

Resolving Account Problems

First, take the time to read the notice carefully. Compare the information on the notice with the information on your return. In most instances, the information will be the same. You can pinpoint the problem area by finding where the information on the notice differs from the information on your return. The messages on the front of the notice should help you.

If your notice shows an underpayment and you agree that the information shown on the notice is correct, you must pay the total amount shown as the underpayment. This may include both penalty and interest charges. Remit your payment with the tear-off invoice in the enclosed return envelope if you are paying by check or money order. Be sure to write your social security number on your check or money order.

You may also pay a balance due by electronic check (e-check) or credit card (Visa, MasterCard, Discover, or American Express). Both the e-check and credit card payment options are available on the Division's Web site (www.state.nj.us/treasury/taxation/). You will need your social security number and date of birth to pay online. Taxpayers who do not

have Internet access can make a payment by e-check by contacting the Division's Customer Service Center at 609-292-6400. Credit card payments can also be made by phone (1-800-2PAYTAX, toll-free). A convenience fee of 2.5% of the payment amount will be paid directly to Official Payments Corporation on credit card transactions. Do not send in the tear-off invoice if you pay by e-check or credit card.

If an overpayment is shown on the notice, your account has been adjusted to reflect the corrected amount. We will either send you a refund or apply the overpayment to the next tax period, whichever you requested on your tax return.

If you do not agree with the information on the notice, you must notify us so we can correct your account. Some corrections can be made over the phone, while others require that you write to us at the address on the notice to provide additional information or documentation. You may also respond by e-mail to the address on the notice.

Helpful Tips

The easiest and quickest way to resolve issues is to call the Division of Taxation's Customer Service Center at **609-292-6400**. We can, in some cases, make corrections over the phone, refer your account to another section for resolution, or advise you as to what action you need to take.

If you have a question about a tax credit from your previous year's tax return, we will try to resolve it over the phone. Before you call, check your previous year's tax return, then ask yourself the following questions:

1. Did you fill in the correct line indicating that you wanted the overpayment applied to this year's return? Did you receive a refund during the year?
2. Did you receive a notice that the tax for the previous year was greater than you originally calculated?
3. Did you receive a notice that the overpayment for the previous year was applied to another year's tax obligation or to another debt claimed through the Setoff of Individual Liability (SOIL) Program?

If the answer to any of these questions is "Yes," there is probably no credit from the previous year for us to apply to this year's return.

There are some tax issues we cannot resolve over the phone because we need additional information from you. You must write to us at the address on the notice to resolve these issues:

1. **Amount of Tax Withheld.** Send copies of ALL withholding statements (W-2, W-2P, 1099-R) for the period. New Jersey must be shown on the withholding statement(s) as the State for which the tax was withheld for you to claim the withholdings.
2. **Credit for Taxes Paid to Other Jurisdictions.** If there is a problem with the amount of this credit, you must send us a copy of the return submitted to the other jurisdiction. Refer to the section below for more information.
3. **Payments.** To substantiate your payments you must send us copies of both the front and back of your cancelled checks or copies of your bank or credit card statements showing you made payments electronically. Refer to the payment area of the notice to see if you received credit for all your payments.

Credit for Taxes Paid to Other Jurisdictions

If you are a New Jersey resident, you may be eligible for a tax credit against your New Jersey income tax if you have income from sources outside New Jersey. To qualify, your income must be subject to **both** the New Jersey income tax and the income or wage tax imposed by another jurisdiction outside of New Jersey for the same year. For this purpose, "jurisdiction" means any state of the United States or political subdivision of such state, including the District of Columbia. (Pennsylvania residents see other side.) Thus, no credit is permitted for taxes paid to the U.S. Government, Canada, Puerto Rico, or any foreign country or territory.

To receive this credit you must:

1. Complete Schedule A of the NJ-1040 in its entirety;
2. Enclose Schedule A with your NJ-1040 income tax return. If you are claiming credit for income or wage taxes paid to more than one jurisdiction, you may have to complete and enclose a separate Schedule A for each jurisdiction.

NOTE: You are not required to enclose a copy of the tax return you filed with the other jurisdiction when you file Form NJ-1040. However, if you received this notice because there is a problem with the amount of your credit, you must send in a complete copy of the tax return(s) you filed with the other jurisdiction(s).

You must complete Schedule A to calculate the credit. Line by line instructions for Schedule A follow:

Enter on Line 1 the amount of income you received during the year that was actually taxed by the other jurisdiction. Also enter the name of the taxing jurisdiction in the space provided. The amount on Line 1 must be the amount of income that was actually taxed by the other jurisdiction. This means the gross income after adjustments have been made by the other jurisdiction but before personal exemptions and standard and/or other itemized deductions are subtracted. Any income included on Line 1 of Schedule A must also be included on Line 2 since to be eligible for the credit, the income must be taxed by **both** New Jersey and the other jurisdiction.

