

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 13 to find out which types of income are not reportable.
- ◆ Members of the Armed Forces see page 3 for additional 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, call the New Jersey Tax Hotline (609-588-2200).

Who Must File

You must file a New Jersey income tax return if—

	Your filing status is:	and your gross income was more than:	Use Form:
Nonresident You were a New Jersey nonresident if you met all three of the following conditions for the entire year, and you were domiciled here: <ul style="list-style-type: none"> ◆ You did not maintain a <i>permanent</i>* home in New Jersey; and ◆ You did maintain a <i>permanent</i> home outside of New Jersey; and ◆ You did not spend more than 30 days in New Jersey; or New Jersey was not your domicile, and you spent less than 183 days here; or New Jersey was not your domicile, you spent more than 183 days here, but you did not maintain a <i>permanent</i> home here.	Single Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500 (from all sources)	NJ-1040NR (Nonresident Return)
	Married, filing separate return	\$3,750 (from all sources)	
Part-year resident You were a part-year New Jersey resident if you met the definition of resident or nonresident for only part of the year.	Single Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500 from all sources (for the entire year)	NJ-1040** (Resident Return)
	Married, filing separate return	\$3,750 from all sources (for the entire year)	
Full year resident You were a full year New Jersey resident if: <ul style="list-style-type: none"> ◆ New Jersey was your domicile (permanent legal residence) for the entire year (whether or not you were a member of the Armed Forces); or ◆ New Jersey was not your domicile, but you maintained a <i>permanent</i>* 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 Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500	NJ-1040 (Resident Return)
	Married, filing separate return	\$3,750	

* 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.

** Both resident and nonresident returns may have to be filed when a part-year resident receives income from New Jersey sources during the period of nonresidence.

Attention Pennsylvania Residents:

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. For more information, see page 2.

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 Jersey tax purposes *unless* you meet all three conditions for nonresident status (see “Who Must File” on page 1). 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.

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 whether you use the peel-off label or write the information on the form. 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 the Correct Form** for your tax situation. See the “Who Must File” chart on page 1.
- ✓ **Read Instructions** carefully before completing your return.
- ✓ **Use the “State Wages” figure(s)** from your W-2(s), not the “Federal Wages” amount.
- ✓ **Complete** both Column A and Column B, Lines 33-45.
- ✓ **Attach all necessary forms**, schedules and other documents to your return. See page 11.
- ✓ **Check Arithmetic.**
- ✓ **Sign and date** your return. Both spouses must sign a joint return.
- ✓ **Pay any balance due** with your return. Write your social security number on your check.
- ✓ **Keep a copy** of your return for your records.
- ✓ **Mail your return to the appropriate address.** Check the address to which you are sending your return. Don’t mail your New Jersey income tax return to the Internal Revenue Service.
- ✓ **Changes or mistakes** to your original return may be corrected by filing an amended return. See page 6.
- ✓ **Look for this symbol** ✓ throughout these instructions for new or important information.

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 the New Jersey income tax. Compensation means salaries, wages, tips, fees, commissions, bonuses and other remuneration received for services rendered as an employee.

continued

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 tax-payers and the Division of Taxation under the Taxpayers’ Bill of Rights, call the Division’s automated information and assistance service. (See back cover.)

Pennsylvania Residents - continued

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 calling our Tax Hotline.

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 33 through 45, showing income from everywhere.

Column B. When Pennsylvania residents complete Column B, employee compensation from New Jersey sources should not be included on Line 33. For Pennsylvania residents Line 33, 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 23.

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 \$7,500 (\$3,750 for married persons filing separately), 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 \$7,500 (\$3,750 if filing status is 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 \$7,500 or less (\$3,750 if filing status is married, filing separate return). 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 \$7,500 or less (\$3,750 if filing status is 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.

Line 33 - 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-9, *Income from Partnerships and 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.

Line 40 - Pension, Annuities, IRA Withdrawals, Less Exclusion.

Column A. If you qualify for the pension exclusion, 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 14b - Other Retirement Income Exclusion. Do not complete Worksheet A for the Other Retirement Income Exclusion (on page 9). Instead, you must take into account the amount of wages, net profits from business, partnership income and S corporation income you received for the *entire* year and the amount of prorated earned income from the period of residence to determine whether or not you qualify for the exclusion. For more information, request Tax Topic Bulletin GIT-6, *Part-year Residents*.

Line 15c - Exemptions. Your total exemptions (Line 15c) 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.

$$\text{Lines 15a and b} \times \frac{\text{No. of Months NJ Nonresident}}{12} = \text{Line 15c}$$

Lines 16 and 17 - Deductions. You may deduct medical expenses and alimony based on the actual expenses paid for the period of time you were a nonresident of New Jersey. Complete Part IV for medical expenses. See page 22.

Part V - Allocation of Wage and Salary Income Earned Partly Inside and Outside New Jersey. If you must complete Part V, use the total number of days for your *period of nonresidence*.

For more information on part-year nonresidents, order 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 1). 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.

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, with the intent of remaining there permanently and beyond the person's tour of duty, such facilities will constitute a *permanent* home outside of New Jersey. In this case, the serviceperson is no longer domiciled in New Jersey and generally is not considered a New Jersey resident for tax purposes.

