

# Line by Line Instructions for Schedule NJK-1

## **SCHEDULE NJK-1**

Although the partnership itself is not subject to the gross income tax, partners are subject to New Jersey gross income tax on their share of the partnership's income, whether or not the income is actually distributed. Partners who reside in New Jersey are taxed on their share of the partnership's income, regardless of the source of the income. Nonresident partners are also subject to New Jersey gross income tax on their share of the partnership's income, but only to the extent such income is allocated to New Jersey.

Schedule NJK-1 provides each partner with information regarding that partner's share of partnership income. A Schedule NJK-1 must be completed for every partner that was a partner in the partnership at any time during the year.

Partners must be furnished with a copy of their Schedule NJK-1 on or before the due date of the partnership return (Form NJ-1065). If a partnership interest is held by a nominee on behalf of another person, the partnership is required to furnish Schedule NJK-1 to the nominee.

A copy of all NJK-1(s) must be retained by the partnership as part of the partnership's records.

## **PART I GENERAL INFORMATION**

### **Name and Address**

Enter the name and address of both the partner and the partnership. Enter the Federal Employer Identification Number (FEIN) of the partnership and, if the particular partner is an entity other than an individual, enter the FEIN of the partner as well. If the partner is a person, enter his or her Social Security Number. If the partner is an Individual Retirement Arrangement (IRA), enter the identification number of the *custodian* of the IRA, not the Social Security Number of the person for whom the IRA is maintained.

If a husband and wife each had an interest in the partnership, prepare a separate Schedule NJK-1 for each spouse. If a husband and wife held an interest together as one partner, prepare one Schedule NJK-1.

### **Classification of Partner**

Use the codes shown above in the instructions for Column B of the partner's directory.

### **Date Partner's Interest in Partnership Began**

Enter the month, day, and year the partner obtained an interest in this partnership.

### **Partner's Profit, Loss, and Capital Sharing Percentages**

Enter in Column (ii), the appropriate percentages as of the end of the partnership's year. However, if a partner's interest terminated during the year, enter in Column (i) the percentages that existed immediately before the termination. When the profit or loss sharing percentage has changed during the year, show the percentage before the change in Column (i) and the end-of-year percentage in Column (ii). If there are multiple changes on the profit and loss sharing percentage during the year, attach a statement giving the date and percentage before each change.

"Capital Ownership" means the portion of the capital that the partner would receive if the partnership was liquidated at the end of the year and the undivided interests in the partnership's assets and liabilities were distributed.

## **PART II INCOME INFORMATION**

The amounts reported in Column A, Schedule NJK-1, represent the partner's share of the partnership's income, gain or loss from all sources as reported in Column A, Form NJ-1065. The partner's share shall be determined by the partnership agreement in the same manner as the partner's distributive share of partnership income is determined for Federal income tax purposes. Column A, Schedule NJK-1 must be completed for every partner, regardless of residency.

The amounts reported in Column B, Schedule NJK-1 represent the partner's share of the partnership's income, gain or loss allocated to New Jersey as reported in Column B, Form NJ-1065. Column B, Schedule NJK-1 should be completed for all partners.

### **Line 1 - Partnership Income (Loss)**

Enter on Line 1, Column A, the partner's share of partnership income or loss reported on Line 21, Column A, Form NJ-1065.

Enter on Line 1, Column B, the partner's share of partnership income or loss reported on Line 21, Column B, Form NJ-1065.

### **Line 2 - Net Guaranteed Payments**

Enter on Line 2, Column A, the partner's amount of net guaranteed payments reported on Line 22c, Column A, Form NJ-1065.

Enter on Line 2, Column B, the amount from Column A multiplied by the business allocation percentage from Line 16b, Form NJ-1065.

### **Line 3 - Partner's 401(k) Contribution**

Enter on Line 3, Column A, the amount of the partner's contribution to a 401(k) plan. Contributions in excess of Federal limits and taxable for Federal income tax purposes may not be included on this line.

Enter on Line 3, Column B, the amount from Column A multiplied by the business allocation percentage from Line 16b, Form NJ-1065.

### **Line 4 - Distributive Share of Partnership Income (Loss)**

Add Lines 1 and 2, Column A, then subtract Line 3, Column A from this result. Enter the remainder on Line 4, Column A.

Add Lines 1 and 2, Column B, then subtract Line 3, Column B from this result. Enter this amount on Line 4, Column B.

### **Line 5 - Pension**

Enter on Line 5, Column A, the partner's share of guaranteed payments - pension reported on Line 22b, Column A, Form NJ-1065. The partner to whom the guaranteed payment was made must be receiving the payment as a result of a period of service to the partnership pursuant to a retirement agreement or pension plan.

Make no entry on Line 5, Column B. Pension income to nonresidents is not subject to New Jersey gross income tax.

### **Line 6 - Child Care Deduction**

Enter on Line 6, Column A, the partner's share of the child care deduction reported on Line 23, Column A, Form NJ-1065.

## **PART III NONCONSENTING CORPORATE MEMBER'S OR PARTNER'S INFORMATION**

### **Line 1 - Share of New Jersey Corporation Income and Tax**

Enter on Line 1, Column A, the partner's share of New Jersey corporation income reported in Column J of the Partners Directory.

Enter on Line 1, Column B, the partner's share of New Jersey Corporation business tax reported in Column K of the Partners Directory.

## **PART IV**

### **SUPPLEMENTAL INFORMATION**

Attach a separate schedule to provide any detailed information affecting the partner's share of income.