Include on Line 1 only amounts properly taxable by the other jurisdiction. In general, this includes compensation for services performed; net profits from a business, trade, or profession carried on in the other jurisdiction; S corporation income allocated to the other jurisdiction; or income or gains from the ownership or sale of real or personal property in the other jurisdiction.

Amounts received as interest, dividends, gains on sale of securities, and other income from intangible personal property such as savings accounts, stocks, bonds, and other securities, cannot be included on Line 1 unless (1) the income was derived from a business, trade, or profession carried on in the other jurisdiction, or (2) you are required to and file a resident return with the other jurisdiction as well as with New Jersey and report the income on both tax returns.

Do **not** include on Line 1:

- Income that is not subject to New Jersey income tax (even though the item(s) may be subject to tax by the other jurisdiction, e.g., unemployment compensation).
- Income that has been excluded or deducted in arriving at the income actually taxed in the other jurisdiction. Items such as IRA and Keogh contributions, employee business expenses, moving expenses, and alimony, if allowed as adjustments to income, would have been deducted from gross income.
- Income subject to tax by any foreign country, U.S. possession, or territory.
- If you are required to file a resident return in the other jurisdiction, any amount of S corporation income allocated to New Jersey.

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

You may **not** claim a credit on Schedule A for taxes paid to Pennsylvania on compensation earned in Pennsylvania because these earnings are not subject to tax in Pennsylvania. If Pennsylvania income tax was withheld from your wages, you must file a Pennsylvania return to obtain a refund. To stop the withholding of Pennsylvania income tax, complete a Pennsylvania Employee's Statement of Nonresidence in Pennsylvania and Authorization to Withhold Other State's Income Tax (Pennsylvania Form REV-420) and give it to your employer. You may obtain Form REV-420 from the Pennsylvania Department of Revenue.

The Reciprocal Agreement covers compensation only. If you are self-employed or receive other income (for example, gain from sale of property) that is taxable in both states, you may claim a credit for taxes paid to Pennsylvania on that income by completing Schedule A.

Income From Philadelphia or Other Pennsylvania Municipalities. The Reciprocal Agreement does not apply to the wage or income tax imposed and collected by the City of Philadelphia or any other municipality in Pennsylvania. Therefore, income subject to both New Jersey income tax and any municipal wage or income tax may be included on Line 1, Schedule A. Enclose a copy of your W-2 (or Net Profits Tax Return) with your return showing the amount of municipal income tax paid. The amount reported at Line 1 cannot be more than the amount reported on the NJ-1040 as Philadelphia wages.

Income From New York. New Jersey residents working in or earning taxable income from New York are often taxed on an amount less than their actual income earned in New York due to the many allowable New York income tax adjustments. When claiming credit for taxes paid to

continued

Credit for Taxes Paid to Other Jurisdictions (cont.)

New York, Line 1, Schedule A of the NJ-1040 should reflect the "New York State Amount" actually taxed by New York from the New York IT-203. Certain adjustments may be necessary to determine the income actually taxed by New York State.

For New Jersey residents subject to the New York State income tax on lump-sum distributions, separate Schedule A calculations for taxes paid to New York State on first the ordinary income and second on taxes paid to New York State on the lump-sum distribution should be made to arrive at the total credit for taxes paid. Both Schedule As must be enclosed with your return.

Income Taxed by More Than One Jurisdiction. Income can only be reported once on Schedule A. When you pay tax to two jurisdictions on the same income and the amount of income taxed by each jurisdiction is

the same, complete only *one* Schedule A. When you pay tax to two jurisdictions on the same income, and the amount of income taxed by each jurisdiction differs, you may be eligible to claim two credits. The first credit is based on the amount of income taxed by both jurisdictions, and the second credit is based only on the difference between the amounts taxed by the two jurisdictions.

For more information on claiming a credit for taxes paid to another jurisdiction, including the treatment of income from a sole proprietorship, partnership, or S corporation, refer to the resident income tax return instructions (Form NJ-1040-P) and Tax Topic Bulletins GIT-3W, *Credit for Taxes Paid to Other Jurisdictions (Wage Income)*, and GIT-3B, *Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)*. These publications are available on the Division's Web site at: www.state.nj.us/treasury/taxation/

Penalties, Interest, and Collection Fees

Late Filing Penalty

5% per month (or fraction of a month) up to a maximum of 25% of the outstanding tax liability is imposed when a return is filed after the due date or extended due date. Additional late filing penalties may also be imposed.

Late Payment Penalty

5% of the amount of tax received after the original due date may be imposed.

Amnesty Penalty

An additional 5% penalty is assessed on the unpaid balances on returns due on or after January 1, 1987, and before January 1, 2002, that were not paid within the amnesty periods of March 15, 1996, through June 1, 1996, and April 15, 2002, through June 10, 2002.

Interest

The annual interest rate is 3% above the prime rate. Interest is imposed on 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.

