



New Jersey Tax Guide

Buying or Selling a Home in New Jersey



Buying a Home in New Jersey

Buying or selling a home can be a big decision, and we want to prepare you with the tax information you may need to know. This guide will help [residents](#) and [nonresidents](#) of New Jersey understand what taxes or fees you may be responsible for, how and when to pay, and what Taxation forms are needed to finalize the sale.

Tax Responsibilities

Sales Tax:

Sales Tax is not due on home sales.

Realty Transfer Fee:

Sellers pay a 1% [Realty Transfer Fee](#) on all home sales. The buyer is not responsible for this fee. However, buyers may pay an additional 1% fee on all home sales of \$1 million or more.

You can find more information on the Realty Transfer Fee, including rates and exemptions, [here](#).

Property Tax Relief Programs

State Relief Programs:

New Jersey resident homeowners may be entitled to property tax relief benefits, credits, or deductions provided by the State of New Jersey. These benefits generally are available on a homeowner's [principal residence](#), and include:

- Homestead Benefit program;
- Senior Freeze payment (Property Tax Reimbursement).

For more information and eligibility, see [page 6](#) or visit [Property Tax Relief](#).

State Income Tax Benefits:

New Jersey does not allow certain deductions on the NJ-1040 that may be allowable on your federal return, such as mortgage interest, energy saving purchases, or capital improvements. We do, however, allow a deduction or credit based on local real estate taxes paid.

Resident homeowners may be entitled to property tax credits or deductions on their New Jersey Income Tax returns. These benefits for owners of a principal residence include:

- Property Tax Credit;
- Property Tax Deduction.

For more information, visit [NJ Income Tax – Property Tax Deduction/Credit for Homeowners](#).

Local Property Tax Benefits:

New Jersey resident homeowners also may be entitled to Local Property Tax Benefits, such as:

- Annual Property Tax Deduction for Senior Citizens and Disabled Persons;

- Annual Deduction for Veterans;
- Property Tax Exemption for Disabled Veterans.

Contact your local property tax office or municipality for more information.

Selling a Home in New Jersey

Requirements can differ for residents and nonresidents when a home is sold.

- **All** sellers are required to furnish a completed GIT/REP Form at closing to record the deed. See [GIT/REP Forms](#) below for information on which form you would be required to file;
- The **majority** of sellers are required to furnish the Affidavit of Consideration for Use by Seller (form [RTF-1](#)) at closing;
- The **majority** of sellers are responsible for paying a Realty Transfer Fee at closing. (This fee accompanies the RTF-1 form mentioned above. You can contact your Realtor for questions about closing costs.);
- **Some** sellers may be required to make an estimated tax payment at closing.

Realty Transfer Fee

The State of New Jersey imposes a Realty Transfer Fee (RTF) on the **seller** whenever there is a transfer of title by deed. The fee is based on the sales price of the property, and the seller is required to pay the fee at the time of closing. (No RTF is owed on non-deed transfers of title for a house.)

Note: The State of New Jersey imposes an additional transfer fee of 1% of the sales price on **buyers** of certain real property when the purchase price exceeds \$1 million. This fee is separate from a Controlling Interest Transfer Tax (CITT), which applies only to certain transfers of controlling interest in entities possessing commercial properties. You can find more information on the CITT and non-deed transfers of title [here](#).

You can find more information on the Realty Transfer Fee, including rates and exemptions, [here](#).

You can find the Realty Transfer Fee forms [here](#).

