source income listed on the Federal Schedule K-1 form. Do not include in Column B income you receive from an estate or trust if the estate or trust received such income from a business entity (i.e., sole proprietorship, partnership, LLP, or LLC) located in New Jersey and the only activity of the business entity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers. You must, however, include such income in Column A.

**Line 26 - Total Income**

**COLUMN A**

Enter on Line 26, Column A, the total of Lines 14–25, Column A.

**COLUMN B**

Enter on Line 26, Column B, the total of Lines 14–25, Column B.

**Line 27 - Other Retirement Income Exclusion**

If you (and/or your spouse if filing jointly) were 62 years of age or older on the last day of the tax year, you may qualify to

exclude other income on Line 27. There are two parts to the total exclusion: Part I, the unclaimed portion of your pension exclusion, and Part II, an exclusion for taxpayers who are unable to receive Social Security or Railroad Retirement benefits. Each part has different eligibility requirements. Use Worksheet D on page 25 to calculate the total exclusion amount you are eligible to claim. If you were a part-year nonresident, do not complete the worksheet. See page 6.

**I. Unclaimed Pension Exclusion.** You are eligible to use the unclaimed portion of your pension exclusion on Line 27 if:

- You (and/or your spouse if filing jointly) were 62 years of age or older on the last day of the tax year; **and**
- Your gross income (combined income if filing jointly) for the entire year before subtracting any pension exclusion on Line 21 or Line 27 was \$100,000 or less; **and**
- Your income (combined income if filing jointly) from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totaled \$3,000 or less; **and**
- You did not use the maximum pension exclusion on Line 21 (your taxable pension, annuity, or IRA withdrawal was less than the exclusion amount for your filing status or you did not receive pension, annuity, or IRA withdrawal income).

**II. Exclusion for Taxpayers Unable to Receive Social Security or Railroad Retirement Benefits.** This benefit is not related to the pension exclusion and, if you qualify, you may claim it whether or not you use the maximum pension exclusion. You qualify for this additional exclusion on Line 27 if:

- You (and/or your spouse if filing jointly) were 62 years of age or older on the last day of the tax year; **and**

- You (and your spouse if filing jointly) are unable to receive Social Security or Railroad Retirement benefits, but would have been eligible for benefits had you fully participated in either program.


**NOTE:** When you and your spouse file a joint return and only one of you is 62 years of age or older, you may claim the full exclusion. However, only the income of the spouse who is age 62 or older may be excluded.

For more detailed information on using the income exclusions on Line 27, request Tax Topic Bulletin GIT-1, *Pensions and Annuities*.

**Line 28 - Gross Income**

**COLUMN A**

Subtract Line 27, Column A, from Line 26, Column A, and enter the result on Line 28, Column A. If zero or less, enter "0."

**TAX TIP**  **If you were a nonresident for the entire year and the amount on Line 28, Column A, is \$20,000 or less (\$10,000 if filing status is single or married, filing separate return), you have no tax liability to New Jersey and no return must be filed. However, you must file a return in order to obtain a refund of taxes withheld or estimated payments made. Enter zero on Lines 36 and 37 and complete the return.**

If you were a New Jersey resident for any part of the year, see "Guidelines for Part-Year Nonresidents" on page 6.

You may claim an exemption from withholding if you expect to have no New Jersey income tax liability for the taxable year because your gross income will be less than the minimum income filing threshold. Complete Form NJ-W4 and submit it to your employer to claim the exemption.

**COLUMN B**

Subtract Line 27, Column B, from Line 26, Column B, and enter the result on Line 28, Column B. If zero or less, enter "0."

**Line 29 - Gross Income**

**COLUMN A**

Enter on Line 29, Column A, the gross income from Line 28, Column A, page 1.

**COLUMN B**

Enter on Line 29, Column B, the gross income from Line 28, Column B, page 1.

**Exemptions and Deductions (Lines 30–34)**

New Jersey allows deductions only for exemptions, certain medical expenses, qualified Archer medical savings account (MSA) contributions, health insurance costs of the self-employed, alimony and separate maintenance payments, qualified conservation contributions, and a health enterprise zone deduction for qualified taxpayers. No deduction is allowed for adjustments taken on the Federal return such as employee business expenses, IRA contributions, and Keogh Plan contributions. However, be sure to keep records of all contributions to IRAs and Keogh Plans. You will need this information when you make withdrawals in future years. Part-year nonresidents must follow the guidelines on page 6.

**Line 30 - Total Exemption Amount**

Calculate your total exemption amount as follows:

From Line 12a \_\_\_\_\_ × \$1,000 = \_\_\_\_\_

From Line 12b \_\_\_\_\_ × \$1,500 = \_\_\_\_\_

Total Exemption Amount \_\_\_\_\_

Enter the number of exemptions from Line 12a, Form NJ-1040NR. Multiply the number by \$1,000 and enter the result.

Enter the number of exemptions from Line 12b, Form NJ-1040NR. Multiply the number by \$1,500 and enter the result.

Add together the exemption amounts calculated above and enter the total on Line 30, Form NJ-1040NR.

