

NEW IN 2000

Gross Income Tax

New Jersey Earned Income Tax Credit

Under this new program, New Jersey households that receive a Federal earned income credit which is based on having at least one "qualifying child," and whose New Jersey gross income is \$20,000 or less, and whose filing status for New Jersey purposes is either married, filing joint return or head of household or qualifying widow(er), are eligible for a refundable New Jersey earned income tax credit.

Benefits under the New Jersey Earned Income Tax Credit Program are being phased in over a four-year period. The amount of the New Jersey credit for tax year 2000 will be equal to 10% of the applicant's Federal earned income credit. The amount will increase to 15% of the Federal earned income credit for tax year 2001, 17.5% for tax year 2002 and will total 20% of the Federal credit for tax year 2003 and thereafter. To apply for the credit, eligible residents must file a New Jersey resident income tax return and complete the New Jersey Earned Income Tax Credit Schedule portion of the tax return form. For more information call the New Jersey Earned Income Tax Credit Hotline at 1-888-895-9179.

Higher Filing Threshold

The thresholds at which taxpayers become subject to the New Jersey gross income tax and are required to file a New Jersey income tax return are being increased over a three-year period which began with tax year 1999. The amount of increase depends on the taxpayer's filing status (See Table 1).

Retirement Income Exclusions Increased

The maximum amounts of pension and/or other retirement income that may be excluded from New Jersey gross income have increased. The new exclusion amounts are being phased in over a four-year period beginning in tax year 2000. Table 2 shows the new exclusion amounts by filing status for each year of the phase-in period.

Taxpayers who qualify for the pension exclusion can exclude from reportable income either their actual pension income or the maximum exclusion amount for their filing status, whichever is less.

The higher exclusion limits also apply to the Other Retirement Income Exclusion, which allows taxpayers age

62 or older with earned income of \$3,000 or less to deduct from reportable gross income the unused portion (if any) of their pension exclusion. The total amount of pension income plus other income that may be excluded cannot exceed the new exclusion limits.

New Deductions

Health Insurance for "Self-Employed" Individuals

Effective for tax year 2000, self-employed individuals and holders of more than 2% of the shares of an S corporation may deduct the amount paid for health insurance for themselves, their spouses and their dependents.

Qualified Conservation

Table 1 Tax Filing Threshold Amounts

Filing Category	Tax Year		
	1999	2000	2001
Married filing jointly, Head of household, Qualifying widow(er)	\$10,000	\$15,000	\$20,000
Married filing separately	5,000	7,500	10,000
Single; estates & trusts	10,000	10,000	10,000

Table 2 Retirement Income Exclusion Amounts

Filing Category	Tax Year			
	2000	2001	2002	2003
Married filing jointly	\$12,500	\$15,000	\$17,500	\$20,000
Married filing separately	6,250	7,500	8,750	10,000
Single, Head of household, Qualifying widow(er)	9,375	11,250	13,125	15,000

Contributions

A gross income tax deduction is allowed for qualified contributions made for conservation purposes of certain interests in real property located in New Jersey. The amount of the deduction is the amount of the contribution allowed as a deduction for Federal income tax purposes.

Invalidation of NYC Tax on NJ Residents

On April 4, 2000, the highest court in New York invalidated the New York City Nonresident Earnings Tax back to July 1, 1999, thus equalizing the New York City Nonresident Earnings Tax on New Jersey residents and New York residents. Prior to the ruling, New Jersey residents working in New York City had to pay the New York City Nonresident Earnings Tax for all of 1999, although New York residents working in New York City had not had to pay that tax since July 1, 1999. New Jersey residents can claim a refund of the New York City Nonresident Earnings Tax paid after July 1, 1999.

Designated Contribution

A new line entitled "Other Designated Contribution" has been added to the contribution section of the New Jersey income tax return. The new line allows taxpayers to identify by code number a charitable fund (other than the funds specifically named on the return) to which they wish to make a contribution. Recent legislation allows taxpayers to make a donation to either the Drug Abuse Education Fund (code number 01) or the Korean Veterans' Memorial Fund (code number 02).

Form NJ-1040EZ

The Division of Taxation has developed a simpler, one-page income tax return/homestead rebate application for residents, Form NJ-1040EZ. The new form is designed to make filing easier and less time-consuming, particularly for those who wish to apply for the New Jersey earned income tax credit, but who are not required to file a State return because their income is below the minimum income filing threshold.

To qualify to use Form NJ-1040EZ, a taxpayer must have been a full year resident of New Jersey in 2000, and have income limited to wages, interest or dividends. Other limitations apply. For example, individuals whose filing status is married, filing separate return or those who wish to use the Pension Exclusion or Other Retirement Income Exclusion cannot use Form NJ-1040EZ.

