

Dear Taxpayer:

There has been a major change to your 1996 income tax return. New legislation, approved July 4, 1996, provides a deduction or credit on the State income tax return for eligible homeowners and tenants who pay property taxes, either directly or through rent, on their principal residence in New Jersey. This benefit is in addition to the existing Homestead Property Tax Rebate which continues to be available to many New Jersey residents. The new benefits will be phased in over a three year period. This is the first year of the phase-in. For the 1996 tax year, eligible residents may deduct 50% of their first \$5,000 of property taxes due and paid or \$2,500, whichever is less. For tenants, 18% of rent paid during the year is considered property taxes paid. The minimum benefit available to eligible taxpayers is a refundable credit of \$25 this year. For more information on this benefit, see below.

We want to make it as easy as possible for you to file your New Jersey income tax return and apply for your Homestead Property Tax Rebate. The Division conducted a TeleFile pilot program during the 1995 tax season that allowed almost 25,000 taxpayers to file their individual income tax returns/homestead rebate applications by Touch-tone telephone. The program has been expanded for tax year 1996 to allow eligible New Jersey residents throughout the State to file their return from the comfort of their own home by using TeleFile. The average TeleFile call takes 8 minutes. It's easy, convenient and fast — when you file by TeleFile, your refund will be mailed within two weeks of filing your return. Refer to the information on the back cover of this booklet to determine if you are eligible to TeleFile your return.

You can now find the New Jersey Division of Taxation on the Internet. The World Wide Web has provided the Division of Taxation with a new avenue to inform, educate and support New Jersey taxpayers and practitioners. You can also use the home page to communicate with the Division. E-mail inquiries and form order requests have been received from places as distant as Europe and Japan. Visit our home page at <http://www.state.nj.us/treasury/taxation/> and send us an e-mail at [nj.taxation@treas.state.nj.us](mailto:nj.taxation@treas.state.nj.us) telling us what you would like to see included on our home page.

Remember, if you need help completing your 1996 New Jersey Resident Income Tax Return or Homestead Property Tax Rebate Application, you can call our Tax Hotline at (609) 588-2200.

Richard D. Gardiner  
Director, New Jersey Division of Taxation

## SPECIAL MESSAGE

### New Property Tax Deduction/Credit

Eligible residents may claim a property tax deduction or a refundable property tax credit this year. To determine whether you will receive a greater tax benefit by taking the deduction or the credit, you should:

- Complete Schedule 1 if you **do not** claim a credit for taxes paid to other jurisdictions.
- Complete Schedule A and Worksheet F if you claim a credit for taxes paid to other jurisdictions.

Eligible residents who are 65 years of age or older or blind or disabled, and who are not required to file Form NJ-1040 because gross income is \$7,500 or less (\$3,750 if filing status is married, filing separate return) are entitled to a \$25 property tax credit which will automatically be paid with their homestead rebates. These residents do not claim the property tax deduction or credit on Form NJ-1040.

## IMPORTANT

This booklet contains a New Jersey Resident Income Tax Return (Form NJ-1040) and Homestead Property Tax Rebate Application (Form HR-1040). Read the following information to ensure you file the correct return(s).

### Forms

The 1996 NJ-1040 and HR-1040 are on separate pages this year. This means that you only have to complete and file the forms that apply to you.

- If you are **not required to file** Form NJ-1040 because your gross income was \$7,500 or less (\$3,750 or less if filing status is married, filing separate return), but you qualify for a 1996 homestead rebate, you need **only complete Form HR-1040**.
- If you are filing for both income tax and homestead rebate purposes, you must **complete and file both forms**.

Look for this symbol throughout this booklet for new and important information.

# FILING INFORMATION

- ◆ Your filing status and gross income determine whether you have to file a tax return.
- ◆ Age is not a factor in determining whether a person must file. Even minors (including students) and senior citizens must file if they meet the income filing requirements.
- ◆ *Gross income* means taxable income after exclusions but before personal exemptions are subtracted. does not include nontaxable benefits. See page 11 to find out which types of income are not taxable.
- ◆ Members of the Armed Forces see page 5 for additional information.

Use the following chart to determine whether you must file a tax return. This chart is a guide only and may not cover every situation. If you need assistance, call the New Jersey Tax Hotline (609-588-2200).

## Who Must File

## You must file a New Jersey income tax return if—

	Your filing status is:	and your gross income was more than:	Use Form:
<b>Full year resident</b>  You were a full year New Jersey resident if: <ul style="list-style-type: none"> <li>◆ New Jersey was your domicile (permanent legal residence) for the entire year (whether or not you were a member of the Armed Forces);</li> <li><b>or</b></li> <li>◆ New Jersey was not your domicile, but you maintained a <i>permanent</i>* home in New Jersey for the entire year and you spent more than 183 days in New Jersey. (If you are a member of the Armed Forces stationed here and New Jersey is not your domicile, you are not a resident under this definition.)</li> </ul>	Single Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500	<b>NJ-1040</b> <b>(Resident Return)</b>
	Married, filing separate return	\$3,750	
<b>Part-year resident</b>  You were a part-year New Jersey resident if you met the definition of resident or nonresident for only part of the year.	Single Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500 from all sources (for the entire year)	<b>NJ-1040**</b> <b>(Resident Return)</b>
	Married, filing separate return	\$3,750 from all sources (for the entire year)	
<b>Nonresident</b>  You were a New Jersey nonresident if you met <b>all</b> three of the following conditions for the entire year, and you were domiciled here: <ul style="list-style-type: none"> <li>◆ You did not maintain a <i>permanent</i>* home in New Jersey; <b>and</b></li> <li>◆ You did maintain a <i>permanent</i> home outside of New Jersey; <b>and</b></li> <li>◆ You did not spend more than 30 days in New Jersey;</li> <li><b>or</b></li> </ul> New Jersey was not your domicile, and you spent less than 183 days here; <ul style="list-style-type: none"> <li><b>or</b></li> </ul> New Jersey was not your domicile, you spent more than 183 days here, but you did not maintain a <i>permanent</i> home here.	Single Married, filing joint return Head of Household Qualifying Widow(er)	\$7,500 (from all sources)	<b>NJ-1040NR</b> <b>(Nonresident Return)</b>
	Married, filing separate return	\$3,750 (from all sources)	

\* A home (whether inside or outside of New Jersey) is not permanent if it is maintained only during a temporary or limited period for the accomplishment of a particular purpose. Likewise, a home used only for vacations is not a permanent home.  
 \*\* Both resident and nonresident returns may have to be filed when a part-year resident receives income from New Jersey sources during the period of nonresidence.

### Also File a Return if:

- ◆ You had New Jersey income tax withheld from your wages and are due a refund.
- ◆ You paid New Jersey estimated taxes for 1996 and are due a refund.

## Other Filing Information

**Domicile.** A domicile is any place you regard as your permanent home—the place to which you intend to return after a period of absence (as on vacation abroad, business assignment, educational leave, etc.). A person has only one domicile, although he or she may have more than one place to live. Once established, your domicile continues until you move to a new location with the intent to establish your permanent home there and to abandon your New Jersey domicile. Moving to a new location, even for a long time, does not change your domicile if you intend to return to New Jersey.

A place of abode, whether inside or outside of New Jersey is not permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose (e.g., temporary job assignment). If New Jersey is your domicile, you will be considered a resident for New Jersey tax purposes *unless* you meet all three conditions for nonresident status (see “Who Must File” on page 3). Likewise, if New Jersey is not your domicile, you will only be considered a New Jersey resident if you maintain a permanent home and spend more than 183 days here.

## Guidelines for Part-year Residents

**Filing Requirements.** Any person who became a resident of this State or moved out of this State during the year is subject to New Jersey income tax for that portion of the income received while a resident of

New Jersey. Part-year residents must prorate all exemptions, deductions and credits, as well as the pension and other retirement income exclusions, to reflect the period covered by the return. A person who receives income from a New Jersey source while a nonresident must file a New Jersey nonresident return.

If you were a New Jersey resident for only part of the taxable year, you are subject to the tax if your income for the entire year exceeds \$7,500, even though the income reported for your period of residence was \$7,500 or less (\$3,750 if filing status is married, filing separate return). If the income received during the entire year was \$7,500 or less, you must enclose a copy of your Federal income tax return or a statement to that effect if you did not file a Federal return.

**NOTE:** If you derived any income from New Jersey sources during your period of nonresidence, it may also be necessary to file a New Jersey nonresident return. Any withholdings should be allocated between the resident and nonresident returns. For more information, see Form NJ-1040NR, New Jersey nonresident return and instructions.

**Line 14 - Wages.** You must determine from each W-2 you receive the portion of your “State wages, tips, etc.” that you earned while you were a New Jersey resident. If your W-2 indicates only wages earned while you were a New Jersey resident, use the amount from the “State wages, tips, etc.” box. If your employer did not separate your resident and nonresident wages on the W-2, you must prorate the “State wages, tips, etc.” amount for the period of time you lived in New Jersey. Add the amounts reportable to New Jersey and place the total on Line 14.

Do not include any W-2(s) where the total W-2 income was derived from out-of-State sources during your period of nonresidence.

**Other Income.** For interest, dividends, pensions and other income, include on your return only those amounts received while a resident of New Jersey. Partners and shareholders should request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*, for instructions on reporting distributive share of partnership income and net pro rata share of S corporation income.

**Line 19b - Pension Exclusion.** If you qualify for the pension exclusion, prorate the exclusion by the number of months you were a New Jersey resident. For this calculation 15 days or more is a month.

**Line 28 - Other Retirement Income Exclusion.** Do not complete Worksheet D for the Other Retirement Income Exclusion (on page 17). Instead, you must take into account the amount of wages, net profits from business, partnership income and S corporation income you received for the *entire* year and the amount of prorated earned income from the period of residence to determine whether or not you qualify for the exclusion.

**Line 30c - Exemptions.** Your total exemptions (Line 30c) must be prorated based upon the number of months you were a New Jersey resident. For this calculation 15 days or more is a month.

Lines 30a and b X  $\frac{\text{No. of Months NJ Resident}}{12}$  = Line 30c

## TAXPAYERS' BILL OF RIGHTS

The New Jersey Taxpayers' Bill of Rights simplifies tax administration and ensures that all taxpayers—individuals and businesses alike—are better informed and receive fair and equitable treatment during the tax collection process. Highlights of the Taxpayers' Bill of Rights include:

### Service—

- ♦ Division must respond to taxpayers' questions within a reasonable time period.
- ♦ Notices of taxes and penalties due must clearly identify the purpose of the notice and must contain information about appeal procedures.

### Appeals—

- ♦ Time to appeal to the Tax Court is generally 90 days.

### Interest on Refunds—

- ♦ Interest is paid at the prime rate on refunds for all taxes when the Division takes more than six months to send you a refund.
- ♦ You may request that your overpayment of this year's tax be credited towards next year's tax liability, however, interest will not be paid on overpayments that are credited forward.

For more information on the rights and obligations of both taxpayers and the Division of Taxation under the Taxpayers' Bill of Rights, call the Division's automated information and assistance service. (See back cover.)

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Part-year Residents - continued

**Lines 31 and 32 - Deductions.** You may deduct medical expenses and alimony based on the actual expenses paid for the period of time you lived in New Jersey. Use the worksheet on page 18 to determine the medical expense deduction.

**Line 35 - Property Tax Deduction.** You may also be eligible to claim a deduction for property taxes you paid, or rent constituting property taxes (18% of rent due and paid) during your period of residency. Prorate the minimum tax benefit of \$25 based on the number of months you occupied your New Jersey residence. For this calculation 15 days or more is a month. Use this prorated figure instead of the \$25 figure on Line 7, Schedule 1 or Line 4, Worksheet F.

**Line 43 - Property Tax Credit.** You must prorate the amount of any property tax credit on Line 43 based on the number of months you occupied your qualified New Jersey residence. For this calculation 15 days or more is a month.

For more information, request Tax Topic Bulletin GIT-6, *Part-year Residents*.

## Guidelines for Military Personnel

**Residents.** A member of the Armed Forces whose home of record (domicile) is New Jersey when entering the service remains a resident of New Jersey for income tax purposes, and must file a resident return even if assigned to duty in another state or country, unless he or she qualifies for nonresident status (see chart on page 3). If you are a New Jersey resident, you are subject to tax on all your income, including your military pay, regardless of where it is earned, unless the income is specifically exempt from tax under New Jersey law.

A member of the Armed Forces whose home of record is New Jersey and who is stationed outside the State (whether living in barracks, billets, apartment or house) and does not intend to remain outside New Jersey, continues to be a resident and must file a resident return and report all taxable income. However, if a serviceperson pays for and maintains facilities such as an apartment or a home outside of New Jersey, with the intent of remaining there permanently and beyond the person's tour of duty, such facilities will constitute a *permanent* home outside of New Jersey. In this case, the serviceperson is no longer domiciled in New Jersey and generally is not considered a New Jersey resident for tax purposes.