**Worksheet E**  
**Deduction for Medical Expenses**  
 (Keep for your records)

1. Total nonreimbursed medical expenses ..... 1. \_\_\_\_\_
2. Enter Line 29, Column A,  
Form NJ-1040NR \_\_\_\_\_  $\times .02 =$  ..... 2. \_\_\_\_\_
3. Medical Expenses Deduction. Subtract line 2 from  
line 1 and enter result here. If zero or less, enter zero ..... 3. \_\_\_\_\_
4. Enter the amount of your qualified Archer MSA  
contributions from Federal Form 8853 ..... 4. \_\_\_\_\_
5. Enter the amount of your self-employed health insurance  
deduction ..... 5. \_\_\_\_\_
6. **Total Deduction for Medical Expenses.** Add lines 3,  
4, and 5. Enter the result here and on Line 31, Form  
NJ-1040NR. If zero, enter zero here and make no entry on  
Line 31, Form NJ-1040NR ..... 6. \_\_\_\_\_

### Line 31 - Medical Expenses

You may deduct certain medical expenses that you paid during the year for yourself, your spouse or domestic partner, and your dependents. However, you cannot deduct expenses for which you were reimbursed. Only expenses in excess of 2% of your income may be deducted. You may also deduct qualified Archer MSA contributions. Use Worksheet E above to calculate your deduction for medical expenses/Archer MSA contributions.

**Allowable Medical Expenses.** *Medical expenses* means nonreimbursed payments for physicians, dental and other medical fees, prescription eyeglasses and contact lenses, hospital care, nursing care, medicines and drugs, prosthetic devices, X-rays, and other diagnostic services conducted by or directed by a physician or dentist. In addition, medical expenses may also include amounts paid for transportation primarily for and essential to medical care and insurance (including amounts paid as premiums under Part B of Title XVIII of the Social Security Act, relating to supplementary medical insurance for the aged) covering medical care. As a general rule, medical expenses allowed for Federal income tax purposes will be allowed for New Jersey income tax purposes.

**NOTE: Do not include** on line 1, Worksheet E

- ♦ Contributions you made to an Archer MSA or any amounts paid or disbursed from an Archer MSA that have been excluded from gross income; or
- ♦ Any amounts taken as a deduction on line 5, Worksheet E, for the health insurance costs of the self-employed.

**Archer MSA Contributions.** Enter on line 4, Worksheet E, the amount of your qualified Archer MSA contributions from Federal Form 8853. New Jersey follows the Federal rules for this deduction. Your contribution may not exceed 75% of the amount of your annual health plan deductible (65% if you have a self-only plan). Attach Federal Form 8853 to your return. Excess contributions that you withdraw before the due date of your tax return are not taxable. However, you must report the earnings associated with the excess contributions you withdraw as wages on Line 14, Column A and Column B.

**Self-Employed Health Insurance Deduction.** If you are considered a self-employed individual for Federal income tax purposes, or you received wages in 2006 from an S corporation in which you were a more-than-2% shareholder, you

may deduct the amount you paid during the year for health insurance for yourself, your spouse or domestic partner, and your dependents. The amount of the deduction may not exceed the amount of your earned income, as defined for Federal income tax purposes, derived from the business under which the insurance plan is established. You may not deduct any amounts paid for health insurance coverage for any month during the year in which you were eligible to participate in any subsidized health plan maintained by your (or your spouse's or domestic partner's) employer.

### Line 32 - Alimony and Separate Maintenance Payments

Enter on Line 32 the amount of alimony and separate maintenance paid which was required under a decree of divorce or separate maintenance. Do not include payments for child support.

### Line 33 - Qualified Conservation Contributions

Enter on Line 33 the amount of any contribution you made for conservation purposes of a qualified real property interest in property located in New Jersey. The amount of the deduction is the amount of the contribution allowed as a deduction in computing your taxable income for Federal income tax purposes. If you are required to file Federal Form 8283 with your Federal 1040, attach a copy.

### Line 34 - Health Enterprise Zone Deduction

Eligible taxpayers engaged in providing "primary care" medical and/or dental services at a qualified practice located in or within five miles of a designated Health Enterprise Zone (HEZ) enter the amount of their HEZ deduction on Line 34. Partners and S corporation shareholders of a qualified practice enter the HEZ deduction amount listed on Schedule NJK-1, Form NJ-1065, or Schedule NJ-K-1, Form CBT-100S. Sole proprietors must calculate the amount of

their HEZ deduction for Line 34. For information on eligibility requirements and how to calculate the HEZ deduction, see Technical Bulletin TB-56, Health Enterprise Zones, which is available on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

### Line 35 - Total Exemptions and Deductions

Enter on Line 35 the total of Lines 30, 31, 32, 33, and 34.

### Line 36 - Taxable Income

Subtract Line 35 from Line 29, Column A, and enter the result on Line 36. If Line 36 is zero or less, enter "0."

### Line 37 - Tax on Amount on Line 36

Compute your tax by using one of the following methods.

**Tax Table.** If your taxable income from all sources on Line 36 is less than \$100,000, you may use the New Jersey Tax Table on page 34 or the New Jersey Tax Rate Schedules on page 43 to find your tax. When using the tax table, be sure to use the correct column. After you have found your tax, enter the amount on Line 37.

**Tax Rate Schedules.** You must use the New Jersey Tax Rate Schedules on page 43 if your taxable income from all sources on Line 36 is \$100,000 or more. Use the correct schedule for your filing status. After you have calculated your tax, enter the amount on Line 37.

