
Line by Line Instructions - Schedule A

Reporting Period

If you are reporting for a period other than calendar year 2001, enter the beginning and ending dates of your fiscal year.

Partnership Name, Address, Identification

Enter the exact legal name, trade name, if any, and address of the partnership. The legal name is the name in which the business owns property or acquires debt. Enter the trade name, registered alternate name, (d/b/a name) if different from the partnership's legal name.

Enter the partnership's Federal Employer Identification Number (FEIN), principal business activity and date the business was started.

Enter the number of resident partners, the number of non-resident or foreign partners and the number of nonconsenting corporate partners in the spaces provided. Each partner's residency status must be determined as of the close of the partnership's tax year.

Check the appropriate boxes to indicate whether the return is a(n)

- Initial return;
- Final return; or
- Amended return.

Check the appropriate boxes to indicate if

- An application for a Federal extension is attached;
- The partnership meets hedge fund status;
- A composite return is filed for nonresident partners;
- This is a Tiered Partnership;
- This is a General Partnership;
- This is a Limited Partnership;
- This is a Limited Liability Company; or
- This is a Limited Liability Partnership.

Federal Partnership Income (Lines 1 – 11)

Note: Tiered Partnerships must complete Schedule A before completing the front of Form NJ-1065.
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Line 1 - Ordinary Income (Loss) from Trade or Business Activities

Enter on Line 1 the amount of ordinary income or loss derived from the partnership's trade or business activities. This will be the amount reported on Line 1, Schedule K, Federal Form 1065.

Line 2 - Net Income (Loss) from Rental Real Estate Activities

Enter on Line 2 the net income or loss from rental real estate activities (attach a copy of your Federal Form 8825). This will

be the amount reported on Line 2, Schedule K, Federal Form 1065.

Line 3 - Net Income (Loss) from Other Rental Activities

Enter on Line 3 the net income or loss from other rental activities. This will be the amount reported on Line 3c, Schedule K, Federal Form 1065.

Line 4 - Interest Income

Enter on Line 4 the amount of interest income reported on Line 4a, Schedule K, Federal Form NJ-1065.

Line 5 - Dividend Income

Enter on Line 5 the amount of dividend income reported on Line 4b, Schedule K, Federal Form 1065.

Line 6 - Royalty Income

Enter on Line 6 the royalty income reported on Line 4c, Schedule K, Federal Form 1065.

Line 7 - Net Gain (Loss) from Disposition of Property

Enter on Line 7 the total of the net short-term and long-term gains and/or losses reported on Lines 4d and 4e(1), Schedule K, Federal Form 1065. Attach a copy of Schedule D, Federal Form 1065.

Line 8 - Guaranteed Payments to Partners

Enter on Line 8 the amount of guaranteed payments to partners reported on Line 5, Schedule K, Federal Form 1065.

Line 9 - Net IRC Section 1231 Gain (Loss)

Enter on Line 9 the net IRC Section 1231 gain or loss reported on Line 6, Schedule K, Federal Form 1065.

Line 10 - Other Income (Loss)

Enter on Line 10 any other income or loss that is not included on Lines 1 through 9 above. This will be the total of the amounts reported on Lines 4f and 7, Schedule K, Federal Form 1065.

If any amount is reported on this line you must attach a schedule identifying the income or loss.

Line 11 - Tax Exempt Interest Income

Enter on Line 11, the amount of tax-exempt interest income reported on Line 19, Schedule K, Federal Form 1065.

Line 12 - Subtotal

Add Lines 1 through 11 above and enter the result on Line 12.

NEW JERSEY ADDITIONS

Line 13a - Taxes Based on Income

Enter on Line 13a the amount of taxes based on income which were deducted to determine ordinary income (loss) on Line 1 above.

Line 13b - Other Additions - Specify

Enter on Line 13b any other items deducted from or not included on Lines 1 through 11 above, which are not excludable under the New Jersey Gross Income Tax Act.

Specify each item reported. If the amount reported on Line 12, Form NJ-1065 included any loss incurred in connection with the disposition of exempt New Jersey or Federal obligations, you must add back the amount of such loss on this line.