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 and he or she is not required to file a New Jersey return unless he or she has earned 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 1), then your military pay is not subject to New Jersey income tax. Contact the finance officer at your station for Form DD-2058-1 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 income will be taxed as if both spouses were residents.

Extensions. 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 three-month extension by attaching an explanation to the return when filed.

Death Related to Active Duty. When a member of the Armed Forces serving in a combat zone 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 combat zone.

When to File

Generally, your New Jersey income tax return is due when your Federal income tax return is due. For calendar year filers, the 1996 New Jersey

income tax return is due by April 15, 1997. 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.

Extensions

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

Four-Month Extension

You may receive a four-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;
- or**
2. **No Federal extension filed.** You file a request for a four-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.

Form NJ-630 must also be filed by the original due date if you are required to make a payment to satisfy the 80% requirement.

Extensions Beyond Four Months

If you have requested and been granted a four-month extension, you may apply for an additional two-month extension before the original four-month extension expires. You must file Form NJ-630 if you require an extension of more than four months for New Jersey purposes and you are not requesting an additional two-month extension for Federal purposes. Otherwise attach a copy of your Federal application for an additional two-month extension to your NJ-1040NR when filed.

Taxpayers who file Form NJ-630 will not receive an approved copy. We will notify you only if your request is denied.

If you fail to satisfy the requirements outlined for extensions, 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 "Penalty and Interest Charges" on page 6.

How to Pay

The balance of tax due must be paid in full with your return. If you owe less than \$1, no payment is required.

- ◆ 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.

How to Pay - continued

- ◆ If you are paying a balance due for the 1996 tax year and the first installment of estimated tax for 1997, please use separate checks or money orders for each payment. Send your 1997 estimated tax payment with an NJ-1040-ES voucher to the address on that payment voucher.

Time Limit for Assessing Additional Taxes. The Division of Taxation has three years from the date you filed your income tax return 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 entered into a written agreement with the Division extending the time to make an assessment;
- ◆ You failed to report 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 the taxpayer.

Where to Send Your Return

√ This packet contains a small window envelope and a large envelope. If making a payment, use the small window envelope to mail your check or money order with your payment voucher. Make sure the mailing address printed on the payment voucher shows through the window in the small envelope. **Do not** mail your NJ-1040NR in the small window envelope.

Mail Voucher With Payment to: STATE OF NEW JERSEY
DIVISION OF TAXATION
CN 196
TRENTON NJ 08646-0196

Mail Your Return to: STATE OF NEW JERSEY
DIVISION OF TAXATION
CN 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 after the return is filed or two years after the tax is paid, whichever is 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 or the Internal Revenue Service 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 through the mail.

Deceased Taxpayers

If a person received income in 1996 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. 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 44, 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 copy of the Federal Schedule K-1 which shows the beneficiary's share of the estate or trust.

√ **Filing Requirements for Beneficiaries.** You must report the items of income or gain you receive as a beneficiary of an estate or trust on Line 44, "Other" income. Interest, dividends, capital gains, business or partnership income, etc. as listed on the Federal K-1 form(s) you received are to be netted together before inclusion on the "Other" income line. Enclose a copy of the Federal K-1(s) with your return.

Partnerships

A partnership is not subject to 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 20 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 part-nership 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. When your estimated tax exceeds \$100, you are required to make quarterly estimated tax payments using Form NJ-1040-ES.

Estimated Tax - continued

Instructions for computing the estimated tax and making the payments are included with the form. Review the amount of your New Jersey income tax on your expected gross income (after deductions and credits) to determine if you need to make estimated tax payments for 1997.

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 pay all or part of an underpayment will result in interest charges on the underpayment.

Underpayment of Estimated Tax. Generally, 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, and instructions. Form NJ-2210 is completed to determine if interest is due and if so, calculate the amount. If you complete and attach Form NJ-2210 to your return, check the box below Line 22. For more information on estimated tax, request Tax Topic Bulletin GIT-8, *Estimating Income Taxes*.

Penalty and Interest Charges

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. Also, a penalty of \$100 for each month the return is late may 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.

Rounding Off to Whole Dollars

When completing your return and the 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 the 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 after the decimal point for cents.

Keeping Tax Records

Keep copies of your tax returns and the supporting documentation of income, 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.

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. 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.

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 attach a check or money order for 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.

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. Correct the label where errors occur. If you have no 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

Be sure to check the accuracy of the social security number(s) printed on the label. To correct an error, draw a line through the incorrect number and write the correct number above it.

Enter your social security number(s) in the space provided on the return if you do not have a label. 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.

State of Residency

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

Filing Status (Lines 1 - 5)

Generally, 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.

✓ If both you and your spouse were nonresidents of New Jersey during the 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 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.

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

Exemptions - Personal (Lines 6 - 8)

The exemptions claimed on Lines 6, 7 and 8 apply only to you and your spouse. The exemptions for age and disability are not available for 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 filing a joint return, check the spouse box as well. Add the number of boxes checked and enter the result on Line 6.