### Line 38 - Income Percentage

To figure your income percentage, divide the amount on Line 29 in Column B by the amount on Line 29 in Column A.

Carry your result to four decimal places. For example, if the amounts used were \$20,000 (Line 29, Column B) divided by \$30,000 (Line 29, Column A), the result would be 66.67% or .6667. In certain situations, however, the income percentage can exceed 100%.

**NOTE: The income percentage can exceed 100%.** For example, a taxpayer realizes a \$50,000 gain from the sale of real property in New Jersey and sustains a \$10,000 loss from the sale of property in Florida. This nonresident (who has no other income) reports \$40,000 as his income from everywhere (Column A) and \$50,000 as income from New Jersey sources (Column B). The income percentage is 125% (or 1.25) calculated as follows: \$50,000 (Line 29, Column B) divided by \$40,000 (Line 29, Column A).

### Line 39 - New Jersey Tax

Multiply the amount on Line 37 by the income percentage on Line 38, and enter the result on Line 39. This is your New Jersey tax.

### Line 40 - Sheltered Workshop Tax Credit

*New for 2006* Enter on Line 40 your Sheltered Workshop Tax Credit for the current year from Part IV, line 12 of Form GIT-317. See page 44 for how to request Form GIT-317 and instructions. Attach a copy of Form GIT-317 to your return and retain a completed copy for your records.

The Sheltered Workshop Tax Credit is only available to entities with privilege periods or taxable years beginning after January 12, 2006.

### Line 41 - Balance of Tax

Subtract Line 40 from Line 39 and enter the result on Line 41.

### Line 42 - Penalty for Underpayment of Estimated Tax

To determine the amount of interest for the underpayment of estimated tax, complete Form NJ-2210, Underpayment of Estimated Tax by Individuals, Estates or Trusts. Enter on Line 42 the amount of interest due from line 19, Form NJ-2210. Be sure to check the box at Line 42 and

attach Form NJ-2210 to your return. See "Estimated Tax" on page 11.

### Line 43 - Total Tax and Penalty

Enter on Line 43 the total of Lines 41 and 42.

### Line 44 - Total New Jersey Income Tax Withheld

Enter on Line 44 the total New Jersey income tax withheld, as shown on your W-2, W-2G, and/or 1099 statement(s). The W-2 must indicate the amount of New Jersey tax withheld and the "State" box must indicate that the tax withheld was New Jersey income tax. See sample W-2 on page 17. Attach the state copy of each withholding statement (W-2, W-2G, 1099). **Attach Form 1099 to the return only if New Jersey income tax was withheld.**

**Do not** include on Line 44 amounts withheld as New Jersey unemployment insurance/health care subsidy fund/workforce development partnership fund contributions (shown on the W-2 as UI/HC/WD, if combined, or UI, HC, and WD, if stated separately) or New Jersey disability insurance contributions (may be shown as DI). These are **not** New Jersey income tax withholdings and may not be used as credits on Line 44. See instructions for Lines 47 and 48 for more information on unemployment insurance/health care subsidy fund/workforce development partnership fund contributions and/or disability insurance contributions.

All W-2 statements must reflect your correct social security number for the withholdings to be credited. If the social security number is missing or incorrect, you must obtain a corrected W-2 from your employer. Only your employer/payer can issue or correct this form. If you have not received a W-2 form by February 15, 2007, or if the form you received is incorrect, contact your employer/payer immediately.

### Line 45 - New Jersey Estimated Payments/Credit From 2005 Tax Return

Enter on Line 45 the total of:

- Estimated tax payments made for 2006, including any payments made in connection with the sale or transfer of real property in New Jersey (See “Estimated Tax” on page 11)
- Credit applied from your 2005 tax return\*
- Amount, if any, paid to qualify for an extension of time to file
- Payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder. Attach a copy of Form NJ-1040-SC.

\*This is the amount of overpayment that you chose to carry forward on **Line 50A of your 2005 NJ-1040NR** as a credit towards your income tax liability for 2006. If you received a refund check for 2005, do not enter the amount of that refund check on Line 45.

**Payments Made Under Another Name or Social Security Number.** If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to your return explaining all the payments you and/or your spouse made for 2006 and the name(s) and social security number(s) under which you made payments.

If your spouse died during the year and any estimated payment(s) were made under the deceased spouse’s social security number and other payments were made under your social security number, you must attach a statement to your return listing the social security numbers and the amounts submitted under each social security number.

### Line 46 - Tax Paid on Your Behalf by Partnership(s)

Enter on Line 46 the total amount of New Jersey income tax paid on your behalf by

partnership(s), as shown in Column B, Part III of Schedule NJK-1. Attach a copy of Schedule NJK-1 for each partnership which paid tax on your behalf for which you are claiming a credit.

### UI/HC/WD; DI Credit (Lines 47 and 48)

You may take credit for excess unemployment insurance/health care subsidy fund/workforce development partnership fund contributions and/or disability insurance contributions withheld by two or more employers. For 2006, the maximum employee unemployment insurance/health care subsidy fund/workforce development partnership fund contribution was \$109.65, and the maximum employee disability insurance contribution was \$129.00. If you had two or more employers and you contributed more than the maximum amount(s), you must attach a completed Form NJ-2450 to your return to claim the credit.