Online Extensions

During the income tax filing season, a four-month extension of time to file the New Jersey income tax return may be requested online by using the interactive version of extension request Form NJ-630 located on the Division of Taxation's home page at: <http://www.state.nj.us/treasury/taxation>

Requests for extensions of time to file 2000 New Jersey income tax returns may be filed online until 12 midnight April 16, 2001. If a payment is required with the online extension application, *the payment must be made by credit card.*

NJ TeleFile Program

The NJ TeleFile Program has been expanded so that even more New Jersey residents will be able to use

this "paperless" filing method. The changes this year include:

- **No income limit:** You can TeleFile your New Jersey return regardless of your total income, if you had income only from wages, interest (\$2,500 or less) or dividends (\$2,500 or less).
- **More W-2 forms:** You can TeleFile with as many as five W-2 forms for yourself and five for your spouse.
- **Excess UI/HC/WD and DI contributions:** You can claim a credit for excess contributions withheld by two or more employers.
- **Direct Deposit:** You can have your refund and/or homestead rebate check(s) deposited directly into your checking or savings account.

Direct Deposit of Refund

A taxpayer who files a return using NJ TeleFile, NJ PC File, or other electronic method may request that either their New Jersey income tax refund check, or homestead rebate check, or both, be directly deposited into their account at a bank or other financial institution.

Simplified Wage Tax Reporting for Employers of Domestic Workers

Starting with wages paid on or after January 1, 2000, the amount of New Jersey wage tax withheld from compensation paid to household workers may be reported and paid over to the Division of Revenue on an annual basis on Form NJ-927H. For the purposes of this filing, New Jersey wage tax includes withholdings of both State income tax *and* employer and

employee contributions for unemployment compensation and disability benefits.

Form NJ-927H must be filed by January 31 of the year following the year in which the tax was withheld. Employers with employees other than domestic service workers may not use Form NJ-927H, but must file Form NJ-927 (or Form NJ-927W) each quarter.

Online Filing for WR-30, NJ-927/NJ-927W

Employers and other withholders may now submit their quarterly wage reports (Form WR-30) and withholding returns (Forms NJ-927/NJ-927W) online through the Division of Revenue Web site without having to file a paper return with the State. The online service provides a confirmation number for proof of filing, and allows filers to pay any balance due for the quarter by credit card or electronic funds transfer.

To use this service, qualified businesses must be assigned a Personal Identification Number (PIN). To request a PIN call 609-292-7508, or write to:

NJ DIVISION OF REVENUE
PO BOX 191
TRENTON, NJ 08646

or e-mail the Division of Revenue at info@revenue.state.nj.us

NJ-500s Mailed Quarterly

Monthly Remittance of Gross Income Tax Withheld forms (NJ-500) are now being mailed to employers on a quarterly basis. Employers that file a single-sheet WR-30 will receive NJ-500 forms in the NJ-927/WR-30 packet. NJ-500 forms will be mailed separately to employers receiving

NJ-927/WR-30 packets requiring the multi-sheet WR-30.

The annual Gross Income Tax Reconciliation of Tax Withheld (Form NJ-W-3) will be included in the mailing of the NJ-927/WR-30 forms for the fourth quarter of 2000 and the NJ-500 forms for January and February 2001.

Property Tax Relief Programs

New Jersey provides residents a number of property tax relief programs:

NJ SAVER Rebates

New Jersey residents who owned, occupied and paid property taxes on a home in New Jersey that was their principal residence on October 1 may qualify for an NJ SAVER rebate for that year.

Benefits are being phased in over a five-year period. Rebates for 2000, the third year of the program, will average \$360. The check amount for an eligible homeowner will average \$600 for tax year 2002, once the program is fully implemented.

Homeowners who qualified and applied for both a homestead rebate and the NJ SAVER rebate receive whichever rebate provides the greater benefit. (Separate applications must be filed for each program.)

Most homeowners can file their applications by telephone by calling the NJ SAVER Rebate Hotline (1-877-658-2972). The system services both Touch-tone and rotary dial telephones.

Property Tax Reimbursement

The Property Tax Reimbursement Program reimburses qualified senior citizens and disabled persons for property tax increases. The amount of the reimbursement is the difference between the amount of property taxes due and paid in the year the applicant first becomes eligible (i.e., the base year) and the property taxes due and paid for the current year. If an applicant is ineligible for any year, the next year he or she becomes eligible again will become the base year. Applicants must meet specific residency and income criteria.

The annual income threshold for the 2000 Property Tax Reimbursement Program increases to \$18,587 for single filers and \$22,791 for married filers.

For more information call the Property Tax Reimbursement Hotline at 1-800-882-6597.

Homestead Rebate

Homeowners and tenants who pay property taxes on their principal residence in New Jersey, either directly or through rent, and whose income does not exceed \$100,000 (\$40,000 for homeowners under age 65 and not blind or disabled) may qualify for a homestead rebate of between \$60 and \$500. The amount of rebate is based on the applicant's age, disability status, income, property taxes paid and filing status.

Homeowners eligible for both the homestead rebate and the NJ SAVER rebate will receive whichever provides the greater benefit. Separate applications must be filed for each program.

Tenants under age 65 and not blind or disabled with income between

\$40,000 and \$100,000 are now eligible for a homestead rebate. The minimum rebate amount for eligible tenants for 2000 is \$60. This amount will increase to \$80 for tax year 2001, and \$100 for tax year 2002.