Line 7 - Age 65 or Older

If either you or your spouse were 65 years of age or older at the end of the tax year, you (and your spouse if qualified) are entitled to an additional 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 either you or your spouse were blind or disabled at the end of the tax year, you (and your spouse if qualified) are entitled to 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. 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 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.

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 post secondary 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 Lines 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.

Residency Status (Line 13)

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.

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 44 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
CN 185
TRENTON NJ 08625-0185

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.**



You must complete Part I (Lines 33 through 45) on the back of the return before completing Line 14a. Go to page 2.

Line 14a - Total Income**COLUMN A**

Enter on Line 14a, Column A, the total amount of income from everywhere from Part I, Line 45, Column A.

COLUMN B

Enter on Line 14a, Column B, the total amount of income from New Jersey sources from Part I, Line 45, Column B.

Line 14b - Other Retirement Income Exclusion

If you and/or your spouse are 62 years of age or older at the end of the tax year and you did not use the maximum pension exclusion on Line 40, Column A, Part I (your pension, annuity or IRA withdrawal was less than the exclusion amount for your filing status or you did not receive a pension, annuity or IRA withdrawal), you may be entitled to exclude other income on Line 14b. Complete Worksheet A on page 9 to determine if you qualify for any additional exclusion.

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 qualified spouse may be excluded.

Line 14c - Gross Income**COLUMN A**

Subtract Line 14b, Column A, from Line 14a, Column A, and enter the result on Line 14c, Column A. If zero or less, enter "0."

If you were a nonresident for the entire year and the amount on Line 14c, Column A, is \$7,500 or less (\$3,750 if filing status is married, filing separate return), you have no tax liability to New Jersey and no return must be filed. However, you should file a return in order to obtain a refund of taxes withheld or estimated payments made. Enter zero on Lines 19 and 20 and complete the return.

If you were a New Jersey resident for any part of the year, see the "Guidelines for Part-year Nonresidents" on page 3.

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 amount. Complete Form NJ-W4 and submit it to your employer to claim the exemption.

COLUMN B

Subtract Line 14b, Column B, from Line 14a, Column B, and enter the result on Line 14c, Column B. If zero or less, enter "0."

Exemptions and Deductions (Lines 15 - 17)

New Jersey law allows deductions only for exemptions, certain medical expenses and alimony and separate maintenance payments. 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 3.

Lines 15a-c - Exemptions

- ♦ **Line 15a.** Enter the number of exemptions from Line 12a. Multiply the number by \$1,000 and enter the result.
- ♦ **Line 15b.** Enter the number of exemptions from Line 12b. Multiply the number by \$1,500 and enter the result.
- ♦ **Line 15c.** Add Lines 15a and 15b together and enter the result.

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

Part I

1. Enter the amount from Line 33, Column A,
Form NJ-1040NR _____
2. Enter the amount from Line 36, Column A,
Form NJ-1040NR _____
3. Enter the amount from Line 41, Column A,
Form NJ-1040NR _____
4. Enter the amount from Line 42, Column A,
Form NJ-1040NR _____
5. Add Lines 1, 2, 3 and 4 _____

* Part-year nonresidents, do **not** complete this worksheet.
See instructions on page 3.

STOP -

- ♦ **If line 5 is MORE than \$3,000** – Do not complete Part II.
Enter “0” on Line 9 and continue with Part III.
- ♦ **If Line 5 is \$3,000 or LESS** – Continue to Part II.

Part II

6. **Enter:** **if your filing status is:**

\$10,000	Married, filing joint return	_____
\$ 7,500	Single	_____
	Head of Household	_____
	Qualifying Widow(er)	_____
\$ 5,000	Married, filing separate return _____
7. Enter your total reportable pension, annuity and
IRA withdrawal income from Line 40, Column A,
Form NJ-1040NR _____
8. Subtract Line 7 from Line 6. Enter the
difference here and on Line 9 (Part III).
If zero or less, enter “0” _____

Part III

9. Unclaimed Pension Exclusion (from Line 8) _____
 10. 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?

Yes —	Enter “0” here and complete Line 11.
No —	_____
- 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 _____
11. **Your Other Retirement Income Exclusion**
Add Lines 9 and 10. Enter here and on
Line 14b, Column A and Column B,
Form NJ-1040NR _____

Line 16 - Medical Expenses

You may deduct certain medical expenses that you paid during the year for yourself, your spouse 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. Complete Part IV to calculate your deduction. See page 22.

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.

Line 17 - Alimony and Separate Maintenance Payments

Enter on Line 17 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 18 - Total Exemptions and Deductions

Enter on Line 18 the total of Lines 15c, 16 and 17.

Line 19 - Taxable Income

Subtract Line 18 from Line 14c, Column A, and enter the result on Line 19. If Line 19 is zero or less, enter “0.”

Line 20 - Tax on Amount on Line 19

Compute your tax by using one of the following methods.

Tax Table. If your taxable income from all sources on Line 19 is less than \$100,000, you may use the New Jersey Tax Table on page 23 or the New Jersey Tax Rate Schedules on page 32 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 20.