If any single employer withheld more than the maximum for either UI/HC/WD (\$109.65) or disability insurance (\$129.00) contributions, enter only the maximum amount for that category on Form NJ-2450. You must contact the employer who withheld contributions in excess of the legal maximum for a refund.

All information on Form NJ-2450 must be substantiated by W-2 statements or the claim will be denied. The amounts of unemployment insurance/health care subsidy fund/workforce development partnership fund contributions and disability insurance contributions withheld must be reported separately on all W-2 statements. The employer’s New Jersey Taxpayer Identification Number **or** approved private plan number must also be shown. See sample W-2 on page 17.

Be careful when completing Form NJ-2450 and check that your W-2 verifies the information you provide. If **all** New Jersey Department of Labor and Workforce Development requirements are not met, your income tax credit must

be denied. You must then refile your claim with the Department of Labor and Workforce Development using their Form UC-9A, “Employee’s Claim for Refund of Excess Contributions.” Once your income tax credit for excess unemployment insurance/health care subsidy fund/workforce development partnership fund contributions and/or disability insurance contributions has been denied, it can **only** be claimed through the Department of Labor and Workforce Development.

Contact our Customer Service Center to request Form NJ-2450 or visit the Division’s Web site. See page 44.

### Line 47 - Excess New Jersey UI/HC/WD Withheld

Enter on Line 47 the excess unemployment insurance/health care subsidy fund/workforce development partnership fund contributions withheld from Line 4 of Form NJ-2450. Attach Form NJ-2450 to your return.

### Line 48 - Excess New Jersey Disability Insurance Withheld

Enter on Line 48 the excess disability insurance contributions withheld from Line 5 of Form NJ-2450. Attach Form NJ-2450 to your return.

### Line 49 - Total Payments/Credits

Add Lines 44 through 48 and enter the total on Line 49.

### Amount You Owe or Overpayment (Lines 50 and 51)

Compare Lines 49 and 43.

- If Line 49 is less than Line 43, you have a balance due. Complete Line 50.
- If Line 49 is more than Line 43 you have an overpayment. Complete Line 51.

### Line 50 - Amount You Owe

Subtract Line 49 (Total Payments/Credits) from Line 43 (Total Tax and Penalty) and enter the result on Line 50.

If you have a balance due, you may make a donation on Lines 52B, 52C, 52D, 52E, 52F, and/or 52G by adding the amount of your donation to your payment.

Make your check or money order for the total amount payable to "State of New Jersey – TGI." You may also pay your 2006 New Jersey income taxes by electronic check (e-check) or credit card (Visa, American Express, MasterCard, or Discover). See "How to Pay" on page 9. Do not send in the payment voucher if you pay your taxes by e-check or credit card.

**NOTE:** If the amount of tax you owe (Line 50) is more than \$400, you may want to increase your estimated payments or contact your employer for Form NJ-W4 to increase your withholdings to avoid future interest assessments.

### Line 51 - Overpayment

Subtract Line 43 (Total Tax and Penalty) from Line 49 (Total Payments/Credits) and enter the result on Line 51.

### Line 52A - Credit to Your 2007 Tax

Enter on Line 52A the amount of your overpayment that you wish to credit to your 2007 tax liability.

### Contributions (Lines 52B–52G)

Whether you have an overpayment or a balance due, you may make a donation to any of the following funds:

- Endangered Wildlife Fund
- Children's Trust Fund
- Vietnam Veterans' Memorial Fund
- Breast Cancer Research Fund
- *U.S.S. New Jersey* Educational Museum Fund

You may also make a donation to one of the following funds on Line 52G.

- Drug Abuse Education Fund (01), or
- Korean Veterans' Memorial Fund (02), or
- Organ and Tissue Donor Awareness Education Fund (03), or
- NJ-AIDS Services Fund (04), or
- Literacy Volunteers of America – New Jersey Fund (05), or
- New Jersey Prostate Cancer Research Fund (06), or

*New for 2006*

- World Trade Center Scholarship Fund (07)

For more information on the funds, see page 1.

Indicate the amount you want to contribute by checking the appropriate box(es) or entering any amount you wish to contribute.

If you are making a donation on Line 52G, also enter the code number (01, 02, 03, 04, 05, 06, or 07) for the fund of your choice. For your convenience, "0" is already entered.

The amount you donate will reduce your refund or increase your balance due. Be sure to enter an amount when making a contribution.

If you are making a donation on Line 52B, 52C, 52D, 52E, 52F, and/or 52G, and you have a balance due, increase the amount of your payment by the amount you wish to contribute. If you are paying your tax due by check and including a donation, your check or money order must be made out to "State of New Jersey – TGI," not to the charity or charities you selected. Your donation will be deposited in the appropriate fund(s) when your return is processed.

### Line 53 - Total Deductions From Overpayment

Add any amounts on Lines 52A, 52B, 52C, 52D, 52E, 52F, and 52G. Enter the result on Line 53.

### Line 54 - Refund

Subtract Line 53 from Line 51 (Overpayment). Enter the result on Line 54. This is the amount of your refund.

### Remember—

- Sign and date your return.
- If you owe tax and you are paying by check or money order, complete the Payment Voucher, Form NJ-1040NR-V, and mail it with your check or money order in the large envelope with your return.
- Do not send in the payment voucher if you pay your taxes by e-check or credit card.