Referral Cost Recovery Fee

In accordance with N.J.S.A. 54:49-12.3, a referral cost recovery fee of 10% of the tax, penalty, and interest due will be added to your liability if this matter is assigned to an outside collection agency. For delinquent periods, if that period is assigned to an outside collection agency, a referral cost recovery fee will be assessed prior to the filing of the certificate of debt.

Cost of Collection Fees

If a certificate of debt is issued for your outstanding liability, a fee for the cost of collection of the tax may also be imposed.

Federal Offset of Individual Liability Program, Multi-state Personal Income Tax Offset Refund Program and U.S. Treasury Offset Program

If you have an outstanding tax liability and you do not satisfy this debt or take other action (submit a written request for a payment plan, provide documentation of a filed bankruptcy petition or request a review) within 60 days of the notice, the Division can submit your debt to the Federal Offset of Individual Liability Program, the U.S. Treasury Offset Program (TOP) and/or the Multi-state Personal Income Tax Offset Refund Program. These offset processes are authorized by the Debt Collection Improvement Act of 1996, the Internal Revenue Restructuring and

Reform Act of 1998, New Jersey P.L. 2005 Chapter 125 and New Jersey P.L. 2006, Chapter 32. Once your debt is submitted to the United States Department of Treasury (U.S. Treasury) or one of the participating states in the multi-state program they will reduce or withhold any of your eligible Federal payments or state income tax refunds by the amount of your debt. The U.S. Treasury or participating state is not required to send you further notice before your payment is offset.

Taxpayers' Bill of Rights

General Rights

All notices that you receive from the Division of Taxation will clearly identify the purpose of the communication, tell you how you should respond to the statement or notice, and include a statement of your rights. You have the right to obtain information about:

- Your State tax liability and how it was determined.
- The State tax implications of any specific situation or transaction.
- Any notice sent to you by the Division.
- Your responsibilities and rights.

When you contact a Division representative, whether in person or by telephone, e-mail, or letter, you can expect accurate answers to your questions within a reasonable time period.

Assessment of Additional Tax

The Division has three years from the time your gross income tax return was filed to assess additional taxes. The time limit may be extended if (1) you amended or the IRS adjusted your Federal taxable income or Federal earned income credit, (2) you entered into a written agreement with the Division extending the time to make an assessment, (3) you failed to report more than 25% of your gross income on your New Jersey income tax return, or (4) an erroneous refund is made as a result of fraud or misrepresentation by you.

Refunds

You have three years after your income tax return is filed or two years after your tax is paid, whichever is later, to claim a refund of any original or additional tax assessed against you. Interest will be paid on refunds made by the Division six months after the date the refund claim was filed, the date the tax was paid, or the due date of the return, whichever is later. The interest rate for gross income tax refunds for returns with a due date before January 1, 1994, is 6%. As a result of the Taxpayers' Bill of Rights, interest on refunds for returns with a due date on or after January 1, 1994, will be paid at the prime rate.

Appeal Rights

If you disagree with a determination made by the Division, you may either:

1. File a proper, written protest and request an informal administrative conference with the Conference and Appeals Branch. Your request must be sent within 90 days of the determination date. Please see N.J.A.C. 18:2-4 for postmark rules. You may represent yourself at the conference or be represented by another individual of your choosing such as an accountant, lawyer, your personal representative, or someone else; or

2. File an appeal with the required fee to the Tax Court of New Jersey, Richard J. Hughes Justice Complex, PO Box 972, Trenton, NJ 08625-0972. You may obtain a copy of the rules for the filing of a complaint by writing to the above address; or
3. For assessments regarding tax periods commencing on or after January 1, 1999, if you paid the entire assessment within one year after the time to protest or appeal has expired, you may thereafter file a refund claim on Form A-1730 within 450 days after the time to protest or appeal has expired.

If you initially choose options 1 or 3 above and disagree with the outcome, you may subsequently appeal to the Tax Court.

You can appeal an assessment sent as a result of:

- An audit.
- A tax delinquency.
- Information received from the IRS or another state.
- A reduction or denial of a refund or credit claim.

Examples:

- (1) You receive a Notice of Deficiency from the Division of Taxation assessing additional tax liability for a category of income. You can file an appeal if you disagree with the audit.
- (2) You receive a bill reducing your credit for taxes paid to other jurisdictions based on information the Division received from New York. You can file an appeal if you disagree with the adjustment.

NOTE: The Division will **not** accept a protest (appeal) of a self-assessed liability (liability you indicated on the tax return you filed) or a bill that results from a math error you made.

Division Responsibilities

The Division of Taxation has the responsibility to:

- Keep your tax information confidential.
- Administer the State's tax laws and regulations accurately and fairly.
- Provide you with clear, simple instructions and explanations.
- Notify you of your rights and responsibilities.

For further information call the Division's Customer Service Center at 609-292-6400 or visit our Web site at: www.state.nj.us/treasury/taxation/