

**NEW JERSEY GROSS INCOME TAX
DOMESTIC PRODUCTION ACTIVITIES DEDUCTION**

Taxpayer Name and Federal EIN or SS Number		Type of Activity		
	(A) Federal Amount	(B) Disallowed Amount	(C) New Jersey Amount	
1. Domestic production gross receipts				
2. Allocable cost of goods sold				
3. Directly allocable deductions, expenses, or losses				
4. Indirectly allocable deductions, expenses, or losses				
5. Add lines 2 through 4				
6. Qualified production activities income. Subtract line 5 from line 1. If zero or less, enter -0- here, skip lines 7 through 11 and enter -0- on line 12				
7. Income limitation				
8. Enter the smaller of line 6 or line 7. If zero or less enter -0- here, skip lines 9 through 11, and enter -0- on line 12				
9. Enter 6% of line 8				
10. Form W-2 wages				
11. Form W-2 wage limitation. Enter 50% of line 10				
12. Enter the smaller of line 9 or line 11				
13. Domestic production activities deduction from cooperatives ..				
14. New Jersey domestic production activities deduction. Add Column C lines 12 and 13				

Line 14, Column C - Add lines 12 and 13 - The amount on Line 14, the New Jersey Domestic Production Activities Deduction, is applied at the activity or entity level in determining net gains or income reportable on Forms NJ-1065 or Worksheet A, Bulletin GIT-9P; CBT-100S Schedule K or Schedule K Liquidated or Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S; NJ-1040; NJ-1040NR or NJ-1041.

For net profits from business; net gains or income from disposition of property; net gains or net income from rents, royalties, patents and copyrights the deduction is taken into consideration in determining the net gains or income reportable for that income category by the individual, estate or trust.

For distributive share of partnership income the deduction is included on Form NJ-1065, Line 15g - Other Subtractions or on Worksheet A, Bulletin GIT-9P, Line 16e, Other Subtractions.

For net pro rata share of S corporation income the deduction is reported on Form CBT-100S, Schedule K or Schedule K Liquidated, Part II, Line 6f or on Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S, Line 4e.

FORM 501-GIT
General Instructions

New Jersey has uncoupled from many provisions of IRC Section 199. For tax years beginning after December 31, 2004, the New Jersey Domestic Production Activities Deduction is based on domestic production gross receipts derived exclusively from a lease, rental, sale, exchange or other disposition of qualified production property which was manufactured or produced, as defined under NJSA 54A:5-15, by the taxpayer in whole or in significant part within the United States.

The New Jersey deduction is not allowed for:

- Qualified production property grown or extracted by the taxpayer
- Films, electricity, natural gas, potable water, computer software or sound recordings produced by the taxpayer
- Construction activities
- Engineering or architectural services

Form 501-GIT must be used to calculate the New Jersey Domestic Production Activities Deduction allowable for gross income tax purposes. The allowable deduction will be taken into consideration in determining the net distributive share of partnership income; net pro rata share of S corporation income; net profits from business; net gains or income from disposition of property; and net gains or income from rents, reportable on a NJ-1040, NJ-1040NR or NJ-1041.

Income from Partnerships and S corporations: A separate Form 501-GIT must be prepared by each partnership or S corporation with a New Jersey filing requirement. The resulting New Jersey deduction will be taken into account by the partnership or S corporation in calculating the income reported on the partner's or the shareholder's Schedule NJK-I. If the partnership or S corporation does not file a New Jersey return, the partner or shareholder will calculate their New Jersey deduction on a Form 501-GIT using information which must be provided by the entity. The resulting New Jersey deduction will be taken into account by the partner or shareholder in preparing their Worksheet A, Bulletin GIT-9P or Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S.

Net profits from business; rental and lease income; net gains from disposition of property: A separate Form 501-GIT must be prepared to calculate the New Jersey Domestic Production Activities Deduction for each sole proprietorship, rental, lease, disposition of property or other activity which meets the New Jersey criteria. The resulting deduction will be taken into consideration in determining the net profits from business, net gains or income from rents, and net gains or net income from disposition of property reportable on Form NJ-1040, NJ-1040NR or NJ-1041.

Line Instructions

Taxpayer Name and Federal EIN or SS Number - Enter the name and identification number of the taxpayer filing Form CBT-100S, NJ-1065, NJ-1040, NJ-1040NR or NJ-1041

Type of Activity - Identify the type of activity (i.e. sole proprietorship, disposition of property, rental) claiming the New Jersey Domestic Production Activities Deduction.

Lines 1- 4, Column A - Enter the federal Domestic Production Activities information applicable to the entity or activity identified on this form.

Lines 1 - 4, Column B - Enter the information included in Column A that pertains to Federal qualifying production property grown or extracted or any activity or service which is not allowable for New Jersey purposes.

Lines 1 -6 Column C - Subtract Column B from Column A and enter the result.

Line 7, Column C - Enter the entity's or activity's net income as determined for gross income tax purposes and without the domestic production activities deduction.

Line 10, Column C - Enter the W-2 wages paid by the activity or entity for employees of the activity or entity. Do not include wages applicable to production or services not allowed for the New Jersey deduction.

Line 13, Column C - Enter the portion of the entity's or activity's deduction from cooperatives (reported on federal 1099-PATR) which is **not** applicable to qualifying production property grown or extracted or any other disallowed production or service.

Line 14, Column C - Add lines 12 and 13 - The amount on Line 14, the New Jersey Domestic Production Activities Deduction, is applied at the activity or entity level in determining net gains or income reportable on Forms NJ-1065 or Worksheet A, Bulletin GIT-9P; CBT-100S Schedule K or Schedule K Liquidated or Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S; NJ-1040; NJ-1040NR or NJ-1041.

For net profits from business; net gains or income from disposition of property; net gains or net income from rents, royalties, patents and copyrights the deduction is taken into consideration in determining the net gains or income reportable for that income category by the individual, estate or trust.

For distributive share of partnership income the deduction is included on Form NJ-1065, Line 15g - Other Subtractions or on Worksheet A, Bulletin GIT-9P, Line 16e, Other Subtractions.

For net pro rata share of S corporation income the deduction is reported on Form CBT-100S, Schedule K or Schedule K Liquidated, Part II, Line 6f or on Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S, Line 4e.