Tax Rate Schedules. You must use the New Jersey Tax Rate Schedules on page 32 if your taxable income from all sources on Line 19 is \$100,000 or more. Use the correct schedule for your filing status. After you have calculated your tax, enter the amount on Line 20.

Line 21 - Income Percentage

To figure your income percentage, divide the amount on Line 14c in Column B by the amount on Line 14c in Column A. Carry your result to three decimal places. For example, if the amounts used were \$20,000 (Line 14c, Column B) divided by \$30,000 (Line 14c, Column A), the result would be 66.7% or .667. In certain situations, however, the income percentage can exceed 100%.

continued

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 14c, Column B) divided by \$40,000 (Line 14c, Column A).

Line 22 - New Jersey Tax

Multiply the amount on Line 20 by the income percentage on Line 21, and enter the result on Line 22. This is your New Jersey tax.

Line 23 - Total New Jersey Income Tax Withheld

Enter on Line 23 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. 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 23 amounts withheld as New Jersey workforce development partnership fund/unemployment insurance/health care subsidy fund contributions (shown on the W-2 as WD/UI/HC, if combined, or WD, UI and HC, if stated separately) or New Jersey disability insurance (may be shown as DI). These are **not** New Jersey income tax withholdings and may not be used as credits on Line 23. See instructions for Lines 25 and 26 for more information on excess workforce development partnership fund/unemployment insurance/health care subsidy 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, 1997, or if the form you received is incorrect, contact your employer/payer immediately.

Line 24 - New Jersey Estimated Payments/Credit from 1995 Tax Return

Enter on line 24 the total of:

- ♦ Estimated tax payments made for 1996
- ♦ Credit applied from your 1995 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.

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 1996 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.

Credit for Excess Contributions to: Workforce Development Partnership Fund Unemployment Insurance Health Care Subsidy Fund and/or Disability Insurance (Lines 25 and 26)

You may take credit for excess workforce development partnership fund/unemployment insurance/health care subsidy fund contributions and/or disability insurance contributions withheld by two or more employers. For 1996, the maximum employee workforce development partnership fund/unemployment insurance/health care subsidy fund contribution was \$112.50, and the maximum employee disability insurance contribution was \$90.00. 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.

All information on Form NJ-2450 must be substantiated by W-2 statements or the claim will be denied. The amounts of workforce development partnership fund/unemployment insurance/health care subsidy fund contributions and disability insurance withheld must be reported separately on all W-2 statements. The employer's Department of Labor identification number must also be shown.

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 requirements are not met, the Division of Taxation must deny your credit. You must then refile your claim with the Department of Labor using their Form UC-9A, "Employee's Claim for Refund of Excess Contributions." Once your credit has been denied by the Division of Taxation, it can **only** be claimed through the Department of Labor.

Call our Tax Hotline to request Form NJ-2450.

Line 25 - Excess New Jersey WD/UI/HC Withheld

Enter on Line 25 the excess workforce development partnership fund/unemployment insurance/health care subsidy fund contributions withheld from Line 4 of Form NJ-2450. Attach Form NJ-2450 to your return.

Line 26 - Excess New Jersey Disability Insurance Withheld

Enter on Line 26 the excess disability insurance withheld from Line 5 of Form NJ-2450. Attach Form NJ-2450 to your return.

Line 27 - Total Payments/Credits

Add Lines 23 through 26 and enter the total on Line 27.

**Amount of Tax You Owe or Overpayment
(Lines 28 and 29)**

Compare Lines 22 and 27.

- ♦ If Line 22 is more than Line 27, you have a balance of tax due. Complete Line 28.
- ♦ If Line 22 is less than Line 27, you have overpaid your tax. Complete Line 29.

Line 28 - Amount of Tax You Owe

Subtract Line 27 (Total Payments/Credits) from Line 22 (New Jersey Tax) and enter the result on Line 28.

If you owe tax, you may make a donation on Lines 30B, 30C, 30D, 30E and/or 30F by adding the amount of your donation to your check amount.

If you are attaching Form NJ-2210, the amount of the check should also include interest calculated for the underpayment of estimated tax. Make your check for the total amount payable to "State of New Jersey - TGI."

If the amount of tax you owe (Line 28) is more than \$100, you may want to increase your estimated payments or contact your employer for Form NJ-W4 to increase your withholdings to avoid interest assessments.

Line 29 - Overpayment

Subtract Line 22 (New Jersey Tax) from Line 27 (Total Payments/Credits) and enter the result on Line 29.

Line 30A - Credit to Your 1997 Tax

Enter on Line 30A the amount of your overpayment that you wish to credit to your 1997 tax liability.

**Contributions
(Lines 30B, 30C, 30D, 30E and 30F)**

You may make a donation to the Endangered Wildlife Fund, the Children's Trust Fund, the Vietnam Veterans' Memorial Fund, the Breast Cancer Research Fund or the Battleship New Jersey Memorial Fund whether you have an overpayment or a balance due. Indicate the amount you want to contribute by checking the appropriate box or enter any amount you wish to contribute. This amount will reduce your refund or increase your balance due. An amount must be entered when making a contribution.