**Nonresidents.** A member of the Armed Forces whose home of record (domicile) is outside of New Jersey does not become a New Jersey resident when assigned to duty in this State. A nonresident serviceperson's military pay is not subject to New Jersey income tax and he or she is not required to file a New Jersey return unless he or she has earned income from New Jersey sources other than military pay. A nonresident serviceperson who has income from New Jersey sources such as a civilian job in off-duty hours, income or gain from property located in New Jersey or income from a business, trade or profession carried on in this State must file a New Jersey nonresident return, Form NJ-1040NR.

If your permanent home (domicile) was New Jersey when you entered the military, but you have changed your state of domicile or you satisfy the conditions for nonresident status (see chart on page 3), then your military pay is not subject to New Jersey income tax. Contact the finance officer at your station for Form DD-2058-1 to stop future

withholding of New Jersey income tax. If New Jersey income tax was erroneously withheld from your military pay, you must file a nonresident return (Form NJ-1040NR) to obtain a refund of the tax withheld. For more information, see the nonresident return instructions.

**Spouses of Military Personnel.** Spouses (of military personnel) who were not domiciled in New Jersey when they married the military spouse are not considered residents of New Jersey if:

- ♦ The principal reason for moving to this State was the transfer of the military spouse; and
- ♦ It is their intention to leave New Jersey when the military spouse is transferred or leaves the service.

New Jersey law requires that a couple's filing status for New Jersey gross income tax purposes be the same as for Federal income tax purposes. A married couple filing a joint Federal return must file a joint return in New Jersey. The only exception to this rule is when one spouse is a New Jersey resident and the other is a nonresident for the entire year. In this case, the resident may file a separate return and use the married filing separate tax rates, unless both spouses agree to file jointly as residents. If a joint resident return is filed, their income will be taxed as if both spouses were residents.

**Extensions.** A person on active duty with the Armed Forces of the United States who may not be able to file timely because of distance, injury or hospitalization as a result of this service, will automatically receive a three-month extension by enclosing an explanation to the return when filed.

**Death Related to Active Duty.** When a member of the Armed Forces serving in a combat zone dies as a result of wounds, disease or injury received there, no income tax is due for the taxable year the death occurred, nor for any earlier years served in the combat zone.

## When to File

Generally, your New Jersey income tax return is due when your Federal income tax return is due. For calendar year filers, the 1996 New Jersey income tax return is due by April 15, 1997. Fiscal year filers must file their New Jersey income tax return by the 15th day of the fourth month following the close of the fiscal year.

**Postmark Date.** All New Jersey income tax returns postmarked on or before the due date of the return are considered to be filed on time. Tax returns postmarked after the due date are considered to be filed late. When a return is postmarked after the due date, the filing date for that return is the date the return was received by the Division, not the postmark date of the return. Interest on unpaid liabilities is assessed from the due date of the return.

## Extensions

Extensions of time are granted only to file your New Jersey Resident Income Tax Return. There are no extensions of time to pay tax due.

**Penalties and interest are imposed whenever tax is paid after the original due date.**

*continued*

Extensions - continued

### Four-Month Extension

You may receive a four-month extension of time to file your New Jersey Resident Income Tax return if at least 80% of the tax liability computed on your Form NJ-1040 when filed is paid in the form of withholdings, estimated or other payments by the original due date, **and**

**1. Federal extension filed.** A copy of your Federal Application for Automatic Extension is enclosed with your final return and the box at the top of the NJ-1040 is checked;

or

**2. No Federal extension filed.** You file a request for a four-month extension on Form NJ-630, Application for Extension of Time to File New Jersey Gross Income Tax Return, by the original due date of the return.

Form NJ-630 must also be filed by the original due date if you are required to make a payment to satisfy the 80% requirement.

### Extensions Beyond Four Months

If you have requested and been granted a four-month extension, you may apply for an additional two-month extension before the original four-month extension expires. You must file Form NJ-630 if you require an extension of more than four months for New Jersey purposes and you are not requesting an additional two-month extension for Federal purposes. Otherwise, enclose a copy of your Federal application for an additional two-month extension with your NJ-1040 when filed. Taxpayers who file Form NJ-630 will not receive an approved copy. We will notify you only if your request is denied.

**If you fail to satisfy the requirements outlined for extensions, or you fail to file your return by the extended due date, your extension will be denied and penalties and interest will be imposed from the original due date of the return. See "Penalty and Interest Charges" on page 8.**

### How to Pay

The balance of tax due must be paid in full with your return. If you owe less than \$1, no payment is required.

 This year, the State of New Jersey is sending a preprinted payment voucher to all taxpayers (Form NJ-1040-V). If you owe tax with your 1996 return, enter the amount of tax due in the boxes on the payment voucher. Do not make any changes to the payment voucher. All necessary changes should be made on the NJ-1040 (and/or HR-1040). For information about mailing forms, see *Where to Send Your Return* below.

- ◆ Make check or money order payable to:  
**State of New Jersey – TGI**
- ◆ Write your social security number on the check or money order. Use social security numbers of both husband and wife for a joint return.
- ◆ If you are paying a balance due for the 1996 tax year and the first installment of estimated tax for 1997, please use separate checks or money orders for each payment. Send your 1997 estimated tax payment with an NJ-1040-ES voucher to the address on that payment voucher.

**Time Limit for Assessing Additional Taxes.** The Division of Taxation has three years from the date you filed your income tax return to send you a bill for additional taxes you owe. There is no time limit if you did not file your tax return, or if you filed a false or fraudulent return with the intent to evade tax. The time limit may be extended if:

- ◆ You amended or the IRS adjusted your Federal taxable income;
- ◆ You amended your New Jersey taxable income;
- ◆ You entered into a written agreement with the Division extending the time to make an assessment;
- ◆ You failed to report more than 25% of your gross income on your New Jersey income tax return; or
- ◆ An erroneous refund is made as a result of fraud or misrepresentation by the taxpayer.

### Where to Send Your Return

 Your packet contains a small window envelope and a large envelope. Use the small window envelope to mail your check or money order with your payment voucher. Make sure the mailing address printed on the payment voucher shows through the window in the small envelope. **Do not staple, paper clip or tape your check or money order to the voucher. Do not** mail your NJ-1040 or HR-1040 in the small window envelope.

**Mail Voucher With Payment to:** STATE OF NEW JERSEY  
DIVISION OF TAXATION  
CN 196  
TRENTON NJ 08646-0196

Use the large envelope to mail your NJ-1040 and HR-1040 along with related enclosures. On the flap of the large envelope you will find preprinted address labels with different addresses for different categories of returns. **To insure your return is mailed properly:**

1. Remove all labels along perforations from envelope flap; and
2. Choose the correct label for your return:

**Mail Returns Requesting a Refund (or with No Tax Due) with or without Homestead Rebate Applications to:** STATE OF NEW JERSEY  
DIVISION OF TAXATION  
CN 555  
TRENTON NJ 08647-0555

**Mail Returns Indicating Tax Due to:** STATE OF NEW JERSEY  
DIVISION OF TAXATION  
CN 111  
TRENTON NJ 08645-0111

**Mail Homestead Rebate Applications Filed Without Income Tax Returns to:** STATE OF NEW JERSEY  
DIVISION OF TAXATION  
CN 197  
TRENTON NJ 08646-0197

3. **Moisten and affix only the correct label on the front of the large return envelope.**

## Refunds

A return must be filed to claim a refund for overpayment of tax. If the refund is \$1 or less, you must enclose a statement specifically requesting it.

**Time Period for Refunds.** You have three years after the return is filed or two years after the tax is paid, whichever is later, to claim a refund. If you and the Division agree in writing to extend the period of assessment, the period for filing a refund claim will also be extended.

**Interest Paid on Refunds.** If the Division takes more than six months to send you your income tax refund, you have a right to receive interest on that refund. Interest at the prime rate, compounded annually, will be paid from the *later* of:

- ♦ the date the refund claim was filed;
- ♦ the date the tax was paid; or
- ♦ the due date of the return.

No interest will be paid when an overpayment is credited to the next year's tax liability.

New Jersey law requires that any money owed to the State of New Jersey, any of its agencies or the Internal Revenue Service be deducted from your refund or credit before it is issued. Homestead Property Tax Rebates may also be affected. These debts include among other things money owed for past due taxes, child support due under a court order, school loans, hospital bills and IRS levies. If the Division applies your refund, credit or rebate to any of these debts, you will be notified through the mail.

## Deceased Taxpayers

If a person received income in 1996 but died before filing a return, the New Jersey income tax return should be filed by the surviving spouse, executor or administrator. Use the same filing status that was used on the final Federal income tax return. Print "Deceased" and the date of the death above the decedent's name. The due date for filing is the same as for Federal purposes. In the area where you sign the return write "Filing as Surviving Spouse," if appropriate. A personal representative filing the return must sign in his or her official capacity. Any refund check will be issued to the decedent's surviving spouse or estate.

**Income in Respect of a Decedent.** If you had the right to receive income that the deceased person would have received had he or she lived, and the income was not included on the decedent's final return, you must report the income on your own return when you receive it. The income or gain is included on Line 25, as "Other" income.

## Estates and Trusts

**Filing Requirements for Estates and Trusts.** The fiduciary of an estate or trust may be required to file a New Jersey Gross Income Tax return for that estate or trust. The return for an estate or trust must be filed on a New Jersey fiduciary return, Form NJ-1041. The fiduciary must also provide each beneficiary with a copy of the Federal Schedule K-1 which shows the beneficiary's share of the estate or trust income.

**Filing Requirements for Beneficiaries.** You must report the items of income or gain you receive as a beneficiary of an estate or trust on Line 25, "Other" income. Interest, dividends, capital gains, business or partnership income, etc. as listed on the Federal K-1 form(s) you received are to be netted together before inclusion on the "Other" income line. Enclose a copy of the Federal K-1(s) with your return.

## Partnerships

A partnership is not subject to tax. Individual partners are subject to tax on the income they earned from the partnership under the Federal Internal Revenue Code and the New Jersey Gross Income Tax Act. See page 16 for information on reporting income from a partnership. Every partnership having a New Jersey resident partner or income from New Jersey sources must file New Jersey Form NJ-1065 with the New Jersey Division of Taxation by the 15th day of the fourth month following the close of the partnership's taxable year. For more information on partnership filing, request Form NJ-1065 and instructions.

## Estimated Tax

*Estimated tax* means the amount which you estimate to be your income tax for the taxable year after subtracting payments, withholdings and other credits. When your estimated tax exceeds \$100, you are required to make quarterly estimated tax payments using Form NJ-1040-ES. Instructions for computing the estimated tax and making the payments are included with the form. Review the amount of your New Jersey gross income tax on your expected gross income (after deductions and credits) to determine if you need to make estimated tax payments for 1997.

To avoid having to make estimated tax payments, you may ask your employer to withhold an additional amount from your wages by completing Form NJ-W4. Failure to file a Declaration of Estimated Tax or pay all or part of an underpayment *will result in interest charges* on the underpayment.

**Underpayment of Estimated Tax.** If you failed to make all of the required estimated tax payments as described above, you should request Form NJ-2210, Underpayment of Estimated Tax by Individuals, and instructions. Complete Form NJ-2210 to determine if interest is due and if so, calculate the amount. If you complete and enclose Form NJ-2210 with your return, check the box below Line 44. For more information on estimated tax, request Tax Topic Bulletin GIT-8, *Estimating Income Taxes*.

## Amended Returns

If you received an additional tax statement (W-2 or 1099) after your return was filed, or you discovered that you made any error or omission on your return, file an amended New Jersey resident return, Form NJ-1040X.

**Changes in your Federal Income Tax.** If you receive a notice from the Internal Revenue Service that they changed your reported income, and that change altered your New Jersey taxable income, you must notify the Division of the change in writing within 90 days. File an amended tax return and enclose a check or money order for any additional tax due.

If you file an amended Federal return which changes your New Jersey taxable income, you must file an amended New Jersey resident return, Form NJ-1040X, within 90 days.

## Accounting Method

Use the same accounting method for New Jersey Gross Income Tax that you used for Federal income tax purposes.

## Rounding Off to Whole Dollars

When completing your return and the accompanying schedules, you may show the money items in whole dollars. If you have to add two or more items to figure the total to enter on a line, include cents when adding the items and round off only the total. When entering the rounded total on the line, you may eliminate any amount under 50 cents and increase any amount 50 cents or more to the next higher dollar. If you do round off, do so for all amounts. When rounding, enter zeros after the decimal point for cents.

## Penalty and Interest Charges

Penalty and interest should be included with the payment of any tax due.

**Late Filing Penalty:** 5% per month (or fraction of a month) up to a maximum of 25% of the outstanding tax liability when a return is filed after the due date or extended due date. Also, a penalty of \$100 for each month the return is late may be imposed.