GIT REP Forms

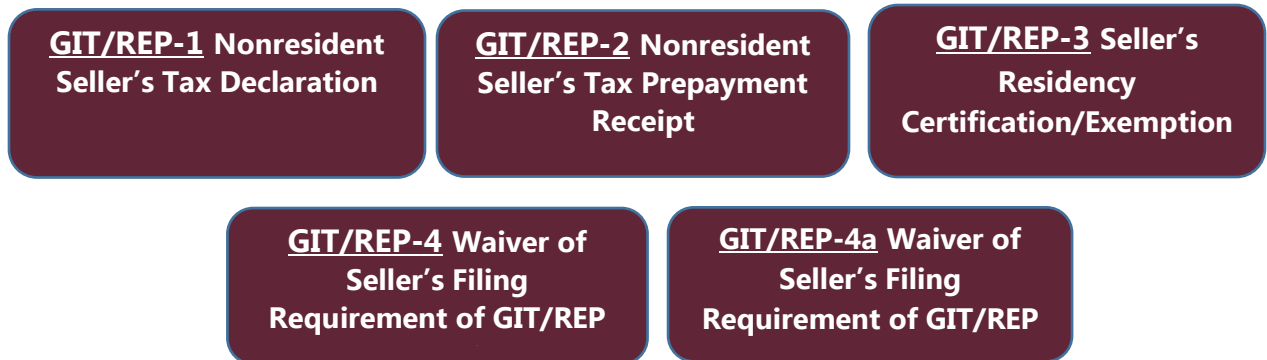
A GIT/REP form is a Gross Income Tax form required to be recorded with the deed when transferring ownership of property in New Jersey. It stands for *Gross Income Tax Required Estimated Payment*. Its purpose is to determine whether or not an estimated tax payment is required at the time the deed is recorded.

Each owner of the property being sold, including those with Life Estate Rights, must submit a GIT/REP form, and it must be completed by the seller(s) or their authorized representative. If

there is more than one owner, the form must reflect your percentage of ownership. Married/CU couples are considered to be one owner.

See the form descriptions below to determine which GIT/REP form you would be required to use. You also can get the form in person at any of our [Regional Information Centers](#).

Note: Estates and Trusts should complete one GIT/REP form, which can have multiple signatures for trustees/executors if necessary.



Resident Taxpayers:

New Jersey residents (individuals, estates, and trusts) who sell a home and maintain New Jersey residency file form [GIT/REP-3 Seller's Residency Certification/Exemption](#). The completed GIT/REP-3 form is due at closing and exempts the seller from paying an estimated Income Tax payment at that time. Instead, the resident seller will pay all necessary Income Tax, including tax on any capital gain from the sale of property, when it comes time to file the [NJ-1040](#) Resident Income Tax Return.

New Jersey residents who sell their New Jersey home and move outside of this state are considered nonresidents for the purpose of the sale. New Jersey may require an estimated tax payment at closing, and the seller will need to file a nonresident tax return to report any gain or loss.

Nonresident Taxpayers:

Nonresidents (individuals, estates, and trusts) who sell a New Jersey property are required to complete and sign the [GIT/REP-1](#) or [GIT/REP-2](#) form to record the deed and close the sale. Nonresident sellers are **required** to pay estimated Gross Income Tax in the amount of 2% of the [consideration](#) or 8.97% of the net gain from the sale, before or at the time of closing.

- Exception: Only the completed form is required if the nonresident individual, estate, or trust meets one of the seller's assurances listed on the [GIT/REP-3](#) form, exempting them from making the estimated tax payment.

Estimated payments are necessary if you have income that is not subject to withholding. Since there may be no other reason for a nonresident to file a New Jersey tax return and pay tax, we require the tax due be estimated and paid upfront. Nonresidents who sold property in New Jersey are required to file the [NJ-1040-NR](#) for the year in which the property was

sold. We will refund the taxpayer any overpaid tax once the return has completed processing.

Additional Questions? See [The FAQs on GIT Forms Requirements for Sale/Transfer of Real Property in New Jersey](#).

Reporting Income/Loss on the Sale of Property

You will report any income earned on the sale of property as a capital gain. When filing your New Jersey Tax Return, a capital gain is calculated the same way as for federal purposes. Any amount that is taxable for federal purposes is taxable for New Jersey purposes. See [IRS Publication 551](#) for more information on Cost/Adjusted Basis.

New Jersey residents must complete [Schedule B](#) of the NJ-1040 and report any gain from the sale of property as Net Gains or Income From Disposition of Property (if loss, enter 0).

Nonresidents must complete Part I of the [NJ-1040-NR](#) and report any gain from the sale of New Jersey property as Net Gains or Income From Disposition of Property (if loss, enter 0). Report any estimated tax payment paid at closing on the Estimated Payment/Credit line. **Do not** report the estimated payment as New Jersey Income Tax Withholdings.