If you are making a donation and you have a balance due, increase the amount of your check or money order (made out to "State of New Jersey - TGI") by the amount you wish to contribute. Your donation will be deposited in the appropriate fund when your return is processed.

continued

Table 1**Attachments to the NJ-1040NR**

Be sure to attach the following to your completed return:

Attach to the front of your return

- ♦ Check or money order for any tax due
- ♦ W-2(s) and 1099-R(s) that indicate NJ withholdings

Attach to the back of your return

- ♦ If appropriate, New Jersey Form(s) – NJ-630, 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)

- ♦ If appropriate, statement of residency (Pennsylvania residents)
- ♦ If appropriate, copy of Federal Form(s) –
 - Schedule B or Schedule 1 for interest over \$400
 - Schedule C, C-EZ or F for business income
 - Schedule K-1 for fiduciary income
 - Form 2106 for employee business expenses
 - Form 2119 for the sale of your principal residence
 - Form 3903 for moving expenses
 - Form 4868 for filing under a Federal extension

Line 30B - New Jersey Endangered Wildlife Fund

Please help us restore and protect New Jersey's endangered wildlife and their habitats by checking Line 30B. We receive no State tax money and rely on your contributions to provide the crucial funding needed for preserving our wildlife resource and the quality of life in New Jersey.

For more information or to receive our free quarterly newsletter write: "Conserve Wildlife News-TB", Endangered Species Program, CN 400, Trenton, NJ 08625. Direct donations are accepted at the same address.

Line 30E - New Jersey Breast Cancer Research Fund FIGHTING TO MAKE BREAST CANCER A THING OF THE PAST

New Jersey has one of the highest breast cancer rates in the country. Your contribution supports research relating to the prevention, screening, treatment and cure of breast cancer right here in New Jersey. Help save lives. Check Line 30E and join the fight to make breast cancer a thing of the past. For further information, please write to:

The New Jersey Commission on Cancer Research
28 West State Street, Rm 715
Trenton, NJ 08625-0360, Phone: (609) 633-6552

Line 30C - New Jersey Children's Trust Fund ...to prevent child abuse



Every dollar you contribute goes to local prevention programs in all 21 counties:

- home visiting programs for at-risk newborns
- school safety and self-protection programs
- support groups for families with special needs children

Help New Jersey's children! Check-off your contribution on Line 30C, for the **Children's Trust Fund**, which receives no State tax money. For more information, contact:

**Children's Trust Fund, CN 711,
Trenton, NJ 08625, (609) 633-3992**

Line 30F - New Jersey Battleship New Jersey Memorial Fund

Help preserve one of the last great dreadnoughts of the high seas as an educational museum. Battleship *New Jersey*, her guns serving as the Arsenal of Democracy, served in W.W. II, Korea, Vietnam and Beirut. Be a part of the American Heritage of Freedom.

For more information write:

Battleship New Jersey Foundation
One Arin Park Building
1715 State Highway 35 • Middletown, NJ 07748
1-908-671-6488 • Fax (908) 957-0092

Line 30D - New Jersey Vietnam Veterans' Memorial Fund

Become a part of our State's tribute to more than 200,000 New Jersey Vietnam veterans. The Memorial is now open 24 hours, 7 days a week. Work is currently underway on the adjacent Vietnam Era Educational Center, the first center of its kind in the country.

For more information, write:

**New Jersey Vietnam Veterans' Memorial,
150 West State Street, Trenton, NJ 08608
or call: 1-800-648-VETS**

Line 31 - Total Deductions from Overpayment

Add any amounts on Lines 30A, 30B, 30C, 30D, 30E and 30F. Enter the result on Line 31.

Line 32 - Refund

Subtract Line 31 from Line 29 (Overpayment). Enter the result on Line 32. This is the amount of your refund.

Part I - Total Income (Lines 33 - 45)

Enter on Lines 33 through 45 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

Total Income - continued

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. Winnings from a casino or racetrack located in New Jersey;
6. Prizes won in a lottery, drawing or other contest in New Jersey (other than the New Jersey Lottery);
7. Income of a New Jersey S corporation allocated to New Jersey.

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

Gross Income includes the following:

- ◆ Wages and other compensation
- ◆ Interest and dividends
- ◆ Profits from business, trade or profession
- ◆ Gains from sale of property and other capital gains
- ◆ Pensions, annuities and IRA withdrawals
- ◆ Partnership distributions
- ◆ Net pro rata share of S corporation income
- ◆ Rental, royalty and copyright income
- ◆ Gambling winnings
- ◆ Alimony
- ◆ Estate and trust income
- ◆ Income in respect of a decedent
- ◆ Prizes and awards, including scholarships and fellowships
- ◆ 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

Important! Net losses 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.

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)
- ◆ 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
- ◆ 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
- ◆ Direct payments and benefits received under homeless persons assistance programs
- ◆ Income tax refunds (New Jersey, Federal and other jurisdictions)
- ◆ Welfare
- ◆ Child support

Line 33 - 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 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).**

Pension and annuity income or early retirement benefits should not be included on this line but should be reported on Line 40.