**Late Payment Penalty:** 5% of the outstanding tax balance may be imposed.

**Interest:** 3% above the prime rate for 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.

## Signatures

Sign and date your return in blue or black ink. Both husband and wife must sign a joint return. If you are filing a Homestead Property Tax Rebate Application (Form HR-1040) with your tax return, it is not necessary to sign the rebate application. However, if you are filing only HR-1040, the application must be signed and dated in ink. The signature(s) on the form you file must be original; photocopied signatures are not acceptable. A return without the proper signatures cannot be processed and will be returned to you. This causes unnecessary processing delays and may result in penalties for late filing or a delay or denial of your homestead rebate.

**Don't Need Forms Mailed to You Next Year?** Taxpayers who pay someone else to prepare their returns probably do not use the income tax return booklets mailed to them each year. If you do **not** need a booklet mailed to you next year, check the box below the signature line. The Division will send you a peel-off label which you or your tax preparer should use on your 1997 return. Telling us that you do not need a booklet next year will help us reduce printing and mailing costs.

**Tax Preparers.** Anyone who prepares a return for a fee must sign the return as a "Paid Preparer" and enter his or her social security number. Include the company or corporation name and Federal Identification Number, if applicable. A tax preparer who fails to sign the return or provide a tax identification number may incur a \$25 penalty for each omission. Someone who prepares your return but does not charge you should not sign your return.

## Keeping Tax Records

Keep copies of your tax returns and the supporting documentation of income, deductions and credits until the statute of limitations has expired for each return. Generally this is three years after the filing date or two years from the date the tax was paid, whichever is later.

## Privacy Act Notification

The Federal Privacy Act of 1974 requires an agency requesting information from individuals to inform them why the request is being made and how the information is being used.

Your social security number is used primarily to account for and give credit for tax payments. The Division of Taxation also uses social security numbers in the administration and enforcement of all tax laws for which it is responsible. In addition, the Division of Taxation is required by law to forward an annual list to the Administrative Office of the Courts containing the names, addresses and social security numbers of individuals who file a New Jersey resident tax return or homestead rebate application. This list will be used to avoid duplication of names on jury lists.

## Federal/State Tax Agreement

The New Jersey Division of Taxation and the Internal Revenue Service have entered into a Federal/State Agreement to exchange income tax information in order to verify the accuracy and consistency of information reported on Federal and New Jersey income tax returns.

## Fraudulent Return

Any person who deliberately fails to file a return, files a fraudulent return, or attempts to evade the tax in any manner may be liable for a penalty up to \$7,500 or imprisonment for a term between three and five years or both.

## Name and Address

Place the peel-off label from the front of this booklet in the name and address section at the top of the return. Correct the label where errors occur. If you have no label, print or type your name (last name first), complete address and zip code in the spaces provided. Also include your spouse's name if filing jointly. Your refund and next year's form will be sent to the address you provide.

If your address has changed, check the box at the top of the NJ-1040.

If your legal residence and the address on the return differ, enclose a statement of explanation to avoid a delay in processing.

## Social Security Number

Be sure to check the accuracy of the social security number(s) printed on the label. To correct an error, draw a line through the incorrect number and write the correct number above it.

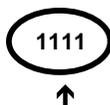
If you do not have a label, enter your social security number(s) in the space provided on the return, one digit in each box. If your filing status is married, filing joint return, remember to report both spouses' numbers in the order in which the names are listed on the return.

## County/Municipality Code

Check the county/municipality code on your label (see example below). Make corrections to the code on the label. If you do not have a label, enter your four-digit code, one digit in each box, from the table on page 33. This code identifies the county and municipality of your current residence. The county and municipality codes in these instructions are for Division of Taxation purposes only.

\*\*\*\*\*CAR-RT-SORT\*\*\*\*\*CR99

111-11-1111 SMIT 222-22-2222  
SMITH JOHN & JANE  
123 MAIN STREET  
TRENTON NJ 08611



County/Municipality Code

## Filing Status (Lines 1 - 5)

Generally, you must use the same filing status on your New Jersey return as you do for Federal income tax purposes. Indicate the appropriate filing status. Check only **one** box.

If spouses file a joint Federal income tax return, they must also file a joint New Jersey income tax return. If spouses file separate Federal returns, separate State returns must also be filed. If your filing status is married, filing separate return, be sure to enter the social security number of your spouse in the boxes provided at the top of the tax return.

If you meet the requirements to file as head of household for

Federal income tax purposes, you may file as head of household for New Jersey. Certain married individuals living apart may file as head of household for New Jersey if they meet the requirements to file as head of household for Federal purposes.

If during the entire taxable year one spouse was a resident and the other a nonresident, the resident spouse may file a separate New Jersey return. The resident spouse computes income and exemptions as if a Federal married filing separate return had been filed. You have the option of filing a joint return, but remember, joint income would be taxed as if both spouses were residents.

For more information on filing status, order Tax Topic Bulletin GIT-4, *Filing Status*.

## Exemptions - Personal (Lines 6 - 8)

The exemptions claimed on Lines 6, 7 and 8 apply only to you and your spouse. The exemptions for age and disability are not available for dependents. If your filing status is married, filing separate return, you generally do not check the spouse box on Lines 6, 7 or 8.

### Line 6 - Regular Exemptions

As a taxpayer you may claim a personal exemption for yourself, even if you are a minor who is claimed as a dependent on your parents' return. For your convenience, "Yourself" is already checked. If you are filing a joint return, check the spouse box as well. Add the number of boxes checked and enter the result in the red box on Line 6.

### Line 7 - Age 65 or Older

If either you or your spouse were 65 years of age or older at the end of the tax year, you (and your spouse if qualified) are entitled to an additional exemption. Check the appropriate box(es). Add the number of boxes checked and enter the result in the red box on Line 7.

### Line 8 - Blind or Disabled

If either you or your spouse were blind or disabled at the end of the tax year, you (and your spouse if qualified) are entitled to an additional exemption. "Disabled" means total and permanent inability to engage in any substantial gainful activity because of any physical or mental impairment, including blindness. Enclose a copy of the doctor's certificate or other medical records with your return the first time you claim the exemption. This information need not be submitted each year providing there is no change in your condition. Check the appropriate box(es). Add the boxes checked and enter the result in the red box on Line 8.

## Exemptions - Dependency (Lines 9 - 11)

The exemptions claimed on Lines 9, 10 and 11 apply only to dependents. The exemption for dependents attending colleges is not available to you, the taxpayer, or your spouse.

### Line 9 - Dependent Children

You may claim an exemption for each dependent child who qualifies as your dependent for Federal income tax purposes. Enter the number of your dependent children in the red box on Line 9.

### Line 10 - Other Dependents

You may claim an exemption for each other dependent who qualifies as your dependent for Federal income tax purposes. Enter the number of your other dependents in the red box on Line 10.

### Line 11 - Dependents Attending Colleges

You may claim an additional exemption for each dependent under age 22 who is a full-time student at an accredited college or post secondary institution for whom you paid one-half or more of the tuition and maintenance costs. Financial aid received by the student is not calculated

*continued*

into your cost when totalling one-half of your dependent's tuition and maintenance. However, the money earned by students in College Work Study Programs is income and is taken into account. Remember, to claim this additional exemption, each dependent must have already been claimed on Lines 9 or 10.

#### Requirements

- ◆ Student must be **under 22 years of age** for the entire tax year.
- ◆ Student must attend full-time. "Full-time" is determined by the institution.
- ◆ Student must spend at least some part of each of five calendar months of the tax year at school.
- ◆ The educational institution must maintain a regular faculty and curriculum and have a body of students in attendance.

Enter the number of exemptions for your qualified dependents attending colleges in the red box on Line 11.

### Line 12 - Totals

Add Lines 6, 7, 8 and 11 and enter the total in the red box on Line 12a. Add Lines 9 and 10 and enter that total in the red box on Line 12b.

### Residency Status (Line 13)

If you were a New Jersey resident for only part of the taxable year, list the month, day and year your residency began and the month, day and year it ended. All months should be listed as two digit numbers with the digits 01 for January, 02 for February, 03 for March, etc. Place the correct number for the beginning and ending months directly in the boxes containing the red letter "M," one digit in each box.

The days of the months should be listed as two digit numbers beginning with the digits 01 for the first day of the month and ending with the digits 31 for the last day of the month. Place the correct number for the beginning and ending dates directly in the boxes containing the red letter "D," one digit in each box.

For calendar year filers the year should be entered as 96 and the numbers placed directly in the boxes containing the red letter "Y," one digit in each box. Fiscal year filers should enter the appropriate year in the "Y" boxes.

### Gubernatorial Elections Fund

The Gubernatorial Elections Fund, financed by taxpayer designated \$1 contributions, provides partial public financing to qualified candidates for the office of Governor of New Jersey. With its contribution and expenditure limits, the Gubernatorial Public Financing Program has since 1977 assisted 44 candidates to conduct their campaigns free from the improper influence of excessive campaign contributions. Operation of the program has also permitted candidates of limited financial means to run for election to the State's highest office. As a condition of their receipt of public financing, candidates must agree to participate in two debates which provide the public with an opportunity to hear the views of each candidate. For more information on the Gubernatorial Public Financing Program, contact the New Jersey Election Law Enforcement Commission at (609) 292-8700 or write to:

NJ ELECTION LAW ENFORCEMENT COMMISSION  
CN 185  
TRENTON NJ 08625-0185

Participation in the \$1 income tax check-off protects the continuity and integrity of the Gubernatorial Elections Fund by providing that funds will be reserved for future gubernatorial elections thereby deterring the use of needed funding for other purposes. If you want to designate \$1 to go to help candidates for governor pay campaign expenses, check the "Yes" box in the Gubernatorial Elections Fund section of the return. If you are filing a joint return, your spouse may also designate \$1 to this fund by checking "Yes." **Checking the "Yes" box will not in any way increase your tax liability or reduce your refund.**

### Income (Lines 14 - 25)

Gross income means all income you received in the form of money, goods, property and services unless specifically exempt by law. As a New Jersey resident you must report all taxable income you receive, whether from New Jersey or not, on your return.

#### Gross Income includes the following:

- ◆ Wages and other compensation
- ◆ Interest and dividends
- ◆ Profits from business, trade or profession
- ◆ Gains from sale of property and other capital gains
- ◆ Pensions, annuities and IRA withdrawals
- ◆ Partnership distributions
- ◆ Net pro rata share of S corporation income
- ◆ Rental, royalty and copyright income
- ◆ Gambling winnings
- ◆ Alimony
- ◆ Estate and trust income
- ◆ Income in respect of a decedent
- ◆ Prizes and awards, including scholarships and fellowships
- ◆ Value of residence provided by employer
- ◆ Fees for services rendered, including jury duty

New Jersey gross income also **includes** the following which are not subject to Federal income tax:

- ◆ Interest from obligations of states and their political subdivisions, other than New Jersey and its political subdivisions
- ◆ Income earned by a resident from foreign employment
- ◆ Certain contributions to pensions and tax-deferred annuities
- ◆ Employee contributions to Federal Thrift Savings Funds, 403(b), 457, SEP or any other type of retirement plan other than 401(k) Plans

**Important!** Net losses in one category of income cannot be applied against income or gains in another. In case of a net loss in any category, make no entry on the corresponding line. No carryback or carryover of losses is permitted under New Jersey law.

*continued*

Income (Lines 14 - 25) - continued

**Exempt Income**

Do not include the following income when deciding if you must file a return. These items should **not** appear anywhere on your form except for tax exempt interest, which is reported on Line 15b.

- ◆ Federal Social Security
- ◆ Railroad Retirement (Tier 1 and Tier 2)
- ◆ Life insurance proceeds received because of a person's death
- ◆ Employee's death benefits
- ◆ Permanent and total disability, including VA benefits
- ◆ Temporary disability received from the State of New Jersey or as third party sick pay
- ◆ Worker's Compensation
- ◆ Gifts and inheritances
- ◆ Qualifying scholarships or fellowship grants
- ◆ New Jersey Lottery winnings
- ◆ Unemployment compensation
- ◆ Interest and capital gains from: (a) Obligations of the State of New Jersey or any of its political subdivisions; or (b) Direct Federal obligations exempt under law, such as U.S. Savings Bonds and Treasury Bills, Notes and Bonds (see Line 15b)
- ◆ Certain distributions from "New Jersey Qualified Investment Funds" (see Line 15b)
- ◆ Employer and employee contributions to 401(k) Salary Reduction Plans (but **not** Federal Thrift Savings Funds)
- ◆ Some benefits received from certain employer-provided cafeteria plans (but not salary reduction or premium conversion plans). Request Division Technical Bulletin TB-39
- ◆ Direct payments and benefits received under homeless persons assistance programs
- ◆ Homestead Property Tax Rebates
- ◆ Income tax refunds (New Jersey, Federal and other jurisdictions)
- ◆ Welfare
- ◆ Child Support

**Line 14 - Wages, Salaries, Tips, etc.**

Enter the total amount you received during the taxable year from wages, salaries, tips, fees, commissions, bonuses and other payments received for services performed as an employee. Include all payments you received whether in cash or property.