## Part I - Disposition of Property (Lines 55–58)

Your portion of the gain or loss derived from the disposition of property owned by a sole proprietorship, partnership, an estate or trust or, in general, an S corporation is reportable as net profits from business on Line 17, distributive share of partnership income on Line 22, income from estates and trusts on Line 25, or net pro rata share of S corporation income on Line 23. For information regarding grantor trusts see the reporting instructions for Line 25 on page 24.

Use Part I to report all other capital gains and income from the sale or exchange of any property (both inside and outside New Jersey). In arriving at your gain, you may deduct expenses of the sale and your adjusted basis in the property. The basis to be used for computing gain or loss is the cost or adjusted basis determined for Federal income tax purposes.

**NOTE:** If you sold or transferred real property in New Jersey and were required to make estimated tax payments in connection with the sale or transfer, be sure to include such payments on Line 45.

New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment.

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production Activities Deduction. The result should be taken into consideration in calculating the gain or loss on disposition of applicable property. Form 501-GIT can be found on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

If you sold an interest in a partnership, a sole proprietorship, or rental property, you may be required to use a New Jersey adjusted basis. If you sold shares in an S corporation, you **must** use your New Jersey adjusted basis. The gain or loss from your sale or liquidation of a sole proprietorship, a partnership interest, or shares of S corporation stock must be reported as net gains or income from disposition of property in Part I. For instructions on calculating your New Jersey adjusted basis and the New Jersey gain or loss on disposition of a partnership interest or S corporation shares, partners and shareholders should request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

All gains derived from installment sales must be reported in the same year as reported for Federal income tax purposes. If the New Jersey basis differs from the Federal basis, a New Jersey installment sale calculation must be made and the New Jersey gain must be reported.

If the spaces provided are not sufficient, attach a statement to the return listing any additional transactions.

**Sale of a Principal Residence.** If you sell your principal residence, you may qualify to exclude all or part of any gain from your income regardless of age. Capital gain and the exclusion of all or part of the gain on the sale of a principal residence are computed in the same manner as for Federal income tax purposes. Any amount that is taxable for Federal purposes is taxable for New Jersey purposes. If you exclude any of the gain on the sale of your principal residence for Federal purposes, the same amount will be excluded for New Jersey purposes.

You can claim the exclusion if, during the 5-year period ending on the date of the sale, you have:

1. Owned the home for at least 2 years (the ownership test); **and**
2. Lived in the home as your principal residence for at least 2 years (the use test).

**NOTE:** If you owned and used the property as your principal residence for less than 2 years, and you qualify for a reduced exclusion for Federal purposes, you may claim a reduced exclusion for New Jersey purposes.

You can exclude up to \$250,000 (\$500,000 for certain married persons filing a joint return) of gain from the sale of your principal residence if **both 1 and 2** below apply.

1. Neither you nor your spouse if filing a joint return is excluding gain from the sale of another home.
2. You or your spouse if filing a joint return owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale.

If you are married, filing a joint return, **both** you and your spouse must meet the use test to qualify for the \$500,000 exclusion.

If only one spouse meets the ownership and use tests, the qualified spouse can exclude up to \$250,000 of the gain when filing either a joint return or a married, filing separate return.

You cannot exclude the gain on the sale of your principal residence if, during the 2-year period ending on the date of the sale, you sold another home at a gain and excluded all or part of that gain. If you cannot exclude the gain, you must include it in your income and complete Part I. Be sure the amount you report on Part I agrees with the amount shown on your Federal return. However, you can claim a reduced exclusion if you sold the home due to a change in health or place of employment and you qualify for a reduced exclusion for Federal purposes.

### Line 55 - List of Transactions

List at Line 55, Part I, any reportable transaction(s) from your Federal Schedule D, indicating the gain or loss for each transaction in Column f. In listing the gain or loss on disposition of rental property, the New Jersey adjustment from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, line 6 must be taken into consideration. Be sure to retain the completed worksheet for your records. See page 44 for how to request Worksheet GIT-DEP and instructions. The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. You may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income, but only in the year that it occurred.

### Line 56 - Capital Gains Distributions

Enter on Line 56 the total amount of all capital gains distributions from your Form 1099-DIV(s) or similar statement(s). Do not include capital gains from a "New Jersey Qualified Investment Fund" which are attributable to qualified exempt obligations or gains from mutual funds to the extent attributable to Federal obligations. For information on "New Jersey Qualified Investment Funds" see page 18.

### Line 57 - Other Net Gains

Enter on Line 57 the total amount of net gains or income less net losses from disposition of property not included on Line 55 or 56 of Part I.

### Line 58 - Net Gains

Enter on Line 58 the total of the amounts listed on Line 55, Column f and Lines 56 and 57, netting gains with losses. If the netted amount is a loss, enter "0." Also enter this amount on Line 18, Column A. On Line 18, Column B, enter that portion of this amount which is derived from New Jersey sources.