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.

continued

Line 33 - Wages, Salaries, Tips, Etc. - continued

Meals and/or Lodging. You may exclude from the amount reported on Line 33 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 33 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 photocopy of your Federal Form 2106.

Commuter Transportation Benefits. Certain amounts you receive from your employer up to \$755 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.

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 36 (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 33 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.

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 photocopy 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 33 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 on your W-2, you must file Form NJ-2440 with your New Jersey return to exclude them.

COLUMN B

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

Pennsylvania residents, see page 2.

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 V on page 22.

Do not use Part V if your wage/salary income is based on volume (the amount of sales or amount of business transacted). Instead, enter on Line 33, the portion of your wage/salary income calculated using the following formula:

$$\frac{\text{New Jersey Volume}}{\text{Total Volume}} \times \text{Volume Income} = \text{Amount to include on Line 33, Column B}$$

Line 33 - Wages, Salaries, Tips, etc. - continued

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 34 - Interest Income

COLUMN A

Enter all of your reportable interest from sources both inside and outside of New Jersey on Line 34, Column A. New Jersey reportable interest income includes interest from the following:

- ◆ Banks
- ◆ Savings and loan associations
- ◆ Credit unions
- ◆ Savings accounts
- ◆ 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 you received as a partner in a partnership which was not earned in the ordinary course of business must be included on this line.

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 34, Column A, is more than \$400, attach a copy of Schedule B, Federal Form 1040, or Schedule 1, Federal Form 1040A.

Do not report tax exempt interest on Line 34. 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
- ◆ Sallie Maes
- ◆ CATS
- ◆ TIGRs
- ◆ Certain distributions from "New Jersey Qualified Investment Funds"

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 35. 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 this line. If you made a withdrawal from your IRA during the year, see the instructions for Line 40.

For more information on tax exempt interest income, order 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 should be reported on Line 34, Column B. **Do not report interest from personal accounts.**

Line 35 - Dividends

COLUMN A

Enter on Line 35, Column A, the amount of dividends received during the year (e.g., from stocks, mutual funds). The total amount of dividends received, **regardless of where earned**, must be reported.

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 35, Column A.

S Corporations. Shareholders of S corporations, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations* for information on how to report S corporation income.

COLUMN B

Only dividends received as a result of a business or profession carried on in New Jersey should be reported in Column B. **Do not report dividends from personally-held securities.**

Line 36 - 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 36, Column A. To determine your New Jersey profit (or loss), first complete a Federal Schedule C (or Schedule C-EZ or Schedule F). To comply with New Jersey income tax law, 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).

Use the same accounting method (cash or accrual) that you used for Federal income tax purposes. In the case of a loss, enter "0" on Line 36. Attach a copy of the Federal Schedule C (or Schedule C-EZ or Schedule F) to your return.

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. Call our Tax Hotline for Form NJ-NR-A and instructions.

Line 37 - Net Gains or Income from Disposition of Property

COLUMN A

Enter on Line 37, Column A, the amount of net gains from Part II, Line 49. See page 21.

COLUMN B

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

Line 38 - Net Gains or Income from Rents, Royalties, Patents and Copyrights

COLUMN A

Enter on Line 38, Column A the amount of net gains or income from Part III, Line 52. See page 21.

COLUMN B

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

Line 39 - Net Gambling Winnings

COLUMN A

Enter on Line 39, 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 not acceptable as evidence of gambling 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 39 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 40)

COLUMN A

Enter on Line 40, Column A, your reportable pensions, annuities and IRA withdrawals, less your New Jersey 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', Federal and military pensions and Keogh Plans are treated in the same manner as pensions from the private sector. Amounts received as "early retirement benefits" are also reportable. Social Security and Railroad Retirement are exempt from New Jersey income tax and should not be reported as pension income.

Total and permanent disability is 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.

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.

Pensions, Annuities and IRA Withdrawals

The amount you report on Line 40, Column A, will depend on whether or not you made contributions to the plan.

Noncontributory Plans. Amounts you receive from noncontributory

continued

plans are fully reportable. Include on Line 40, Column A, the total amount of the pension or annuity from your 1099-R.

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. Generally your contributions to a pension or annuity were taxed when they were made and are not reportable when withdrawn. You must determine the reportable part of any distribution you receive. Use Worksheet B 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 the IRA worksheet on page 19. **Do not use Worksheet B or C for an IRA withdrawal.**
 - ◆ After determining the reportable amount of your pensions, annuities and IRA withdrawals, see page 19 for New Jersey exclusion information.

Worksheet B
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
2. Your contributions to the plan
3. Subtract line 2 from line 1
 (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**.

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. 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 C to determine the reportable amount.

Worksheet C
General Rule Method

1. Your previously-taxed contributions to the plan
2. Expected return on contract*
3. Percentage excludable (Divide line 1 by line 2)%
4. Amount received this year
5. Amount excludable (Multiply line 4 by line 3)
6. Reportable amount (Subtract line 5 from line 4. Enter here and then use this figure to calculate the amount to put on Line 40, NJ-1040NR)

*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, *Pension General rule*. 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.