Enter the total of State wages, salaries, tips, etc. from **all** employment both inside and outside New Jersey. **Be sure to take the figure(s) from the "State wages" box on your W-2(s).** If you have also paid taxes to another jurisdiction on the wages entered on this line, see page 24 for more information.

**Pension and annuity income or early retirement benefits should not be included on this line but should be reported on Line 19a.**

**Retirement Plans.** Under New Jersey law, contributions to retirement plans (other than 401(k) Plans) are included in the State wages figure on the W-2 in the year the wages are earned. This may cause your State wages figure to be higher than your Federal wages figure.

**Meals and/or Lodging.** You may exclude from the amount reported on Line 14 meals and/or lodging reported as wages on your W-2 provided that:

1. The meals and/or lodging were furnished on the business premises of your employer; and
2. The meals and/or lodging were furnished for the convenience of your employer; and

*For lodging only:*

3. You were required to accept the lodging as a condition of your employment.

If you exclude the value of meals and/or lodging from your wages, you **must** enclose a signed statement explaining how you have met these conditions. If the statement is not enclosed, your wages will be adjusted to represent the full amount shown on your W-2.

Food and maintenance payments made to New Jersey State Police officers as part of their union contract **cannot** be excluded from gross income. These payments do not meet the criteria above.

**Employee Business Expenses.** Employee business expenses are **not** deductible for New Jersey Gross Income Tax purposes. However, you may exclude from the amount reported on Line 14 reimbursements for employee business expenses reported as wages on your W-2 provided that:

1. The expenses for which you are reimbursed are job related expenses;
2. You are required to and do account for these expenses to your employer; and
3. You are reimbursed by your employer in the exact amount of the allowable expenses.

If you receive excludable reimbursements for employee business expenses which are included in your wages on your W-2, enclose a statement explaining the amount you are excluding and your reasons for excluding this amount. Also enclose a photocopy of your Federal Form 2106.

**Commuter Transportation Benefits.** Certain amounts you receive from your employer up to \$755 for using an alternative means of commuting (such as public transportation, carpools, vanpools, etc.) may be excluded from your New Jersey gross income. Commuter transportation benefits may not be excluded from gross income unless your employer provides those benefits *in addition* to your regular compensation.

If the commuter transportation benefits you received exceed the maximum excludable amount, the excess amount is taxable and is included in your gross income. Your W-2 Form will show both the taxable and nontaxable benefit amounts. The taxable benefits are included in the "State wages" figure on your W-2, while the nontaxable benefits are not.

An employee who receives money towards commuter transportation benefits must provide his/her employer with suitable proof (receipts, ticket stubs, etc.) to show that the employer-provided money was used for an alternative means of commuting.

**Federal Statutory Employees.** If you are considered a "statutory employee" for Federal income tax purposes, you may not deduct your business expenses unless you are self-employed or an independent contractor under New Jersey law. The Federal label of "statutory employee" has no meaning for New Jersey Gross Income Tax purposes.

continued

Line 14 - Wages, Salaries, Tips, etc. - continued

Business expenses may only be deducted from the business income of a self-employed individual. See the instructions for Line 17 (Net Profits from Business).

**Moving Expenses.** Moving expenses are **not** deductible for New Jersey Gross Income Tax purposes. However, you may exclude from the amount reported on Line 14 reimbursements for the following moving expenses if the Federal requirements to claim moving expenses were met and the expenses were included in wages on your W-2.

1. The cost of moving your household goods and personal effects from the old home to the new home.
2. The actual expenses incurred by you for traveling, meals and lodging when moving you and your family from your old residence to your new residence.

Reimbursements for any other moving expenses may **not** be excluded from income.

If you receive excludable reimbursements for moving expenses which are included in your wages on your W-2, enclose a statement explaining the amount you are excluding and your reasons for excluding this amount. Also enclose a photocopy of your Federal Form 3903.

**Compensation for Injuries or Sickness.** Certain amounts received for personal injuries or sickness are not subject to tax. You may exclude from the amount reported on Line 14 such amounts included as wages on your W-2 provided that:

1. The payments must be compensation for wage loss which results from absence due to injury or sickness of the employee; and
2. The payments must be due and payable under an enforceable contractual obligation under the plan; and
3. The payments must not relate to sick leave wage continuation, the taking of which is largely discretionary and the payments are made regardless of the reason for absence from work.

If such payments are included on your W-2, you must file Form NJ-2440 with your New Jersey return to exclude them.

## Line 15a - Taxable Interest Income

Report all of your taxable interest from sources both inside and outside of New Jersey on Line 15a. New Jersey taxable interest income includes interest from the following:

- ◆ Banks
- ◆ Savings and loan associations
- ◆ Credit unions
- ◆ Savings accounts
- ◆ Checking accounts
- ◆ Bonds and notes
- ◆ Certificates of deposit
- ◆ Ginnie Maes
- ◆ Fannie Maes
- ◆ Freddie Macs
- ◆ Repurchase agreements
- ◆ Life insurance dividends
- ◆ Obligations of states and their political subdivisions, other than New Jersey
- ◆ Any other interest not specifically exempt

Interest you received as a partner in a partnership which was not earned in the ordinary course of business must be included on this line.

**Forfeiture Penalty for Early Withdrawal.** If you incur a penalty by withdrawing a time deposit early, you may subtract the amount of the penalty from your interest income.

If your taxable interest income on Line 15a is more than \$400, enclose a copy of Schedule B, Federal Form 1040, or Schedule 1, Federal Form 1040A.

## Line 15b - Tax Exempt Interest Income

Report all of your tax exempt interest, as well as exempt interest dividends from a New Jersey Qualified Investment Fund, on Line 15b. **If Line 15b is more than \$10,000 you must include an itemized schedule detailing the amount received from each source.** New Jersey tax exempt interest income includes interest from:

- ◆ Obligations of the State of New Jersey or any of its political subdivisions
- ◆ Direct Federal obligations such as U.S. Savings Bonds and Treasury Bills, Notes and Bonds
- ◆ Sallie Maes
- ◆ CATS
- ◆ TIGRs
- ◆ Certain distributions from "New Jersey Qualified Investment Funds"

**New Jersey Qualified Investment Funds.** A New Jersey Qualified Investment Fund is a regulated investment company in which at least 80% of the fund's investments (other than cash or receivables) are obligations issued either directly by the Federal government or the State of New Jersey or any of its political subdivisions. The Fund must certify such status with the Division of Taxation annually.

If you received a distribution from a qualified investment fund, you may exclude from your income only the portion of the distribution which comes from qualified exempt obligations. Although excluded from income, the tax exempt portion is reported on Line 15b. The taxable portion of the distribution, if any, is reported as dividends on Line 16. By February 15, shareholders should be notified by the New Jersey qualified investment fund of the portion of their distribution that may be excluded from income. Contact your broker to determine whether your fund qualifies.

**Do not report interest earned on your IRA(s) on this line. If you made a withdrawal from your IRA during the year, see the instructions for Line 19a.**

When you total your interest income on Lines 15a and 15b, the amount should match the total of the taxable and tax exempt interest you reported on your Federal income tax return (if you filed a Federal 1040). Enclose a statement with your NJ-1040 explaining the difference, if the amounts do not match.

For more information on tax exempt interest income, order Tax Topic Bulletin GIT-5, *Exempt Obligations*.

## Line 16 - Dividends

Enter on Line 16 the amount of dividends received during the year (e.g., from stocks, mutual funds). The total amount of taxable dividends received, **regardless of where earned**, must be reported.

**Tax Free Distributions.** A distribution which is a return of your investment or capital and does not come from earnings or profits is a nontaxable capital or tax free distribution. These distributions reduce the basis of the stock or investment and are not taxable until your investment is fully recovered.

**Insurance Premiums.** Dividends received from insurance companies are not taxable unless the dividends received exceed the premiums paid. Any interest from accumulated insurance dividends is taxable and must be reported on Line 15a.

**S Corporations.** Shareholders of S corporations, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations* for information on how to report S corporation income.

### Line 17 - Net Profits from Business

Report the net profits from your business, trade or profession on Line 17. To determine your New Jersey profit (or loss), first complete a Federal Schedule C (or Schedule C-EZ or Schedule F). To comply with New Jersey income tax law, make the following adjustments to your Federal Schedule C (or Schedule C-EZ or Schedule F):

1. Add any amount you deducted for taxes based on income.
2. Subtract interest you reported on Federal Schedule C (or Schedule C-EZ or Schedule F) which is exempt for New Jersey purposes but taxable for Federal purposes.
3. Add interest not reported on Federal Schedule C (or Schedule C-EZ or Schedule F) from states or political subdivisions outside of New Jersey which is exempt for Federal purposes.
4. Deduct the remaining 50% of meal and entertainment expenses (that were disallowed on the Federal return).

Use the same accounting method (cash or accrual) that you used for Federal income tax purposes. In the case of a loss, make no entry on Line 17. Enclose a copy of the Federal Schedule C (or Schedule C-EZ or Schedule F) with your return.

### Line 18 - Net Gains or Income from Disposition of Property

Enter on Line 18 the amount of net gains from New Jersey Schedule B, Line 4. Enclose Schedule B with your return. See page 28.

### Pensions, Annuities, IRA Withdrawals and Exclusion (Lines 19a - c)

Pensions, annuities and IRA withdrawals are taxable on the New Jersey return although the taxable amount may differ from the Federal amount. All state and local government, teachers', Federal and military pensions and Keogh Plans are treated in the same manner as pensions from the private sector. Amounts received as "early retirement benefits" are also taxable. Social Security and Railroad Retirement are exempt from New Jersey income tax and should not be reported as pension income. Total and permanent disability is also exempt. However, if you retired before age 65 on a total and permanent disability pension and continue to receive pension payments after age 65, your disability pension is then treated as an ordinary pension.

Retirement plans (pensions, annuities, IRAs) are either noncontributory or contributory. A noncontributory plan is one to which you have not made contributions. A contributory plan is one to which **you have** made contributions, usually through payroll deductions.

### Line 19a - Taxable Amount Received

Report all taxable pensions, annuities and IRA withdrawals on Line 19a. The amount you report on Line 19a will depend on whether or not you made contributions to the plan.

**Noncontributory Plans.** Amounts you receive from noncontributory plans are fully taxable. Enter on Line 19a the total amount of the pension or annuity from your 1099-R.

**Contributory Plans (Other than IRAs).** The total value of your pension or annuity consists of your contributions, your employer's contributions (if any) and earnings. Generally your contributions to a pension or annuity were taxed when they were made and are not taxed by New Jersey when withdrawn. Therefore, you must determine the taxable part of any distribution you receive. Use Worksheet A below to determine whether you should use the Three-year Rule Method or the General Rule Method for your pension or annuity.

- NOTE:**
- ♦ If you received a distribution from a 401(k) Plan, see the section on 401(k) Plans before continuing.
  - ♦ The taxable amount of an IRA withdrawal must be determined by completing the IRA Worksheet on page 15. **Do not use Worksheet A or B for an IRA withdrawal.**

**Worksheet A**  
**Which Pension Method to Use**

1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment .....
2. Your contributions to the plan .....
3. Subtract line 2 from line 1 .....
  - (a) If line 3 is "0" or more, *and* both you and your employer contributed to the plan, you may use the **Three-year Rule Method**.
  - (b) If line 3 is less than "0," or your employer did not contribute to the plan, you must use the **General Rule Method**.

**Three-year Rule Method.** If you will recover your contributions within three years from the date you receive the first payment from the plan, and both you **and** your employer contributed to the plan, you may use the Three-year Rule Method to determine your New Jersey taxable pension income. The Three-year Rule allows you to exclude your pension and annuity payments from gross income until the payments you receive equal your contributions to the plan. Until that time the amounts you receive, because they are considered your contributions, are not

*continued*

taxable and should not be reported on your return. Once you have received (recovered) an amount equal to the amount you contributed, the payments you receive are fully taxable. Since the Three-year Rule has been repealed for Federal income tax purposes, if you retired after July 1, 1986, the taxable amount of pension or annuity that you report on your New Jersey return when using this method will differ from the amount you report on your Federal return.

**General Rule Method.** If you will not recover your contributions within three years from the date you receive the first payment from the plan, or your employer did not contribute to the plan, you must use the General Rule Method to determine your New Jersey taxable pension income. From the first year you receive your pension and every year thereafter, part of your pension will be excludable (the amount that represents your contributions) and part will be taxable. Use Worksheet B to determine the taxable amount.

Complete Worksheet B the year in which you receive your first pension payment. Once calculated, use the percentage on line 3 to determine the taxable amount year after year. You must recalculate the percentage only if your annual pension payments decrease.