Line 13c - Total Additions

Add Lines 13a and 13b and enter the result on Line 13c.

Line 14 - Subtotal

Add Lines 12 and 13c and enter the result on Line 14.

NEW JERSEY SUBTRACTIONS

Line 15a - Net Income (Loss) from Rental Real Estate Activities - Enter on Line 15a any income or loss that resulted from rental real estate activities and is included in the amount reported on Lines 1 or 2 above

Line 15b - Net Gain (Loss) from Disposition of Real Property Enter on Line 15b any gain or loss that resulted from the sale, exchange or disposition of real property and is included in the amount reported on Lines 1, 7 or 9 above.

Line 15c - Guaranteed Payments to Partners

Enter on Line 15c the amount of guaranteed payments to partners reported on Line 8 above.

Line 15d - Interest Income from Federal Obligations

Enter on Line 15d any interest from Federal obligations that is excludable from New Jersey gross income and was included in the amount reported on Lines 4 or 5 above.

Line 15e - Interest Income from New Jersey Obligations

Enter on Line 15e the amount of interest income from New Jersey obligations that is excludable from New Jersey gross income and was included in the amount reported on Lines 5 or 11 above.

Note: Lines 15d and 15e - Amounts excludable from income include interest and dividends on obligations of the State of New Jersey or any of its political subdivisions and from tax exempt obligations of the United States government, its territories or instrumentalities. Distributions from New Jersey *qualified investment funds* are also exempt, as are distributions from other investment funds, but only to the extent the distribution is derived from obligations of the type described at N.J.S.A. 54A:6-14, et seq.

Line 15f - Ride Share Deduction

A partnership which has registered with the New Jersey Department of Transportation, has an authorized plan to provide commuter transportation benefits, and has incurred direct expenditures attributed to such plan, shall be entitled to reduce total partnership income distributed to its partners. The amount of the reduction shall be the lesser of 143 percent of the amount of commuter transportation benefits provided

pursuant to law or \$1,685 for each employee receiving such benefits.

Eligible partnerships must obtain and complete New Jersey Form 307 in order to determine the amount of the ride share deduction. The completed form must be attached when Form NJ-1065 is filed.

Line 15g - Other Subtractions - Specify

Enter on Line 15g any other items which are excludable or deductible from the income included in the subtotal reported on Line 12 above for New Jersey gross income tax purposes. Specify each item subtracted.

Examples of some items that might be reported on this line are:

- Dividends from exempt Federal and New Jersey obligations described at N.J.S.A. 54A:6-14.
- Gains from the sale of exempt Federal and New Jersey obligations excludable pursuant to N.J.S.A. 54A:5-1c.
- IRC Section 179 expense deductions
- The remaining 50% of business meals and entertainment expenses that are not deductible for Federal purposes.

Note: A partnership is not entitled to a basis adjustment in the calculating and reporting of partnership gain or loss from the sale or disposition of partnership assets as was extended to individuals, as in the *Koch* case, on the sale or disposition of a partnership interest. The partnership must always use federal adjusted basis when determining gain or loss. Only taxpayers as defined pursuant to N.J.S.A. 54A:1-2.1 are entitled to a *Koch* type adjustment.

Line 15h - Total Subtractions

Total Lines 15a through 15g, and enter the result on Line 15h.

Line 16a - Subtotal

Subtract Line 15h from Line 14 and enter the result on Line 16a.

NEW JERSEY ALLOCATED INCOME**Line 16b - New Jersey Allocated Adjusted Partnership Income**

Enter the business allocation percentage from Line 5, Form NJ-NR-A in the box provided on Line 16b. *A percentage must be entered.* Enter 100% if all partnership activities are carried on in New Jersey or 0% if all partnership activities are carried on outside New Jersey or if the partnership has met hedge fund status. Multiply the amount on Line 16a by this percentage and enter the result on Line 16b, Column B.

Where a partnership's activity is carried on both within and outside of New Jersey, the portion of the partnership's income, gains, expenses or losses attributable to sources within New Jersey shall, except as provided below, be

determined by use of the New Jersey Business Allocation Schedule (Form NJ-NR-A), as prepared by the partnership.