Principal Residence Exclusion:

Whether you still reside in New Jersey or became a resident in another state, you may qualify to exclude all or part of the gain from the sale of your New Jersey home, based on federal guidelines (See [IRS Publication 523](#)). To qualify, you must have sold your **principal residence** in New Jersey, and you must meet the criteria on the following tests:

- *Ownership Test.* You owned the home for two or more years during the five-year period ending on the sale date;
- *Use Test.* You lived in the home as your principal residence for two or more years during the five-year period ending on the sale date;
- *Additional Home Test.* During the two-year period ending on the sale date, you didn't exclude a gain from the sale of another home.

If you met all three requirements and your filing status is:

- Married Filing Joint, you may exclude up to \$500,000 of the gain;
 - *If only one spouse met the Ownership and Use Tests*, that qualified spouse can exclude up to \$250,000 of the gain;
- Any other filing status, you may exclude up to \$250,000 of the gain.

If you did not meet the above requirements (example, because of a change in place of employment, health, or unforeseen circumstances), you may claim a reduced exclusion if during the five-year period ending on the sale date, you:

- Owned and used the property as your principal residence for less than two years, and you qualify for a reduced Federal exclusion; **or**
- Used the exclusion within two years of the sale of your principal residence, and you qualify for a reduced Federal exclusion.

Note: The exclusion applies any time you **sell** your principal residence in New Jersey and meet all of the above criteria. See [Additional Home Test](#) above.

Nonresidents: Claim for Refund of Estimated Gross Income Tax Payment

Nonresident sellers may be able to claim an early refund of their estimated tax payment by submitting Form A-3128* along with required proof of overpayment. Sellers can submit Form [A-3128](#) **after** closing to claim an early refund of the estimated tax payment, should they be overpaid. We require proof of overpayment (e.g., Settlement Statement or Closing Disclosure) upon submission.

*This form does not replace the New Jersey tax return. **The New Jersey tax return must still be filed by the appropriate due date.** See Form [A-3128](#) for additional information.

Property Tax Relief Programs and Selling Your Home

If you already participate in one or more of our property tax relief programs and you are selling or plan to sell your home, there is important information to keep in mind upon changing your residence.

Homestead Benefit:

You must make sure you file for the home that you **owned** and **occupied** on October 1 of the application year. If you moved after October 1 of the application year or plan to move from the residence for which you are filing, you **MUST** indicate this on the application or you risk losing your benefit. When the move is properly indicated, a check or direct deposit is processed upon approval. If the application is filed and the move is not indicated, you need to take credit for the benefit at the closing of your property. If you, your attorney, or closing agent fail to negotiate the benefit at closing, the credit will be applied to the property taxes of the new owners. All Homestead Benefit eligibility requirements can be found [here](#).

Senior Freeze/PTR:

If you participate in the Senior Freeze and purchase another home in New Jersey as your principal residence, you will have to reestablish yourself in the program for the new property, assuming you meet all other [eligibility requirements](#).

When you are in the program **and** receive the reimbursement in the year prior to moving, you will only have to wait two years to establish a new "Base Year," rather than waiting the standard three years required for new applicants. Once you meet the two-year exception, you can file a PTR-1-C form. Call our Property Tax Reimbursement Hotline at 1-800-882-6597 to have this form mailed to you.

Note: You cannot file for the property if you did not **own** and **occupy** the home on December 31st of the application year.

Helpful Resources

We have provided some helpful links to other agencies that have information on real estate, buying a home, and recent common scams buyers and sellers should watch out for.

http://www.state.nj.us/dobi/division_consumers/realestate/re_menu.htm

https://www.hud.gov/topics/buying_a_home

<https://www.consumerfinance.gov/about-us/blog/buying-home-watch-out-mortgage-closing-scams/>

<https://www.consumerfinance.gov/owning-a-home/>

<https://www.consumer.ftc.gov/blog/2017/06/protect-your-mortgage-closing-scammers>

<https://www.consumer.ftc.gov/homes>

Glossary

Real Property is defined as land and buildings and any property permanently attached to it in such a way that its removal would result in substantial damage to the real property.

Consideration is the sales price agreed upon, contractually, by both parties.

Resident Taxpayer is an individual (or married/CU couple), an estate, or a trust **who is and intends to continue** to maintain a permanent residence in New Jersey on or after the day of transfer.