<b>Worksheet B</b>	
<b>General Rule Method</b>	
1.	Your previously-taxed contributions to the plan .....
2.	Expected return on contract*.....
3.	Percentage excludable (Divide line 1 by line 2) .....%
4.	Amount received this year .....
5.	Amount excludable (Multiply line 4 by line 3) .....
6.	Taxable amount (Subtract line 5 from line 4. Enter here and on Line 19a, NJ-1040) .....
<p>*The expected return on the contract is the amount receivable. If life expectancy is a factor under your plan, Federal actuarial tables must be used to compute the expected return. The Federal actuarial tables are contained in the Internal Revenue Service's Publication 939, <i>Pension General Rule</i>. Contact the IRS for this publication. If life expectancy is not a factor under your plan, the expected return is found by totaling the amounts to be received.</p>	

**Contributions to Plans Prior to Residence.** Any contributions you made to a pension, annuity or IRA prior to moving to New Jersey are treated in the same way as the contributions would have been treated had you resided in New Jersey at the time. Contributions to plans other than 401(k) Plans are considered to have been previously taxed. Use the appropriate method to determine the taxable amount.

**Lump-Sum Distributions and Rollovers.** When a lump-sum distribution of the entire balance from a qualified employee pension, annuity, profit-sharing or other plan is made, the amount received in excess of the contributions to the plan that have already been taxed must be in-

cluded in your income in the year received. New Jersey has no provisions for income averaging of lump-sum distributions. Report the taxable amount of a lump-sum distribution on Line 19a.

A lump-sum distribution from an IRA or a qualified employee pension or annuity plan which you roll over into an IRA or other eligible plan is excludable from New Jersey income if the rollover qualifies for deferral for Federal income tax purposes. The amount rolled over (minus previously taxed contributions) is taxable later when it is withdrawn. As under Federal law, the rollover must be made within the 60-day period after distribution.

**401(k) Plans.** Beginning on January 1, 1984, New Jersey's treatment of 401(k) Plan contributions changed. After that date employee contributions to 401(k) Plans were no longer included in taxable wages when earned. If you made contributions to your 401(k) Plan prior to January 1, 1984, your distribution will be treated differently than if you made all of your contributions after this date.

1. **All contributions made after January 1, 1984.** If all of your contributions to the 401(k) Plan were made after January 1, 1984, then your distributions from the plan are fully taxable unless your contributions exceeded the Federal limit.
2. **Contributions made before January 1, 1984.** If you made contributions to the 401(k) Plan before January 1, 1984, or you made contributions beyond the Federal limit, calculate the taxable portion of your distributions from the plan using one of the methods described under contributory plans.

For more detailed information on reporting pension and annuity income on your New Jersey return, order Tax Topic Bulletin GIT-1, *Pensions and Annuities*.

**IRAs.** Your IRA consists of a nontaxable part (your contributions) and a taxable part (earnings plus certain amounts, if any, rolled over from pension plans). Generally your contributions have been previously taxed. Therefore, only the portion of your distribution that represents earnings is taxable.

Earnings credited to an IRA are not subject to tax until withdrawn. The interest, dividends and other earnings, as well as amounts which were tax-free rollovers, will become taxable when withdrawn. If the total amount in the IRA is withdrawn, the entire amount of the interest or accumulated gains becomes taxable in the year the withdrawal is made.

If, however, the withdrawal from an IRA is made over a period of years, the portion of the annual distribution that represents interest income and accumulated gains in the IRA is subject to tax. A distribution from a rollover IRA which is fully taxable for Federal income tax purposes may be treated differently for New Jersey purposes if your contributions were subject to New Jersey income tax when the contributions were made.

Report the taxable amount of an IRA withdrawal on Line 19a. Use the following worksheet to determine the taxable portion of your IRA withdrawal. For multiple IRAs, the taxable amount may be determined by using a separate worksheet for each IRA, or all IRAs may be combined on one worksheet.

For more detailed information on IRA withdrawals, order Tax Topic Bulletin GIT-2, *IRA Withdrawals*.

**Worksheet C - IRA Withdrawals  
1996**

**Part I**

1. **Value of IRA** on 12/31/96 ..... 1. \_\_\_\_\_
  2. **Total distributions from IRA during the tax year.** Do not include tax-free rollovers .... 2. \_\_\_\_\_
  3. **Total Value of IRA.** Add Lines 1 and 2 ..... 3. \_\_\_\_\_
- Unrecovered Contributions:**  
Complete **either** Line 4a or 4b:
- 4a. **First year of Withdrawal From IRA:**  
Enter the total of IRA contributions that were previously taxed..... 4a. \_\_\_\_\_
  - 4b. **After First Year of Withdrawal From IRA:** Complete Part II. Enter amount of unrecovered contributions from Part II, Line (g)\*..... 4b. \_\_\_\_\_
  5. **Accumulated Earnings in IRA on 12/31/96.** Subtract either Line 4a or 4b from Line 3 ..... 5. \_\_\_\_\_
  6. Divide Line 5 by Line 3 and enter the result as a decimal ..... 6. \_\_\_\_\_
  7. **Taxable Portion of This Year's Withdrawal.** Multiply Line 2 by decimal amount on Line 6. Enter here and on Line 19a, NJ-1040 ..... 7. \_\_\_\_\_

**Part II—Unrecovered Contributions**

(For Second and Later Years)

- (a) **Last Year's Unrecovered Contributions.** From Line 4 of last year's worksheet \* ..... (a) \_\_\_\_\_
- (b) **Amount Withdrawn Last Year.** From Line 2 of last year's worksheet ..... (b) \_\_\_\_\_
- (c) **Taxable Portion of Last Year's Withdrawal.** From Line 7 of last year's worksheet ..... (c) \_\_\_\_\_
- (d) **Contributions Recovered Last Year.** Subtract Line (c) from Line (b) ..... (d) \_\_\_\_\_
- (e) **This Year's Unrecovered Contributions.** Subtract Line (d) from Line (a) ..... (e) \_\_\_\_\_
- (f) **Contributions to IRA during current tax year.** Do not include tax-free rollovers ..... (f) \_\_\_\_\_
- (g) **Total Unrecovered Contributions.** Line (e) plus Line (f). Enter here and on Part I, Line 4b ..... (g) \_\_\_\_\_

- \* If you did not complete a worksheet in prior year(s), skip Part II and calculate the amount of unrecovered contributions as follows:
- A. Determine the total amount of **withdrawal(s)** made from the IRA in previous years.
  - B. Total the portion(s) of these previous year withdrawal(s) already reported as income on prior New Jersey tax returns.
  - C. Subtract the amount of previous year withdrawals reported (B) from the total amount of previous year withdrawals (A). This difference is the amount of contributions that have been *recovered* thus far.
  - D. Subtract the amount of *recovered* contributions (C) from the *total* amount of contributions made to the IRA. This is the amount of **unrecovered** contributions to enter on **Line 4b of Part I**.

**(Keep a copy of this worksheet for your records.)**

**Line 19b - New Jersey Pension Exclusion**

If you qualify, you may exclude all or a part of the income you received during the year from taxable pensions, annuities and IRA withdrawals. If you and/or your spouse are 62 years of age at the end of the tax year and did not report any income on Line 19a, you may still qualify for the "Other Retirement Income Exclusion." See the instructions for Line 28 on page 17.

To qualify for the New Jersey pension exclusion you must be:

- 62 years of age or more
- or**
- ♦ Disabled as defined by Social Security guidelines

<b>Maximum Pension Exclusion</b>	
<b>Amount:</b>	<b>For Filing Status:</b>
\$10,000	Married, filing joint return
\$ 7,500	Single Head of Household Qualifying Widow(er)
\$ 5,000	Married, filing separate return

continued

Enter on Line 19b the lesser of the amount reported on Line 19a or the amount next to your filing status from the Maximum Pension Exclusion chart. The amount on Line 19b should never be more than the amount on Line 19a. Part-year residents, see page 4.

When you and your spouse file a joint return and only one of you is disabled or 62 years of age or older, you may still claim the maximum pension exclusion. However, only the pension, annuity or IRA withdrawal of the qualified spouse may be excluded.

If you and/or your spouse are 62 years of age, you may qualify for an additional exclusion. See the instructions for Line 28.

### Line 19c

Subtract Line 19b from Line 19a and enter the result on Line 19c. If the result is zero, make no entry on Line 19c.

### Line 20 - Distributive Share of Partnership Income

Enter on Line 20 your share of income derived from a partnership, whether or not the income was actually distributed. For detailed information regarding the reporting of partnership income, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*.

Enclose a copy of the Schedule NJK-1, Form NJ-1065, which you received from the partnership and enter the income amounts on the corresponding lines of Form NJ-1040 as indicated. If the net result for any line is zero or less, make no entry on that line.

If you did not receive a Schedule NJK-1, you must enclose a copy of the Federal Schedule K-1 and complete Reconciliation Worksheet A contained in Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*. Be sure to retain the completed worksheet for your records.

### Line 21 - Net Pro Rata Share of S Corporation Income

Enter on Line 21 the amount of your net pro rata share of S corporation income, whether or not the income was actually distributed. For detailed information regarding the reporting of S corporation income, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*.

Enclose a copy of the Schedule NJ-K-1, Form CBT-100S, which you received from the S corporation. If you did not receive a Schedule NJ-K-1, you must enclose a copy of the Federal Schedule K-1 and complete Reconciliation Worksheet B contained in Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*. Be sure to retain the completed worksheet for your records.

### Line 22 - Net Gains or Income from Rents, Royalties, Patents and Copyrights

Enter on Line 22 the amount of net income from New Jersey Schedule C, Line 3. Enclose Schedule C with your return. See page 28.

### Line 23 - Net Gambling Winnings

Enter on Line 23 the amount of your net gambling winnings. You may deduct your gambling losses from your winnings that occurred during the same year. You may not use New Jersey Lottery losses to offset other gambling winnings. If your net gambling winnings are less than zero, make no entry. You must be able to substantiate gambling losses used to offset winnings reported on your New Jersey income tax return. Evidence of losses may take several forms, including a daily log or journal of wins and losses, canceled checks, losing race track pari-mutuel tickets, etc. With respect to winnings or losses resulting from casino gambling, letters from casinos which purport to "rate" the gambling activity of an individual or "estimate" losses are not acceptable as evidence of gambling losses.

**Remember, do not include any winnings or losses from the New Jersey State Lottery.**

Although no specific rider to the New Jersey income tax return is required to substantiate gambling losses, it is suggested that if you enter gambling winnings net of losses on Line 23 of the return, you should note the total winnings and total losses on a supporting schedule. This procedure may eliminate certain questions in the event the return is selected for audit. Although not taxable, New Jersey Lottery winnings and losses should be listed on the supporting schedule.

### Line 24 - Alimony and Separate Maintenance Payments Received

Enter on Line 24 the total amount of alimony and separate maintenance payments you received which were required under a decree of divorce or separate maintenance. Do not include payments received for child support.

### Line 25 - Other

Enter on Line 25:

**Amounts Received as Prizes and Awards.** A prize won by any person in a raffle, drawing, television or radio quiz show, contest or any other event is taxable and must be included on Line 25. Awards, including those given to employees for their work or suggestions, are also taxable. Any prizes or awards received in goods or services must be included as income at fair market value.

**Income in Respect of a Decedent.** If you had the right to receive income that the deceased person would have received had he or she lived, and the income was not included on the decedent's final return, you must report the income on your own return when you receive it. The income is reported on Line 25, "Other" income. Enclose a schedule of the items of income reported together and included on Line 25.

**Income from Estates and Trusts.** Beneficiaries receiving income from an estate or trust must include on Line 25 the net of the items listed on the Federal K-1 form(s) received. Interest, dividends, capital gains, business or partnership income, etc. as listed on the Federal K-1(s) are to be netted together before inclusion on Line 25, "Other" income. Enclose a copy of the Federal K-1(s) with your return.

*continued*

Line 25 - Other - continued

**Scholarships and Fellowships.** Scholarships and fellowship grants are taxable and must be included on Line 25 unless they satisfy **all** of the following conditions:

1. The primary purpose of the grant is to further the recipient's education or training; and
2. The grant neither represents payments for past, present or future services nor payments for services which are subject to the direction or supervision of the grantor (e.g., a fellowship given in exchange for teaching); and
3. The grant is not for the benefit of the grantor.

**Residential Rental Value or Allowance Paid by Employer.** Enter on Line 25 either the rental value of a residence furnished by an employer or the rental allowance paid by an employer to provide a home. The rental value of the residence furnished is excludable and should not be reported provided that:

1. The lodging is provided on the business premises of the employer; and
2. The lodging is furnished for the convenience of the employer; and
3. The employee is required to accept such lodging as a condition of employment.

**Other.** Enter on Line 25 the amount of any taxable income for which a place has not been provided elsewhere on the return. Income from sources both legal and illegal is subject to tax.

**Line 26 - Total Income**

Enter on Line 26 the total of Lines 14, 15a, 16, 17, 18, 19c, 20, 21, 22, 23, 24 and 25.

**Line 27 - Total Income**

Enter on Line 27 the total income from Line 26, page 1.