Where a partnership's activity is carried on both within and outside of New Jersey and the partnership believes that the determination of the portion of the partnership's income, gains, expenses or losses attributable to sources within New Jersey by use of the New Jersey Business Allocation Schedule does not provide an equitable allocation of such items, and the books and records of the partnership will disclose to the Director's satisfaction a more appropriate method of allocating such items, the partnership may request from the Director an exception from the use of the New Jersey Business Allocation Schedule. Such request shall be made *in writing* to:

CHIEF, INDIVIDUAL INCOME TAX AUDIT BRANCH
BUSINESS ALLOCATION EXEMPTION
PO BOX 288
TRENTON NJ 08695-0288

Your request for exception from the use of the New Jersey Business Allocation Schedule must set forth the basis of the request and the substitute method of allocation requested to be used in lieu of the New Jersey Business Allocation Schedule. The substitute method of allocation may not be utilized prior to the submission of the partnership's exception request and the approval of such request by the Director. The partnership's exception request, once approved, shall be made every three years, unless the Director or the partnership requests a change sooner.

Note: A limited liability company or limited partnership with nonconsenting corporate members or partners must also complete Schedule J "Corporation Allocation Schedule." The instructions for Schedule J are printed on the back of the schedule. Schedule J is to be completed based on the LLC's or LP's information, not the nonconsenting corporate member's or partner's information. The corporation's business allocation factor will be reported on Line 1 of the Partners Directory.

Line 17 – Net Income (Loss) from Rental Real Estate Activities

Enter on Line 17, Column A, the amount of net income or loss from rental real estate activities that was reported on Line 15a, above.

Enter on Line 17, Column B, the portion of the amount reported in Column A that was derived from real property physically located in New Jersey.

Line 18 - Net Gain (Loss) from Disposition of Real Property

Enter on Line 18, Column A, the amount of gain or loss from the disposition of real property reported on Line 15b, above.

Enter on Line 18, Column B, the portion of the amount reported in Column A that was derived from the disposition of real property physically located in New Jersey.

Line 19 – Net Partnership Income (Loss)

Add Lines 16a, 17 and 18, Column A, and enter the sum on Line 19, Column A.

Add Lines 16b, 17 and 18, Column B, and enter the sum on Line 19, Column B.

Line 20 - Income (Loss) from Tiered Partnership(s)

Enter on Line 20, Column A, the amount, if any, of income or loss from other partnerships as reported on Line 13, Column A of Part II, Schedule A, Form NJ-1065.

Enter on Line 20, Column B, the amount, if any, of income or loss from other partnerships as reported on Line 13, Column B of Part II, Schedule A, Form NJ-1065.

Line 21 – Partnership Income (Loss)

Add Lines 19 and 20, Column A, and enter the sum on Line 21, Column A.

Add Lines 19 and 20, Column B, and enter the sum on Line 21, Column B.

Line 22a - Guaranteed Payments to Partners

Enter on Line 22a the amount of guaranteed payments to partners reported on Line 15c of Form NJ-1065 (above).

Line 22b - Guaranteed Payments to Partners - Pension

Enter on Line 22b the amount of guaranteed payments to retired partners who are receiving such payments as a result of a period of service to the partnership pursuant to a retirement agreement or pension plan.

Line 22c – Net Guaranteed Payments to Partners

Subtract the amount on Line 22b from the amount on Line 22a and enter the result on Line 22c, Column A.

Multiply the amount from Line 22c, Column A by the business allocation percentage on Line 16b, Form NJ-1065 (above). Enter the result on Line 22c, Column B.

Line 23 – Child Care Deduction

Enter on Line 23, Column A, the amount of any expenditures on child care center physical plant or facilities plus the amount of any contributions in cash or in kind to a sponsor of a neighborhood-based child care center allowable pursuant to P.L. 1999, c.102 (signed into law May 6, 1999).

Line 24 - Total Corporation Business Tax - Nonconsenting Corporate Members or Partners

Enter on Line 24, Column B, the total nonconsenting corporate members or partners share of corporation business tax reported on Line 2c of the Partners Directory.