Complete Worksheet C 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 40, 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, order 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). Generally your contributions have been previously taxed. Therefore, only 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 40. Use the following worksheet to determine the reportable 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.

For more detailed information on IRA withdrawals, order Tax Topic Bulletin GIT-2, *IRA Withdrawals*.

continued

**Worksheet D – IRA Withdrawals
1996**

Part I

- 1. **Value of IRA** on 12/31/96 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 12/31/96.** 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. **Reportable Portion of This Year's Withdrawal.** Multiply Line 2 by decimal amount on Line 6. Enter here and on Line 40, 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) **Reportable 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 year 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.)

New Jersey Pension Exclusion

If you qualify, you may exclude all or a part of the income you received during the year from reportable pensions, annuities and IRA withdrawals. If you and/or your spouse are 62 years of age or older at the end of the tax year and did not report any income on Line 40, you may still qualify for the "Other Retirement Income Exclusion." See the instructions for Line 14b on page 8.

To qualify for the New Jersey pension exclusion you must be:

- ◆ 62 years of age or more
- or
- ◆ Disabled as defined by Social Security guidelines

Maximum Pension Exclusion	
Amount:	For Filing Status:
\$10,000	Married, filing joint return
\$ 7,500	Single Head of Household Qualifying Widow(er)
\$ 5,000	Married, filing separate return

Enter on Line 40, Column A, the total reportable pension, annuity and IRA withdrawal income less the amount next to your filing status from the Maximum Pension Exclusion chart. If zero or less, enter "0."

When you and your spouse file a joint return and only one of you is 62 years old 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.

If you and/or your spouse are 62 years of age, you may qualify for an additional exclusion. See the instructions for Line 14b.

Part-year nonresidents, see page 3.

COLUMN B

Pension, annuity and IRA withdrawal income is not taxable to nonresidents. Therefore, no entry is necessary on Line 40, Column B.

Line 41 - Distributive Share of Partnership Income

COLUMN A

Enter on Line 41, Column A, your share of income derived from a partnership, whether or not the income was actually distributed. For detailed information regarding the reporting of partnership income, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*.

Attach a copy of the Schedule NJK-1, Form NJ-1065, which you received from the partnership and enter the income amounts on the NJ-1040NR as indicated. Any amounts less than zero must be entered as "0."

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-9, *Income from Partnerships and S Corporations*, 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."

Line 42 - Net Pro Rata Share of S Corporation Income

COLUMN A

Enter on Line 42, Column A, the amount of your net pro rata share of S corporation income, whether or not the income was actually distributed. For detailed information regarding the reporting of S corporation income, request Tax Topic Bulletin GIT-9, *Income from Partnerships and 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-9, *Income from Partnerships and 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 43 - Alimony and Separate Maintenance Payments Received

COLUMN A

Enter on Line 43, 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 43, Column B.

Line 44 - Other

COLUMN A

Enter on Line 44, Column A:

Amounts Received as Prizes and Awards. A prize won by any person in a raffle, drawing, television or radio quiz show, contest or any other event is reportable and must be included on Line 44, Column A.

Awards, including those given to employees for their work or suggestions, are also reportable. 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 44, "Other" income. Enclose a schedule of the items of income reported together and included on Line 44.

Income from Estates and Trusts. Beneficiaries receiving income from an estate or trust must include on Line 44 the net of the items listed on the Federal K-1 form(s) received. Interest, dividends, capital gains, business or partnership income, etc. as listed on the Federal K-1(s) are to be netted together before inclusion on Line 44, "Other" income. Enclose a copy of the Federal K-1(s) with your return.

Scholarships and Fellowships. Scholarships and fellowship grants are reportable and must be included on Line 44, 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.

continued

Line 44 - Other - continued

Residential Rental Value or Allowance Paid by Employer. Enter on Line 44, 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.

Other. Enter on Line 44, 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."

Line 45 - Total Income

COLUMN A

Enter on Line 45, Column A, the total of Lines 33-44, Column A. Also enter this amount on Line 14a, Column A.

COLUMN B

Enter on Line 45, Column B, the total of Lines 33-44, Column B. Also enter this amount on Line 14a, Column B.



Continue with Line 14a instructions on page 8.

Part II - Net Gains or Income from Disposition of Property (Lines 46 - 49)

Use Part II to report all 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 for Federal income tax purposes. All gains derived from installment sales must be reported in the same year as reported for Federal income tax purposes. If the spaces provided are not sufficient, attach a statement to the return listing any additional transactions.

Sale of a Principal Residence. Capital gain, postponement of gain and the one-time exclusion of gain (for persons age 55 or older) on the sale of a principal residence are computed in the same manner as for Federal income tax purposes. Any amount that is reportable for Federal purposes is reportable for New Jersey purposes. If you are postponing or excluding any of the gain on the sale of your principal residence for Federal purposes, the same amount will be postponed or

excluded for New Jersey purposes. Complete Part II to report the transaction. Also attach a photocopy of your Federal Form 2119.

Line 46 - List Transactions

List at Line 46, Part II, any reportable transaction(s) from your Federal Schedule D, indicating the gain or loss for each transaction in Column f.