**Line 28 - Other Retirement Income Exclusion**

If you and/or your spouse are 62 years of age and you did not use the maximum pension exclusion on Line 19b (your pension, annuity or IRA withdrawal was less than the exclusion amount for your filing status or you did not receive a pension, annuity or IRA withdrawal), you may be entitled to exclude other income on Line 28. Complete the following worksheet to determine if you qualify for any additional exclusion. If you are a part-year resident, do not complete the worksheet. See page 4.

<b>Worksheet D</b> <b>Other Retirement Income Exclusion*</b> <b>Age Requirement: 62 or older</b>	
<b>Part I</b>	
1. Enter the amount from Line 14, NJ-1040 .....	_____
2. Enter the amount from Line 17, NJ-1040 .....	_____
3. Enter the amount from Line 20, NJ-1040 .....	_____
4. Enter the amount from Line 21, NJ-1040 .....	_____
5. Add Lines 1, 2, 3 and 4 .....	_____
* Part-year residents, do <b>not</b> complete this worksheet. See instructions on page 4.	
<b>STOP -</b>	
♦ <b>If Line 5 is MORE than \$3,000</b> – Do not complete Part II. Enter "0" on Line 9 and continue with Part III.	
♦ <b>If Line 5 is \$3,000 or LESS</b> – Continue to Part II.	
<b>Part II</b>	
6. <b>Enter:</b> if your filing status is:	
\$10,000 Married, filing joint return	
\$ 7,500 Single	
	Head of Household
	Qualifying Widow(er)
\$ 5,000 Married, filing separate return .....	_____
7. Enter the amount from Line 19b, NJ-1040.....	_____
8. Subtract Line 7 from Line 6. Enter the difference here and on Line 9 (Part III). If zero, enter "0" ..	_____
<b>Part III</b>	
9. Unclaimed Pension Exclusion (from Line 8) .....	_____
10. Are you (and/or your spouse, if filing jointly) now receiving, or will you (and/or your spouse, if filing jointly) ever be eligible to receive Social Security or Railroad Retirement benefits?	
Yes — Enter "0" here and complete Line 11.	
No —	
<b>Enter:</b> if your filing status is:	
\$ 6,000 Married, filing joint return	
	Head of Household
	Qualifying Widow(er)
\$ 3,000 Single	
	Married, filing separate return .....
11. <b>Your Other Retirement Income Exclusion</b>	
Add Lines 9 and 10. Enter here and on Line 28, NJ-1040. If the amount here is zero, make no entry on Line 28.....	
	_____

✓ When you and your spouse file a joint return and only one of you is 62 years old, you may claim the full exclusion. However, only the income of the qualified spouse may be excluded.

## Line 29 - New Jersey Gross Income

Subtract Line 28 from Line 27 and enter the result on Line 29. If less than zero, make no entry.

**If you were a New Jersey resident for the entire year and your Gross Income on Line 29 is \$7,500 or less (\$3,750 if filing status is married, filing separate return), you have no tax liability to New Jersey and no return must be filed. However, if you are filing a return only to obtain a refund of taxes withheld or estimated payments made, stop here. Continue completing the return with Line 40 on page 21.**

If you are eligible for a 1996 Homestead Property Tax Rebate (see page 29), you must also complete the rebate application (Form HR-1040).

You may claim an exemption from withholding if you expect to have no New Jersey income tax liability for the taxable year because your gross income will be less than the minimum amount. Complete Form NJ-W4 and submit it to your employer to claim the exemption.

If you were a New Jersey resident for only part of the year, see the "Guidelines for Part-year Residents" on page 4.

## Exemptions and Deductions (Lines 30a - 35)

New Jersey law allows deductions only for exemptions, certain medical expenses and alimony and separate maintenance payments. No deduction is allowed for adjustments taken on the Federal return such as employee business expenses, IRA contributions and Keogh Plan contributions. However, be sure to keep records of all contributions to IRAs and Keogh Plans. You will need this information when you make withdrawals in future years.

Part-year residents must follow the guidelines on page 4.

### Lines 30a - c - Exemptions

- ♦ **Line 30a.** Enter the number of exemptions from Line 12a. Multiply the number by \$1,000 and enter the result.
- ♦ **Line 30b.** Enter the number of exemptions from Line 12b. Multiply the number by \$1,500 and enter the result.
- ♦ **Line 30c.** Add Lines 30a and 30b together and enter the result.

### Line 31 - Medical Expenses

You may deduct certain medical expenses that you paid during the year for yourself, your spouse and your dependents. However, you cannot deduct expenses for which you were reimbursed. Only expenses in excess of 2% of your income may be deducted. Use the Medical Expenses worksheet on this page to calculate your deduction.

**Allowable Medical Expenses.** *Medical expenses* means nonreimbursed payments for physicians, dental and other medical fees, prescription eyeglasses and contact lenses, hospital care, nursing care, medicines and drugs, prosthetic devices, X-rays and other diagnostic services conducted by or directed by a physician or dentist. In addition, medical expenses may also include amounts paid for transportation primarily for

and essential to medical care and insurance (including amounts paid as premiums under Part B of Title XVIII of the Social Security Act, relating to supplementary medical insurance for the aged) covering medical care. As a general rule, medical expenses allowed for Federal income tax purposes will be allowed for New Jersey income tax purposes.

### Worksheet E Medical Expenses Deduction

(Keep for your records)

1. Total nonreimbursed medical expenses ..... \_\_\_\_\_
2. Enter Line 29, NJ-1040 \_\_\_\_\_ x .02 = ..... \_\_\_\_\_
3. **Medical Expenses Deduction.** (Subtract Line 2 from Line 1. Enter the result here. If zero or less, enter zero here and make no entry on Line 31, Form NJ-1040 ..... \_\_\_\_\_)

### Line 32 - Alimony and Separate Maintenance Payments

Enter on Line 32 the amount of alimony and separate maintenance paid which was required under a decree of divorce or separate maintenance. Do not include payments for child support.

### Line 33 - Total Exemptions and Deductions

Enter on Line 33 the total of Lines 30c, 31 and 32.

### Line 34 - Taxable Income

Subtract Line 33 from Line 29 and enter the result on Line 34. If Line 34 is zero or less, make no entry.

### Property Tax Deduction/Credit (Lines 35 and 43)

Beginning with tax year 1996, eligible homeowners and tenants who pay property taxes, either directly or through rent, are entitled to either a deduction or a refundable credit. For recorded information on this new property tax deduction/credit, call our automated service TaxTalk from your Touch-tone phone within New Jersey at 1-800-323-4400.

**Eligibility Requirements.** To be eligible for a property tax deduction or property tax credit:

- ♦ You must have been domiciled and maintained a principal residence as a homeowner or tenant in New Jersey during 1996; and
- ♦ Your principal residence, whether owned or rented, must be subject to local property taxes, and property taxes must have been paid on that residence either as actual property taxes or through rent; and
- ♦ Your rented dwelling must have its own separate kitchen and bath facilities.
- ♦ Your gross income on Line 29 is more than \$7,500 (\$3,750 if filing status is married, filing separate return) or you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year.

*continued*

*Property Tax Deduction/Credit - continued*

Taxpayers who were not 65 years of age or older or blind or disabled on December 31, 1996 with gross income of \$7,500 or less (\$3,750 if filing status is married, filing separate return) are not eligible for a property tax credit.

**Principal Residence.** A principal residence means a homestead, either owned or rented, actually and continually occupied as your permanent residence. No property tax deduction or credit is allowed for a vacation home, a "second home," or property which the owner rents to someone else.

**Homeowners.** Under P.L. 1996, c.60, you may claim a property tax deduction or credit for the home in New Jersey that you owned and lived in as your principal residence provided it was subject to local property taxes. Both single family homes and certain multi-family homes qualify.

**Multi-Unit Properties.** As a homeowner, you may claim a property tax deduction or credit on your property only if it contains four units or less. Of these four units, only one may be used for commercial purposes.

**Condominiums and Co-ops.** A condominium unit or a unit in a cooperative housing complex or mutual housing corporation is considered a single family dwelling for purposes of the property tax deduction or credit.

**Continuing Care Communities.** As a resident in a continuing care retirement community, you may qualify for a property tax deduction or credit as a homeowner if the continuing care contract for your unit separately states your share of the property taxes.

**Disabled Veterans.** Totally and permanently disabled veterans who have a 100% exemption from local property taxes are **not** eligible for a property tax deduction or credit. If any portion of the dwelling is rented to a tenant and property tax is paid by the disabled veteran owner on the rented portion, any tenant may be eligible for a property tax deduction or credit, but the property owner is not eligible.

**Life Tenancy.** You are also a homeowner if you have life tenancy rights or hold a lease for 99 years or more.

**Tenants.** Under P.L. 1996, c.60, you may claim a property tax deduction or credit for a home or apartment you rented in New Jersey and lived in as your principal residence, provided that the building is subject to local property taxes and contains its own separate kitchen and bathroom. You do not qualify for a property tax deduction or credit if you reside in a unit which only has access to a kitchen or bathroom.

**Mobile Homes.** If you own a mobile home which is located in a mobile home park, you qualify for a property tax deduction or credit as a tenant. For more information on mobile homes, contact the New Jersey Tax Hotline.

**Tax-exempt, Subsidized and Campus Housing.** Tenants living in dwellings which are not subject to local property tax are not eligible for a property tax deduction or credit. This includes tenants living in tax-exempt housing or other dwellings owned by the State, County, Municipal or Federal government; students living in on-campus apartments at State colleges and universities; and tenants living in dwellings owned by religious, charitable or other nonprofit organizations (including on-campus apartments at private nonprofit colleges and universities), if the property is exempt from local property taxes. **Do not enter a figure on Line 35 or Line 43 of the tax return. If you are not sure whether the dwelling you rent is subject to local property tax, contact your municipal tax assessor for information. The Division of Taxation audits returns to insure that only qualified applicants claim the property tax deduction or the property tax credit.**

**Seniors or Blind/Disabled Persons.** If either you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year, and your gross income on Line 29 is \$7,500 or less (\$3,750 if filing status is married, filing separate return), and you satisfy the eligibility requirements, you are entitled to a property tax credit in the amount of \$25 (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse). File your completed Homestead Property Tax Rebate Application, Form HR-1040, and your credit will automatically be sent to you with your homestead rebate. **Do not** complete Line 35 to claim a property tax deduction **or** Line 43 to claim a property tax credit.

## Line 35 - Property Tax Deduction

If you satisfied the eligibility requirements above, you may deduct 50% of your first \$5,000 of property taxes due and paid or \$2,500, whichever is less. For tenants, 18% of the rent paid during the year is considered property taxes paid. Complete Schedule 1 to determine the amount of your property tax deduction and whether you should elect to take the property tax credit on Line 43 instead of the deduction on Line 35.

**Do not complete Schedule 1 if you claim credit for taxes paid to other jurisdictions. Complete Schedule A to determine whether you will receive a greater tax benefit by taking the property tax deduction or the property tax credit. See the instructions for Schedule A on page 24.**

## Completing Schedule 1

### Line 1 - Property Tax/Rent

Enter on Line 1 your property taxes (or 18% of rent) due and paid during 1996 on your qualified residence.

**Married, Filing Separate Return.** If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, enter on Line 1 one-half of the property taxes (or 18% of rent) due and paid. Also see Note under Line 2.

#### Multiple Residences, Owners, Dwelling Units or Tenants.

Complete Schedule HR-A before completing Line 1, Schedule 1 if:

- ♦ You lived in more than one qualifying residence during 1996; or
- ♦ You shared ownership of a principal residence during the year with anyone, other than your spouse; or
- ♦ Your principal residence during the year consisted of multiple dwelling units; or
- ♦ Anyone other than your spouse occupied and shared rent with you for an apartment or other rental dwelling unit.

If you were a homeowner, enter the amount from Line 6, Schedule HR-A, on Line 1, Schedule 1. If you were a tenant, enter 18% of the amount from Line 12, Schedule HR-A, on Line 1, Schedule 1. If you were both a homeowner and a tenant during the year, add the amount from Line 6, Schedule HR-A, and 18% of the amount from Line 12, Schedule HR-A, and enter the total on Line 1, Schedule 1.

**Part-year Residents.** A part-year resident who meets the qualifications is eligible for a property tax deduction or credit. Complete Schedule 1 and enter on Line 1 the total amount of property taxes (or 18% of rent) due and paid during your period of residence.

### Line 2 - Property Tax Deduction

Enter \$2,500 or 50% of Line 1 (Line 1 x .50), whichever is less. Also enter this amount on Line 4, Column A.

**NOTE:** If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, and Line 1 is \$2,500 or more, enter \$1,250 on Line 2. If Line 1 is less than \$2,500, enter one-half of Line 1 on Line 2.

### Line 3 - Taxable Income

For each column, enter on Line 3, Schedule 1, the amount from Line 34, Form NJ-1040.

### Line 4 - Property Tax Deduction

Enter on Line 4, Column A, the amount from Line 2, Schedule 1.

### Line 5 - Taxable Income After Property Tax Deduction

For each column, subtract Line 4 from Line 3 and enter the amount on Line 5.