Nonresident Taxpayer is one that does not meet the definition of a resident taxpayer above. Anyone who maintains a permanent residence outside of New Jersey, including those who sold their New Jersey residence and moved outside of the state during the tax year, are considered nonresidents of New Jersey for purposes of reporting the sale of property.

Principal Residence is a home you continually occupy as your permanent residence. This does not include property you rent to someone else, a second home, or a vacation home.

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GIT/REP Forms

GIT/REP-1 Nonresident Seller's Tax Declaration

The [GIT/REP-1](#) form is filed by nonresidents of New Jersey (including estates and trusts) that sold New Jersey property and owe the required estimated tax payment. It, along with the estimated tax voucher, must be completed and submitted at closing* with the estimated tax payment (check or money order, in the amount of 2% of the sales price or 8.97% of the net gain, **made payable to the State of New Jersey-Division of Taxation**).

The settlement agent must file the GIT/REP-1, payment, and deed with the county clerk for recording.

A nonresident single-member LLC who files as an individual for tax purposes must file the GIT/REP-1 form and submit the required estimated tax payment.

***Note:** If the GIT/REP-1 and payment are mistakenly sent directly to the Division of Taxation rather than taken to closing, the seller or appointed representative must complete the GIT/REP-2 and bring it to one of the Division's Regional Information Centers for certification, along with the following:

- A copy of the deed;
- A copy of the settlement statement or closing disclosure form;
- The completed and signed GIT/REP-1;
- Power of Attorney or Letter of Authority, if applicable; and
- A copy of the cancelled check showing proof of payment of estimated taxes.

The regional office employee will verify receipt of payment and then stamp the GIT/REP-2 with the Division's raised seal so the seller may have the deed recorded with the county clerk.

GIT/REP-2 Nonresident Seller's Tax Prepayment Receipt

A nonresident seller who prefers to prepay his or her tax ahead of time, rather than at closing, uses the [GIT/REP-2](#) form.

- The seller completes this form and hand delivers it and the associated Income Tax estimated payment to a [Regional Information Center](#) prior to closing;
- The form will be certified/stamped by the Division;
- The seller **must** bring the stamped form to closing as proof of payment.

The settlement agent must file the GIT/REP-2 and the deed with the appropriate county clerk for recording.

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GIT/REP-3 Seller's Residency Certification/Exemption

Sellers (individuals, businesses, estates, and trusts) complete the [GIT/REP-3](#) form at closing if they are claiming an exemption from the estimated payment requirement. The GIT/REP-3 is **not** exclusive to New Jersey residents. The form lists 14 exemptions. Some common exemptions include:

- The seller is a New Jersey resident;
- Total [consideration](#) for the property is \$1,000 or less;
- The seller is a business entity;
- The seller is a non-resident claiming the Principal Residence Exclusion.

The settlement agent must file the GIT/REP-3 and the deed with the appropriate county clerk for recording.

*Note: A nonresident single-member LLC who files as an individual for tax purposes must file the GIT/REP-1 form and submit the required estimated tax payment.

GIT/REP-4 Waiver of Seller's Filing Requirement of GIT/REP Forms and Payment

The [GIT/REP-4](#) form is completed when the seller believes the transaction is exempt from the estimated payment requirement, but the exemption reason is not included in the list of exemptions on the GIT/REP-3 form. The seller should submit this form with supporting documentation to the Division to request an exemption of the transaction **before** the closing of the sale. The Division of Taxation will either:

- Approve the request by affixing the raised seal of the Director to the form; **or**
- Send a rejection notice.

If approved, the seller must present this stamped form at closing as proof the transaction is exempt. If rejected, the seller must pay the tax using either Form GIT/REP-1 at closing or GIT/REP-2 prior to closing.

- Exception: If the seller's GIT/REP-4 is rejected because he or she mistakenly submitted the GIT/REP-4 when he or she actually meets one of the exemptions on the GIT/REP-3, the seller can submit the GIT/REP-3 to waive his or her estimated payment requirement.

The settlement agent must file the GIT/REP-4 and the deed with the appropriate county clerk for recording.

GIT/REP-4a Waiver of Seller's Filing Requirement of GIT/REP Forms and Payment for Corrected Deed with No Consideration

Use the [GIT/REP-4a](#) form when correcting mistakes on a deed (e.g., name, block number, lot number, etc.).

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