Cigarette Tax

Reimported Cigarettes

The tax stamping and sale of reimported cigarettes which were originally produced for export are forbidden.

Corporation Tax

Inactive Businesses

In order to minimize the administrative burden placed on inactive corporations, in lieu of completing the entire corporation business tax return (Form CBT-100 or CBT-100S), such corporations need only complete Schedule I, Certification of Inactivity, and attach it to page 1 of the return. Taxpayers must report the minimum tax liability, the installment payment (if applicable), and the annual report and/or registered agent change fees. Remittance for the entire balance due must be submitted with the return and Form CAR-100, the Corporation Business Tax Payment and Annual Report. Form CAR-100 is required to satisfy the annual report filing requirements.

An inactive corporation is a corporation that, during the entire period covered by the tax return, did not conduct any business, did not have any income or receipts, did not own any assets, and additionally, for New Jersey S corporations, did not make any distributions and did not have any change in ownership.

Hedge Fund Income of Alien Corporations

For privilege periods ending on or after July 1, 2000, certain investment income generated in New Jersey by alien corporations involved in investing and trading for their own accounts is excluded from corporation business tax.

Insolvent HMO Assistance

Legislation which created the New Jersey Insolvent Health Maintenance Organization Assistance Fund allows HMOs to take credit against their corporation business tax liability in the amount of a certain percentage of the assessments that they are required to pay to the fund. The legislation applies only to the insolvency of HIP Health Plan of New Jersey, Inc. and American Preferred Provider Plan, Inc.

Inheritance Tax

Executor Commissions

Recent legislation clarified the calculation of the commissions to which executors of estates are entitled for Transfer Inheritance Tax purposes. It will apply to estates of decedents passing away on or after June 16, 2000.

Commissions on all corpus received by the fiduciary may now be taken as follows:

- 5% on the first \$200,000 of all corpus received by the fiduciary;
- 3.5% on the excess over \$200,000 up to \$1,000,000;
- 2% on the excess over \$1,000,000; and
- 1% of all corpus for each additional fiduciary provided that no one fiduciary shall be entitled to any

greater commission than that which would be allowed if there were but one fiduciary involved.

Miscellaneous

Online Registration

Businesses and other employers may now register online through the Division of Revenue Web site for taxes and employer contributions for unemployment and disability without having to file a paper registration form with the State.

The Division of Revenue's Business Services Branch also provides walk-in business registration for all businesses, including one-stop service for businesses forming New Jersey corporations, at 225 West State Street, Trenton, NJ 08608. For more information about the one-stop service center and the Division of Revenue's commercial recording and business service programs, call 609-292-9292 or visit the Division of Revenue Web site at:

<http://www.state.nj.us/treasury/revenue/>

Petroleum Products Gross Receipts Tax

Rate Set at Statutory Minimum

Legislation approved June 30, 2000, sets the per gallon tax rate on fuel oils, motor fuels and aviation fuel at the current 4 cents per gallon rate, the minimum statutory rate allowed, so that the tax rate will no longer vary according to the price of the product.

Sales and Use Tax

Exemptions for Hurricane Floyd Victims

Hurricane Floyd Victims may apply for a rebate of the sales tax expenses they incurred when purchasing home repair and reconstruction materials, home repair services and replacement motor vehicles needed because of damage caused by the hurricane.

The exemption applies to purchases made during the recovery period (September 17, 1999 through September 30, 2000). Refunds must be requested on or before March 31, 2001.

Farmer's Exemption

Effective January 1, 2000, the scope of the farming use exemption from sales and use tax was expanded by extending it to production and conservation services, removing the exception to the exemption for property incorporated into a building or

structure, and replacing that exception with a narrower exception by providing that the exemption does not apply to materials used to construct a building or structure (except silos, greenhouses, grain bins and manure handling equipment). The exemption for "wrapping supplies" was also extended to include containers for use in a farming enterprise.

Exempt Organizations

Legislation, which took effect March 1, 2000, granted sales and use tax "exempt organization" status to National Guard organizations, the Marine Corps League, and war veterans' organizations and their posts and auxiliary units.

Commuter Ferryboats

Sales, repairs, alterations, or conversions of ferryboats that are used primarily to transport passengers during peak commuting hours are exempt for sales tax effective November 24, 1999.

Spill Compensation and Control Tax

Extension of Cap Benefit

The Spill Compensation and Control Tax Act was amended effective January 10, 2000, to allow a Spill tax capped corporation's successor in interest (pursuant to an IRC §368(a)(1)(D) reorganization on or before October 1, 1997) to be eligible for such cap. The cap is an annual tax limit of no more than 125% of the tax liability in the 1986 base year of the predecessor corporation. The successor corporation would also be allowed a refund of any Spill taxes paid in excess of the capped limitation since January 1, 1996.

For a capped corporation or its qualified successor in interest, the taxes not included in the 1986 base would only be for those major facilities that prior to January 1, 1996 were entirely closed and decommissioned.