### Line 6 - Tax on Line 5

For each column, enter on Line 6 the amount of tax on the income shown on Line 5. Use the Tax Table on page 35 or the Tax Rate Schedule on Page 44 to calculate the amount of tax .

### Line 7 - Deduction/Credit Determination

To determine whether a property tax deduction or a property tax credit is more beneficial to you, subtract Line 6, Column A, from Line 6, Column B, and enter the result on Line 7. If Line 7 is \$25 or more (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax deduction. Enter the amount from Line 4, Schedule 1, on Line 35, Form NJ-1040 and make no entry on Line 43, Form NJ-1040. If Line 7 is less than \$25 (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax credit. Enter \$25 (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse) on Line 43, Form NJ-1040 and make no entry on Line 35, Form NJ-1040.

## Line by Line Instructions (continued)

### Line 36 - New Jersey Taxable Income

Subtract Line 35 from Line 34. If zero or less, make no entry.

### Line 37 - Tax

Compute your tax by using one of the following methods.

**Tax Table.** If your New Jersey taxable income is less than \$100,000, you may use the New Jersey Tax Table on page 35 or the New Jersey Tax Rate Schedule on page 44 to find your tax. When using the tax table, be sure to use the correct column. After you have found your tax, enter the amount on Line 37.

**Tax Rate Schedules.** You must use the New Jersey Tax Rate Schedules on page 44 if your New Jersey taxable income is \$100,000 or

more. Use the correct schedule for your filing status. After you have calculated your tax, enter the amount on Line 37.

### Line 38 - Credit for Income Taxes Paid to Other Jurisdictions

Enter on Line 38 the amount of credit allowed. If you are not eligible for a property tax benefit enter the amount from Line 9, Column B, Schedule A(s). If you are claiming a property tax deduction or credit, follow the instructions on Worksheet F.

The credit on Line 38 may not exceed your tax on Line 37. Enclose Schedule A(s) with your return, together with a copy of the return(s) you filed with the other state(s) or political subdivision(s). See the instructions for Schedule A on page 24.

## Line 39 - Balance of Tax

Subtract Line 38 from Line 37 and enter the result on Line 39.

## Line 40 - Use Tax Due on Out-of-State Purchases

If you were a New Jersey resident and you purchased items or services that were subject to New Jersey sales tax, you are liable for the use tax at the rate of 6% of the purchase price if:

1. Sales tax has not been paid;  
or
2. Sales tax has been collected out-of-State at a rate less than 6%.

In determining the net amount of use tax due, sales tax paid to certain other states may be taken as credit. Use tax is due 20 days after the items enter New Jersey. Use Form ST-18 to remit the use tax on a more timely basis.

Form ST-18 is provided in this booklet for your convenience (in the center of the booklet with other tax forms). You may photocopy the Form ST-18 provided and use it to remit use tax throughout the year. You should know that New Jersey does have access to records maintained by out-of-State businesses and does bill customers directly for use tax including penalty and interest.

If you owe use tax and are remitting it with Form NJ-1040, enter the amount on Line 40. If you owe no use tax, enter "0.00."

## Line 41 - Total Tax

Total Lines 39 and 40 and enter on Line 41.

## Line 42 - Total New Jersey Income Tax Withheld

Enter on Line 42 the total New Jersey income tax withheld, as shown on your W-2, W-2G and/or 1099-R statement(s). The W-2 must indicate the amount of New Jersey tax withheld and the "State" box must indicate that the tax withheld was New Jersey income tax. Enclose the state copy of each withholding statement (W-2, W-2G, 1099-R). **Enclose Form 1099-R with the return only if New Jersey income tax was withheld.**

**Do not** include on Line 42 amounts withheld as New Jersey workforce development partnership fund/unemployment insurance/health care subsidy fund contributions (shown on the W-2 as WD/UI/HC, if combined, or WD, UI and HC, if stated separately) or New Jersey disability insurance (may be shown as DI). These are **not** New Jersey income tax withholdings and may not be used as credits on Line 42. See instructions for Lines 45 and 46 for more information on excess workforce development partnership fund/unemployment insurance/health care subsidy fund contributions and/or disability insurance contributions.

All W-2 statements must reflect your correct social security number for the withholdings to be credited. If the social security number is missing or incorrect, you must obtain a corrected W-2 from your employer. Only your employer/payer can issue or correct this form. If you have not received a W-2 form by February 15, 1997, or if the form you received is incorrect, contact your employer/payer immediately.

## Line 43 - Property Tax Credit

If you satisfied the eligibility requirements (see page 18) and you did not claim a property tax deduction on Line 35, you are entitled to a property tax credit. **Do not complete Line 43 if you claimed a property tax deduction on Line 35. If your gross income on Line 29, Form NJ-1040, is \$7,500 or less, make no entry on Line 43.**

## Line 44 - New Jersey Estimated Payments/Credit from 1995 Tax Return

Enter on Line 44 the total of:

- ♦ Estimated tax payments made for 1996
- ♦ Credit applied from your 1995 tax return
- ♦ Amount, if any, paid to qualify for an extension of time to file

If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, enclose a statement with your return explaining all the payments you and/or your spouse made for 1996 and the name(s) and social security number(s) under which you made payments.

If your spouse died during the year and any estimated payment(s) were made under the deceased spouse's social security number and other payments were made under your social security number, you must enclose a statement with your return listing the social security numbers and the amounts submitted under each social security number.

## Credit for Excess Contributions to: Workforce Development Partnership Fund Unemployment Insurance Health Care Subsidy Fund and/or Disability Insurance (Lines 45 and 46)

You may take credit for excess workforce development partnership fund/unemployment insurance/health care subsidy fund contributions and/or disability insurance contributions withheld by two or more employers. For 1996, the maximum employee workforce development partnership fund/unemployment insurance/health care subsidy fund contribution was \$112.50, and the maximum employee disability insurance contribution was \$90.00. If you had two or more employers and you contributed more than the maximum amount(s), you must enclose a completed Form NJ-2450 with your return to claim the credit.

*continued*

All information on Form NJ-2450 must be substantiated by W-2 statements or the claim will be denied. The amounts of workforce development partnership fund/unemployment insurance/health care subsidy fund contributions and disability insurance withheld must be reported separately on all W-2 statements. The employer's Department of Labor identification number must also be shown.

Be careful when completing Form NJ-2450 and check that your W-2 verifies the information you provide. If **all** New Jersey Department of Labor requirements are not met, the Division of Taxation must deny your credit. You must then refile your claim with the Department of Labor using their Form UC-9A, "Employee's Claim for Refund of Excess Contributions." Once your credit has been denied by the Division of Taxation, it can **only** be claimed through the Department of Labor.

### Line 45 - Excess New Jersey WD/UI/HC Withheld

Enter on Line 45 the excess workforce development partnership fund/unemployment insurance/health care subsidy fund contributions withheld from Line 4 of Form NJ-2450. Enclose Form NJ-2450 with your return.

### Line 46 - Excess New Jersey Disability Insurance Withheld

Enter on Line 46 the excess disability insurance withheld from Line 5 of Form NJ-2450. Enclose Form NJ-2450 with your return.

### Line 47 - Total Payments/Credits

Add Lines 42 through 46 and enter the result on Line 47.

### Amount of Tax You Owe or Overpayment (Lines 48 and 49)

Compare Lines 41 and 47.

- ♦ If Line 41 is more than Line 47, you have a balance of tax due. Complete Line 48.
- ♦ If Line 41 is less than Line 47, you have overpaid your tax. Complete Line 49.

### Line 48 - Amount of Tax You Owe

Subtract Line 47 (Total Payments/Credits) from Line 41 (Total Tax) and enter the result on Line 48.

If you owe tax, you may make a donation on Lines 52, 53, 54, 55 and/or 56 by adding the amount of your donation to your check amount. If you are enclosing Form NJ-2210, the amount of the check should also include interest calculated for the underpayment of estimated tax. Make your check for the total amount payable to "State of New Jersey - TGI."

*If the amount of tax you owe (Line 48) is more than \$100, you may want to increase your estimated payments or contact your employer for Form NJ-W4 to increase your withholdings to avoid interest assessments.*

### Line 49 - Amount of Overpayment

Subtract Line 41 (Total Tax) from Line 47 (Total Payments/Credits) and enter the result on Line 49.

### Line 50 - Amount of Overpayment

Enter on Line 50 the total overpayment from Line 49, page 2.

### Line 51 - Credit to Your 1997 Tax

Enter on Line 51 the amount of your overpayment that you wish to credit to your 1997 tax liability.

**Contributions**

**(Lines 52, 53, 54, 55 and 56)**

Whether you have an overpayment or a balance due, you may make a donation to the:

- ♦ Endangered Wildlife Fund
- ♦ Children’s Trust Fund
- ♦ Vietnam Veterans’ Memorial Fund
- ♦ Breast Cancer Research Fund, or
- ♦ Battleship New Jersey Memorial Fund

Indicate the amount you want to contribute by checking the appropriate box or enter any amount you wish to contribute. This amount will reduce your refund or increase your balance due. An amount must be entered when making a contribution.

If you are making a donation and you have a balance due, increase the amount of your check or money order (made out to “State of New Jersey – TGI”) by the amount you wish to contribute. Your donation will be deposited in the appropriate fund when your return is processed.

**Line 52 - New Jersey  
Endangered Wildlife Fund**

Please help us restore and protect New Jersey’s endangered wildlife and their habitats by checking Line 52. We receive no State tax money and rely on your contributions to provide the crucial funding needed for preserving our wildlife resource and the quality of life in New Jersey.

For more information or to receive our free quarterly newsletter write: “Conserve Wildlife News-TB”, Endangered Species Program, CN 400, Trenton, NJ 08625. Direct donations are accepted at the same address.

**Line 53 - New Jersey  
Children’s Trust Fund**  
...to prevent child abuse



Every dollar you contribute goes to local prevention programs in all 21 counties:

- home visiting programs for at-risk newborns
- school safety and self-protection programs
- support groups for families with special needs children

**Help New Jersey’s children!** Check-off your contribution on Line 53, for the **Children’s Trust Fund**, which receives no State tax money. For more information, contact:  
**Children’s Trust Fund, CN 711,  
Trenton, NJ 08625, (609) 633-3992**

**Line 54 - New Jersey  
Vietnam Veterans’ Memorial Fund**

Become a part of our State’s tribute to more than 200,000 New Jersey Vietnam veterans. The Memorial is now open 24 hours, 7 days a week. Work is currently underway on the adjacent Vietnam Era Educational Center, the first center of its kind in the country.

For more information, write:  
**New Jersey Vietnam Veterans’ Memorial,  
150 West State Street, Trenton, NJ 08608**  
or call: **1-800-648-VETS**

**Line 55 - New Jersey  
Breast Cancer Research Fund**  
**FIGHTING TO MAKE BREAST CANCER  
A THING OF THE PAST**

New Jersey has one of the highest breast cancer rates in the country. Your contribution supports research relating to the prevention, screening, treatment and cure of breast cancer right here in New Jersey. Help save lives. Check Line 55 and join the fight to make breast cancer a thing of the past. For further information, please write to:

**The New Jersey Commission on Cancer Research  
28 West State Street, Rm 715  
Trenton, NJ 08625-0360, Phone: (609) 633-6552**

**Line 56 - New Jersey  
Battleship New Jersey Memorial Fund**

Help preserve one of the last great dreadnoughts of the high seas as an educational museum. Battleship *New Jersey*, her guns serving as the Arsenal of Democracy, served in W.W. II, Korea, Vietnam and Beirut. Be a part of the American Heritage of Freedom.

For more information write:  
Battleship New Jersey Foundation  
One Arin Park Building  
1715 State Highway 35 • Middletown, NJ 07748  
1-908-671-6488 • Fax (908) 957-0092

## Line 57 - Total Deductions From Overpayment

Add any amounts on Lines 51, 52, 53, 54, 55 and 56. Enter the result on Line 57.

## Line 58 - Refund

Subtract Line 57 from Line 50 (Overpayment). Enter the result on Line 58. This is the amount of your refund.

## Remember—

- ◆ Sign and date your return.
- ◆ If you are completing Schedules A, B and C, see below.
- ◆ If you are completing a 1996 Homestead Property Tax Rebate Application, Form HR-1040, see page 29.
- ◆ **Finally, if you are not required to file a New Jersey Resident Income Tax Return (Form NJ-1040), but you qualify for a homestead rebate and a property tax credit, only file the Homestead Property Tax Rebate Application (Form HR-1040).**

### Table 1

#### Enclosures with the NJ-1040

Be sure to enclose the following with your completed return:

- W-2(s) and 1099-R(s) that indicate NJ withholdings
- If appropriate, New Jersey Form(s) - HR-1040, Schedules A, B & C, NJ-630, NJ-2440, NJ-2450, Schedule NJK-1 (or copy of Federal Schedule K-1, Form 1065), Schedule NJ-K-1 (or copy of Federal Schedule K-1, Form 1120S)
- If appropriate, copy of other state or jurisdiction's tax return
- If appropriate, copy of Federal Form(s) -
  - Schedule B or Schedule 1 for interest over \$400
  - Schedule C, C-EZ or F for business income
  - Schedule K-1 for fiduciary income
  - Form 2106 for employee business expenses
  - Form 2119 for the sale of your principal residence
  - Form 3903 for moving expenses
  - Form 4868 for filing under a Federal extension

These documents must be enclosed with your return. Do not staple, paper clip or tape any documents to the tax return.