### Assembling Your Return

Be sure to check the following before mailing your completed return:

- ♦ **Check** your math.
- ♦ **Sign and date your return.** Both spouses must sign a joint return.
- ♦ **Attach** all supporting documents and schedules to the return including:
  - W-2(s)
  - 1099(s) that indicate NJ withholdings
  - If appropriate, New Jersey Form(s): NJ-630, NJ-1040-SC, NJ-2210, NJ-2440, NJ-2450, NJ-NR-A, Schedule NJK-1 (or copy of Federal Schedule K-1, Form 1065), Schedule NJ-K-1 (or copy of Federal Schedule K-1, Form 1120S), Schedule NJK-1, Form NJ-1041, or copy of Federal Schedule K-1, Form 1041
  - If appropriate, statement of residency (Pennsylvania residents)
  - If appropriate, proof of age and/or disability the first time you claim the exemption(s) on your return
  - If appropriate, a copy of your New Jersey Certificate of Domestic Partnership the first time you claim the exemption on your return
  - If appropriate, copy of Federal Form(s):
    - Schedule B or Schedule 1 for interest over \$1,500
    - Schedule C, C-EZ, or F for business income
    - Form 2106 for employee business expenses
    - Form 3903 for moving expenses
    - Form 4868 for filing under a Federal extension
    - Form 8283 for Qualified Conservation Contributions
    - Form 8853 for Archer MSA contributions
- ♦ **Balance due.** Complete the Payment Voucher, Form NJ-1040NR-V, and return it with your payment if paying by check or money order. Write your social security number on your check or money order. If paying by e-check or credit card, do not include payment voucher.
- ♦ **Use the large envelope** to mail Form NJ-1040NR with related attachments, payment voucher, and check or money order.
- ♦ **Changes or mistakes** to your original return may be corrected by filing an amended return. See page 12.
- ♦ **Keep a copy** of your return and all supporting documents or schedules.

### Part II - Rents, Royalties, Patents, and Copyrights

Your portion of net gains or loss derived from rents, royalties, patents, and copyrights from property owned by a sole proprietorship, partnership, an estate or trust or, in general, an S corporation is reportable as net profits from business on Line 17, distributive share of partnership income on Line 22, income from estates and trusts on Line 25, or net pro rata share of S corporation income on Line 23. For information regarding grantor trusts see the reporting instructions for Line 25 on page 24.

Use Part II to report all other net gains or income less net losses from rents, royalties, patents, and copyrights (from both inside and outside New Jersey).

New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment.

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production



*Part II - Rents, Royalties, Patents, and Copyrights - continued*

Activities Deduction. The result should be taken into consideration in calculating the net gain, income, or loss resulting from the rental of applicable property. Form 501-GIT can be found on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. Thus, you may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income. If the spaces provided are not sufficient, attach a statement to the return listing any additional property and income.

### Line 59 - List of Property and Income

List at Line 59, Part II, the kind of property and the net income or loss from each property. For rentals, in listing the income or loss for each rental property as determined on your Federal Schedule E, the New Jersey adjustments from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, lines 4 and 5 must be taken into consideration. Be sure to retain the completed worksheet for your records. See page 44 for how to request Worksheet GIT-DEP and instructions.

In listing New Jersey income or loss the New Jersey allowable IRC Section 199 deduction must be taken into consideration if applicable. Information regarding the New Jersey limitations and calculations can be found on the Division's Web site ([www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)).

### Line 60 - Totals

Add the amounts in each column and enter the totals on Line 60.

### Line 61 - Net Income

Add the amounts listed on Line 60 in columns b, c, d, and e. Enter the total on Line 61, netting gains with losses. If the netted amount is a loss, enter "0." Also enter this amount on Line 19, Column A. On Line 19, Column B, enter that portion of this amount which is derived from New Jersey sources.

### Part III - Allocation of Wage and Salary Income

Part III must be completed by nonresidents who have wage/salary income earned partly inside and partly outside New Jersey who cannot readily determine the amount of wage/salary income from New Jersey.

**Do not** use Part III if your wage/salary income is based on volume (the amount of sales or amount of business transacted). Instead, see the instructions for Line 14, Column B, on page 17.

### Line 62 - Amount to be Allocated

Enter on Line 62 the amount reported at Line 14, Column A, which was earned partly inside and partly outside New Jersey.

### Line 63 - Total Days

Full-year nonresidents, enter 365 (366 for leap years) on Line 63. Part-year nonresidents, see page 6.

### Line 64 - Nonworking Days

Enter on Line 64 the total number of nonworking days (Saturdays, Sundays, holidays, sick leave, vacation, etc.) during the taxable year covered by this return.

### Line 65 - Total Days Worked

Subtract Line 64 from Line 63 and enter the result on Line 65. This is the total number of days worked during the taxable year covered by this return.

### Line 66 - Days Worked Outside New Jersey

Enter on Line 66 the number of days worked outside of New Jersey during the taxable year covered by this return.

### Line 67 - Days Worked in New Jersey

Subtract Line 66 from Line 65 and enter the result on Line 67. This is the number of days you worked in New Jersey during the taxable year covered by this return.

### Line 68 - Allocation Factor

Divide Line 67 by Line 65. The result will be a decimal. Multiply Line 62 by the decimal and include this amount on Line 14, Column B.

### Part IV - Allocation of Business Income to New Jersey

Part IV must be used by nonresident taxpayers who are required to complete and attach a Gross Income Tax Business Allocation Schedule (Form NJ-NR-A). This schedule is completed by nonresident individuals, partnerships, estates, and trusts carrying on business both inside and outside New Jersey. Contact the Customer Service Center to request Form NJ-NR-A and instructions or visit the Division's Web site. See page 44.