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 47 - Capital Gains Distributions

Enter on Line 47 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. For more information on "New Jersey Qualified Investment Funds" see page 15.

Line 48 - Other Net Gains

Enter on Line 48 the total amount of net gains or income less net losses from disposition of property not included on Lines 46 or 47 of Part II.

Line 49 - Net Gains

Enter on Line 49 the total of the amounts listed on Line 46, Column f and Lines 47 and 48, netting gains with losses. If the netted amount is a loss, enter "0." Also enter this amount on Line 37, Column A, Part I.

Part III - Net Gains or Income from Rents, Royalties, Patents and Copyrights

Use Part III to report net gains or income less net losses from rents, royalties, patents and copyrights (from both inside and outside New Jersey). 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 50 - List Property and Income

List at Line 50, Part III, the kind of property and the net income or loss from each property. For rentals, list the income or loss for each rental property as determined on your Federal Schedule E.

Line 51 - Totals

Add the amounts in each column and enter the totals on Line 51.

Line 52 - Net Income

Add the amounts listed on Line 51 in columns b, c, d and e. Enter the total on Line 52, netting gains with losses. If the netted amount is a loss, enter "0." Also enter this amount on Line 38, Column A, Part I.

Part IV - Medical Expenses

Line 53 - Total Nonreimbursed Medical Expenses

Enter on Line 53 the total amount of your nonreimbursed medical expenses paid by you for yourself, your spouse or your dependents during the taxable year. See page 9 for more information on qualified medical expenses.

Line 54 - Exclusion

Multiply Line 14c, Column A, Gross Income (Everywhere), by 2% (.02) and enter the result on Line 54.

Line 55 - Net Medical Expense

Subtract Line 54 from Line 53 and enter the result on Line 55. Also enter this amount on Line 16 on the front of your NJ-1040NR.

Part V - Allocation of Wage and Salary Income Earned Partly Inside and Outside New Jersey

Part V 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 V if your wage/salary income is based on volume (the amount of sales or amount of business transacted). Instead, see the instructions for Line 33, Column B, on page 14.

Line 56 - Amount to be Allocated

Enter on Line 56 the amount reported at Line 33, Column A, which was earned partly inside and partly outside New Jersey.

Line 57 - Total Days

Full-year nonresidents, enter 365 on Line 57.

Part-year nonresidents, see page 3.

Line 58 - Nonworking Days

Enter on Line 58 the total number of nonworking days (Saturdays, Sun-days, holidays, sick leave, vacation, etc.) during the taxable year covered by this return.

Line 59 - Total Days Worked

Subtract Line 58 from Line 57 and enter the result on Line 59. This is the total number of days worked during the taxable year covered by this return.

Line 60 - Days Worked Outside New Jersey

Enter on Line 60 the number of days worked outside of New Jersey during the taxable year covered by this return.

Line 61 - Days Worked in New Jersey

Subtract Line 60 from Line 59 and enter the result on Line 61. This is the number of days you worked in New Jersey during the taxable year covered by this return.

Line 62 - Allocation Factor

Divide Line 61 by Line 59. The result will be a decimal. Multiply the decimal by Line 56 and include this amount on Line 33, Column B.

Part VI - Allocation of Business Income to New Jersey

Part VI 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.

For more information, call our Tax Hotline for Form NJ-NR-A and instructions.

New Jersey Tax Tables are not available at this time. If you require a tax table please e-mail the Division at NJTaxation@aol.com and include your mailing address. A tax table will be mailed to you.

**996 New Jersey Tax Rate Schedules
for Form NJ-1040NR**

FILING STATUS: Single
Married, filing separate return

Table A

		STEP 1	STEP 2	STEP 3		
If Taxable Income (Line 19) is:		Enter Line 19	Multiply Line 19 by:		Subtract	Your Tax
Over	But not over					
\$ 0	\$20,000	_____	x .014 = _____	- \$	0 = _____	
\$20,000	\$35,000	_____	x .0175 = _____	- \$	70.00 = _____	
\$35,000	\$40,000	_____	x .035 = _____	- \$	682.50 = _____	
\$40,000	\$75,000	_____	x .05525 = _____	- \$	1,492.50 = _____	
\$75,000	and over	_____	x .0637 = _____	- \$	2,126.25 = _____	

FILING STATUS: Married, filing joint return
Head of Household
Qualifying Widow(er)

Table B

		STEP 1	STEP 2	STEP 3		
If Taxable Income (Line 19) is:		Enter Line 19	Multiply Line 19 by:		Subtract	Your Tax
Over	But not over					
\$ 0	\$ 20,000	_____	x .014 = _____	- \$	0 = _____	
\$ 20,000	\$ 50,000	_____	x .0175 = _____	- \$	70.00 = _____	
\$ 50,000	\$ 70,000	_____	x .0245 = _____	- \$	420.00 = _____	
\$ 70,000	\$ 80,000	_____	x .035 = _____	- \$	1,154.50 = _____	
\$ 80,000	\$150,000	_____	x .05525 = _____	- \$	2,775.00 = _____	
\$150,000	and over	_____	x .0637 = _____	- \$	4,042.50 = _____	

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