## 2006 New Jersey Tax Table for Form NJ-1040NR

Use this table if your New Jersey taxable income on Line 36 is less than \$100,000. If your taxable income is \$100,000 or more, you must use the Tax Rate Schedules on page 43 of this booklet.

**Example:** Mr. and Mrs. Evans are filing a joint return. They checked filing status “2,” married, filing joint return. Their taxable income on Line 36 of Form NJ-1040NR is \$39,875. First they find the \$39,850–\$39,900 income line. Next, they find the column for filing status “2” and read down the column. The amount shown where the income line meets the filing status column is \$628. This is the tax amount to be entered on Line 37 of Form NJ-1040NR.

If Line 36 (taxable income) Is—		And Your Filing Status* Is	
At least	But Less Than	1 or 3	2, 4, or 5
		<b>Your Tax is—</b>	
39,800	39,850	711	627
39,850	39,900	713	628
39,900	39,950	715	629
39,950	40,000	717	630

**\*Filing Status:**

- 1—Single
- 2—Married, filing joint return
- 3—Married, filing separate return
- 4—Head of household
- 5—Qualifying widow(er)

**2006 NEW JERSEY TAX TABLE (NJ-1040NR)**

If Line 36 (New Jersey Taxable Income) Is —		And You Checked Filing Status Line —		If Line 36 (New Jersey Taxable Income) Is —		And You Checked Filing Status Line —		If Line 36 (New Jersey Taxable Income) Is —		And You Checked Filing Status Line —		If Line 36 (New Jersey Taxable Income) Is —		And You Checked Filing Status Line —	
At Least	But Less Than	1 or 3	2, 4, or 5	At Least	But Less Than	1 or 3	2, 4, or 5	At Least	But Less Than	1 or 3	2, 4, or 5	At Least	But Less Than	1 or 3	2, 4, or 5
		<b>Your Tax Is—</b>				<b>Your Tax Is—</b>				<b>Your Tax Is—</b>				<b>Your Tax Is—</b>	
				<b>1,000</b>				<b>2,000</b>				<b>3,000</b>			
0	50	0	0	1,000	1,050	14	14	2,000	2,050	28	28	3,000	3,050	42	42
50	100	1	1	1,050	1,100	15	15	2,050	2,100	29	29	3,050	3,100	43	43
100	150	2	2	1,100	1,150	16	16	2,100	2,150	30	30	3,100	3,150	44	44
150	200	2	2	1,150	1,200	16	16	2,150	2,200	30	30	3,150	3,200	44	44
200	250	3	3	1,200	1,250	17	17	2,200	2,250	31	31	3,200	3,250	45	45
250	300	4	4	1,250	1,300	18	18	2,250	2,300	32	32	3,250	3,300	46	46
300	350	5	5	1,300	1,350	19	19	2,300	2,350	33	33	3,300	3,350	47	47
350	400	5	5	1,350	1,400	19	19	2,350	2,400	33	33	3,350	3,400	47	47
400	450	6	6	1,400	1,450	20	20	2,400	2,450	34	34	3,400	3,450	48	48
450	500	7	7	1,450	1,500	21	21	2,450	2,500	35	35	3,450	3,500	49	49
500	550	7	7	1,500	1,550	21	21	2,500	2,550	35	35	3,500	3,550	49	49
550	600	8	8	1,550	1,600	22	22	2,550	2,600	36	36	3,550	3,600	50	50
600	650	9	9	1,600	1,650	23	23	2,600	2,650	37	37	3,600	3,650	51	51
650	700	9	9	1,650	1,700	23	23	2,650	2,700	37	37	3,650	3,700	51	51
700	750	10	10	1,700	1,750	24	24	2,700	2,750	38	38	3,700	3,750	52	52
750	800	11	11	1,750	1,800	25	25	2,750	2,800	39	39	3,750	3,800	53	53
800	850	12	12	1,800	1,850	26	26	2,800	2,850	40	40	3,800	3,850	54	54
850	900	12	12	1,850	1,900	26	26	2,850	2,900	40	40	3,850	3,900	54	54
900	950	13	13	1,900	1,950	27	27	2,900	2,950	41	41	3,900	3,950	55	55
950	1,000	14	14	1,950	2,000	28	28	2,950	3,000	42	42	3,950	4,000	56	56











2006 NEW JERSEY TAX TABLE (NJ-1040NR) – Continued

Table with multiple columns: If Line 36 (New Jersey Taxable Income) Is —, And You Checked Filing Status Line —, and corresponding tax values for various income brackets (e.g., 64,000 to 75,000).





2006 NJ-1040NR Tax Table

2006 NEW JERSEY TAX TABLE (NJ-1040NR) – Continued

Table with columns for tax brackets and filing status. Major headers include: If Line 36 (New Jersey Taxable Income) Is, And You Checked Filing Status Line, Your Tax Is, and combinations of 'At Least' and 'But Less Than' for various income levels (e.g., 88,000-91,000, 91,000-94,000, 94,000-97,000, 97,000-99,000, 99,000-100,000).

## 2006 New Jersey Tax Rate Schedules for Form NJ-1040NR

**FILING STATUS:** Single **Table A**  
Married, filing separate return

		STEP 1	STEP 2	STEP 3	
If Taxable Income (Line 36) is:		Enter Line 36	Multiply Line 36 by:	Subtract	Your Tax
<b>Over</b>	<b>But not over</b>				
\$ 0	\$ 20,000	_____	× .014 = _____	– \$ 0 = _____	
\$ 20,000	\$ 35,000	_____	× .0175 = _____	– \$ 70.00 = _____	
\$ 35,000	\$ 40,000	_____	× .035 = _____	– \$ 682.50 = _____	
\$ 40,000	\$ 75,000	_____	× .05525 = _____	– \$ 1,492.50 = _____	
\$ 75,000	\$500,000	_____	× .0637 = _____	– \$ 2,126.25 = _____	
\$500,000	and over	_____	× .0897 = _____	– \$15,126.25 = _____	

**FILING STATUS:** Married, filing joint return **Table B**  
Head of household  
Qualifying widow(er)

		STEP 1	STEP 2	STEP 3	
If Taxable Income (Line 36) is:		Enter Line 36	Multiply Line 36 by:	Subtract	Your Tax
<b>Over</b>	<b>But not over</b>				
\$ 0	\$ 20,000	_____	× .014 = _____	– \$ 0 = _____	
\$ 20,000	\$ 50,000	_____	× .0175 = _____	– \$ 70.00 = _____	
\$ 50,000	\$ 70,000	_____	× .0245 = _____	– \$ 420.00 = _____	
\$ 70,000	\$ 80,000	_____	× .035 = _____	– \$ 1,154.50 = _____	
\$ 80,000	\$150,000	_____	× .05525 = _____	– \$ 2,775.00 = _____	
\$150,000	\$500,000	_____	× .0637 = _____	– \$ 4,042.50 = _____	
\$500,000	and over	_____	× .0897 = _____	– \$17,042.50 = _____	

## When You Need Information

### by phone...

**Call our Automated Tax Information System 1-800-323-4400** — (Touch-tone phones within New Jersey, New York, Pennsylvania, Delaware, and Maryland) or **609-826-4400** (Touch-tone phones anywhere)

- ◆ Listen to recorded tax information on many topics.
- ◆ Order forms and publications through our automated message system.
- ◆ Get information on 2006 refunds from ARIS, our Automated Refund Inquiry System, 7 days a week (hours may vary).

### Contact our Customer Service Center

**609-292-6400** — Speak directly to a Division of Taxation representative for tax information and assistance, 8:30 a.m. to 4:30 p.m., Monday through Friday (except holidays).

### TTY Equipment Users Only

Call **1-800-286-6613** (within New Jersey, New York, Pennsylvania, Delaware, and Maryland) or **609-984-7300** (anywhere) to ask questions or to order forms and publications.

### online...

#### Visit the New Jersey Division of Taxation Home Page

Many State tax forms and publications are available on our Web site. Access the Division's home page at: [www.state.nj.us/treasury/taxation/](http://www.state.nj.us/treasury/taxation/)

You may also reach us by e-mail at: [nj.taxation@treas.state.nj.us](mailto:nj.taxation@treas.state.nj.us)

Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service, at: [www.state.nj.us/treasury/taxation/listservservice.shtml](http://www.state.nj.us/treasury/taxation/listservservice.shtml)

### in person...

#### Visit a New Jersey Division of Taxation Regional Office

Regional offices provide individual assistance at various locations throughout the State. Call the Automated Tax Information System or visit our home page for the address of the regional office nearest you.

## To Get Forms...

- ◆ Call New Jersey's Forms Request System at 1-800-323-4400 (Touch-tone phones within New Jersey, New York, Pennsylvania, Delaware, and Maryland) or 609-826-4400 (Touch-tone phones anywhere).
- ◆ Visit our Web site at: [www.state.nj.us/treasury/taxation/forms.shtml](http://www.state.nj.us/treasury/taxation/forms.shtml)
- ◆ Visit a New Jersey public library.
- ◆ Dial NJ TaxFax at 609-826-4500 from your fax machine's phone. NJ TaxFax makes State tax forms available to fax machine users 24 hours a day, 7 days a week. Once connected to NJ TaxFax, simply enter the form number of the desired form. It will be faxed to you within seconds.
- ◆ Write to:

NJ DIVISION OF TAXATION  
TAXPAYER FORMS SERVICES  
PO BOX 269  
TRENTON NJ 08695-0269

## Who Can Help...

In addition to assistance provided by the Division, other free tax assistance is available for senior citizens, disabled, non-English speaking, and low-income people. Trained volunteers in the VITA (Volunteer Income Tax Assistance) and TCE (Tax Counseling for the Elderly) Programs are available to help prepare both Federal and State returns at locations throughout New Jersey.

For the location nearest you, contact the Division's Customer Service Center at 609-292-6400 or the Internal Revenue Service.

**A**

Accounting Method **12**  
 Address Label **12**  
 Age, Exemption for **13**  
 Alimony **15, 24, 27**  
 Allocation—  
   Business Income **33**  
   Salary/Wages **17, 33**  
 Amended Returns **12**  
 Amount You Owe **30**  
 Annuities **20**  
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