## 1996 Schedules A, B and C

### Schedule A - Credit for Income or Wage Taxes Paid to Other Jurisdiction

**New For 1996.** Schedule A has been changed to provide taxpayers who are eligible for a new property tax benefit with a method for calculating the credit for taxes paid both with and without the property tax deduction. If you are eligible to receive a property tax deduction/credit you must complete Schedule A for each jurisdiction for which you are claiming a credit for taxes paid. Then you must complete Worksheet F to determine whether you receive a greater benefit from claiming the property tax deduction or taking the property tax credit.

If you are claiming a credit for taxes paid to another jurisdiction but you are not eligible for a property tax benefit (see page 18 for eligibility requirements), only complete Column B of Schedule A. Enter the amount from Line 9, Column B, on Line 38, Form NJ-1040. Make no entry on Lines 35 or 43, Form NJ-1040.

**Requirements.** As a New Jersey resident, you may be entitled to 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 in 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. 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 in its entirety;
2. Enclose Schedule A\* with your NJ-1040 income tax return;
3. Enclose a complete copy of the income tax return(s) you filed with the other jurisdiction(s) or W-2(s) if no return(s) required to be filed with the other jurisdiction.

\*If you are claiming credit for income or wage taxes paid to more than one jurisdiction, complete and enclose a separate Schedule A for each jurisdiction.

You must complete Schedule A to calculate the credit. Then complete Worksheet F on page 27 to determine whether you will receive a greater tax benefit by taking the Property Tax Deduction on Line 35 or the Property Tax Credit on Line 43.

### Line 1 - Income Actually Taxed by Other Jurisdiction

Enter on Line 1 the amount of income you received during the year which was actually taxed by the other jurisdiction. Also enter the name of the taxing jurisdiction in the space provided. The amount on Line 1 should be the amount of income which was actually taxed by the other jurisdiction. This means the gross income after adjustments have been made by the other jurisdiction before personal exemptions and standard

*continued*

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.

You should include on Line 1 only amounts properly taxable by the other jurisdiction. Generally, 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 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 file a resident return with the other jurisdiction as well as with New Jersey and report the income on both returns.

Do **not** include on Line 1:

- ♦ Income which 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 which has been excluded or deducted in arriving at the income actually taxed in the other jurisdiction. (The gross income after adjustments figure of the other jurisdiction should be used on Line 1. To arrive at your gross income after adjustments figure, items such as IRA and Keogh contributions, employee business expenses, moving expenses and alimony may have been deducted from gross income.)
- ♦ Income subject to tax by any foreign country or territory.

**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 differs, you may be entitled to claim two credits. One credit is based on the amount taxed by one of the jurisdictions, and the second credit is based only on the difference between the amounts taxed by the two jurisdictions. For example, you earned \$40,000 in the City of New York and that income was subject to tax by both the City of New York and New York State. If \$38,000 is actually taxed by New York State and \$40,000 is actually taxed by the City of New York, complete two Schedule As. Line 1 of the New York State Schedule A will be \$38,000 and Line 1 of the City of New York Schedule A will be \$2,000 (the difference between income taxed by the City of New York and the New York State income on which you have already calculated a credit).

**NOTE:** When calculating the credit for income taxed by more than one jurisdiction and the actual tax paid to the other jurisdiction is less than the maximum allowable credit, enter on Line 9 of each Schedule A **only** the tax paid on the amount of income entered on Line 1. In the example above, Line 9 of the City of New York Schedule A would show the City of New York tax paid on \$2,000.

If the amount subject to tax by two jurisdictions is the same, complete a Schedule A for only one jurisdiction.

**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 due to the many allowable New York income tax deductions. When claiming credit for taxes paid to 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 calculations (on Schedule A) for taxes paid to New York State on ordinary income and 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 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 (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) which 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.** 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.

**NOTE:** The amount of income taxable to Philadelphia is sometimes less than the wage figure on the W-2 statement. To determine the proper amount of income to place on Line 1 of Schedule A of the NJ-1040, you must divide the wage tax deducted from your pay by the Philadelphia tax rate as follows:

$$\frac{\text{Philadelphia Wage Tax}}{\text{Philadelphia Tax Rate}} = \text{Line 1, Schedule A}$$

The amount reported at Line 1 cannot be more than the amount reported at Line 14, NJ-1040 as Philadelphia wages.

*continued*

## Line 2 - Income Subject to Tax by New Jersey

Enter on Line 2 the amount of income reported on Line 27, Form NJ-1040, plus any pension excluded at Line 19b.

## Line 3 - Maximum Allowable Credit Percentage

Divide Line 1 by Line 2 and enter the percentage on Line 3. Since Line 1 can never be more than Line 2, the result will be 100% or less.

If you are not eligible to claim a property tax deduction or credit, only complete Column B to determine your credit for taxes paid to other jurisdictions. Total the amounts from Line 9, Column B, of all Schedule As completed and enter that amount on Line 38, Form NJ-1040. Make no entry on Lines 35 or 43, Form NJ-1040.

## Line 4 - Taxable Income

For each column, enter on Line 4 the amount of your taxable income from Line 34, Form NJ-1040.

## Line 5 - Property Tax and Deduction

If you were a qualified homeowner or tenant during the tax year, you may be entitled to a property tax deduction **or** property tax credit. See instructions on page 18 to determine if you qualify. If you qualify, enter in Box A your property taxes (or 18% of rent) due and paid during 1996 on your qualified residence. If the amount in Box A is \$5,000 or more, enter \$2,500 on Line 5. If the amount in Box A is less than \$5,000, enter one-half of that amount on Line 5.

**Married, Filing Separate Return.** If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, enter in Box A one-half of the property taxes (or 18% of rent) due and paid. If the amount in Box A is \$2,500 or more, enter \$1,250 on Line 5. If the amount in Box A is less than \$2,500, enter one-half of that amount on Line 5.

### Multiple Residences, Owners, Dwelling Units or Tenants.

Complete Schedule HR-A before completing Box A, Line 5, Schedule A if:

- ◆ You lived in more than one qualifying residence during 1996; or
- ◆ You shared ownership of a principal residence during the year with anyone, other than your spouse; or
- ◆ Your principal residence during the year consisted of multiple dwelling units; or
- ◆ Anyone other than your spouse occupied and shared rent with you for an apartment or other rental dwelling unit.

If you were a homeowner, enter the amount from Line 6, Schedule HR-A, in Box A, Line 5, Schedule A. If you were a tenant, enter 18% of the amount from Line 12, Schedule HR-A, in Box A, Line 5, Schedule A. If you were both a homeowner and a tenant during the year, add the amount from Line 6, Schedule HR-A and 18% of the amount from Line 12, Schedule HR-A and enter the total in Box A, Line 5, Schedule A.

**Part-year Residents.** A part-year resident who meets the qualifications is eligible for a property tax deduction or credit. Enter in Box A, Line 5, the total amount of property taxes (or 18% of rent) due and paid during your period of residence.

## Line 6 - New Jersey Taxable Income

For each column, subtract Line 5 from Line 4 and enter the amount on Line 6.

## Line 7 - Tax on Line 6 Amount

For each column, enter on Line 7 the amount of tax due on the income entered on Line 6. Use the Tax Table on page 35 or the Tax Rate Schedules on Page 44 to calculate the amount of tax due.

## Line 8 - Maximum Allowable Credit

For each column, multiply the amount on Line 7 by the percentage on Line 3 and enter the amount on Line 8.

## Line 9 - Credit for Taxes Paid to Other Jurisdiction

For each column, enter on Line 9 the lesser of Line 8, Maximum Allowable Credit, or the amount of income or wage tax paid to the other jurisdiction on the income shown on Line 1, Schedule A.

If you are eligible for a property tax deduction or credit, complete Worksheet F on page 27. Part-year residents see instructions on page 4.

If you are not eligible for a property tax deduction or credit, enter the amount from Line 9, Column B, Schedule A, on Line 38, Form NJ-1040 and make no entry on Lines 35 or 43, Form NJ-1040.

For more information on claiming a credit for taxes paid to another jurisdiction, order Tax Topic Bulletin GIT-3, *Credit For Taxes Paid to Other Jurisdictions*.

*continued*

### Worksheet F Which Property Tax Benefit to Use

	COLUMN A		COLUMN B	
1. Tax. Enter amounts from Line 7, Schedule A, Columns A and B here .....	1.		1.	
2. Credit for Taxes Paid to Other Jurisdictions. Enter amounts from Line 9, Schedule A, Columns A and B here. If you completed more than one Schedule A, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column. ....	2.		2.	
3. Balance of Tax Due. Subtract Line 2 from Line 1 in each column .	3.		3.	
4. Subtract Line 3, Column A from Line 3, Column B and enter result here .....			4.	

- ◆ If Line 4 is \$25 or more (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse), you receive a greater benefit by taking the property tax deduction. Enter the amount from Line 5, Column A, Schedule A on Line 35, Form NJ-1040; and make no entry on Line 43, Form NJ-1040; and enter the amount from Line 2, Column A above on Line 38, Form NJ-1040.
- ◆ If Line 4 is less than \$25 (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse), you receive a greater benefit from the property tax credit. Enter \$25 (\$12.50 if filing status is Married filing separate return and you maintain the same residence as your spouse) on Line 43, Form NJ-1040; make no entry on Line 35, Form NJ-1040; and enter the amount from Line 2, Column B on Line 38, Form NJ-1040.
- ◆ If Line 4 is less than \$25 (\$12.50 if filing status is married, filing separate return and you maintain the same residence as your spouse) and you are filing a part-year return, see instructions on page 4.

## Schedule B - Net Gains or Income from Disposition of Property

Use Schedule B to report all capital gains and income from the sale or exchange of any property. In arriving at your gain, you may deduct expenses of the sale and your basis in the property. The basis to be used for computing gain or loss is the cost or adjusted basis for Federal income tax purposes. All gains derived from installment sales must be reported in the same year as reported for Federal income tax purposes. If the spaces provided are not sufficient, enclose a statement with the return listing any additional transactions along with Schedule B.

**Sale of a Principal Residence.** Capital gain, postponement of gain and the one-time exclusion of gain (for persons age 55 or older) on the sale of a principal residence are computed in the same manner as for Federal income tax purposes. Any amount that is taxable for Federal purposes is taxable for New Jersey purposes. If you are postponing or excluding any of the gain on the sale of your principal residence for Federal purposes, the same amount will be postponed or excluded for New Jersey purposes. Complete New Jersey Schedule B to report the transaction. Also enclose a photocopy of your Federal Form 2119.

### Line 1 - List Transactions

List at Line 1, Schedule B, any New Jersey taxable transaction(s) as reported on your Federal Schedule D, indicating the gain or loss for each transaction in Column f.

Do not include gains or losses from the sale of exempt obligations. For more information on tax exempt obligations, order Tax Topic Bulletin, GIT-5, *Exempt Obligations*.

The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. You may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income, but only in the year that it occurred.

### Line 2 - Capital Gains Distributions

Enter on Line 2 the total amount of all capital gains distributions from your Form 1099-DIV(s) or similar statement(s). Do not include capital gains from a "New Jersey Qualified Investment Fund" which are attributable to qualified exempt obligations. For more information on "New Jersey Qualified Investment Funds," see page 12.

### Line 3 - Other Net Gains

Enter on Line 3 the total amount of net gains or income less net losses from disposition of property not included on Lines 1 or 2 of Schedule B.

### Line 4 - Net Gains

Enter on Line 4 the total of the amounts listed on Line 1, Column f and Lines 2 and 3, netting gains with losses. Enter this amount on Line 18, Form NJ-1040. If the netted amount is a loss, enter zero here and make no entry on Line 18, Form NJ-1040.

## Schedule C - Net Gain or Income from Rents, Royalties, Patents and Copyrights

Use Schedule C to report net gain or income less net losses from rents, royalties, patents and copyrights. The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. Thus, you may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income.

If the spaces provided are not sufficient, enclose a statement with the return listing any additional property and income along with Schedule C.

### Line 1 - List Property and Income

List at Line 1, Schedule C, the kind of property and the net income or loss from each property. For rentals, list the income or loss for each rental property as determined on your Federal Schedule E.

### Line 2 - Totals

Add the amounts in each column and enter the totals on Line 2.

### Line 3 - Net Income

Add the amounts listed on Line 2 in columns b, c, d and e. Enter the total on Line 3, netting gains with losses. Enter this amount on Line 22, NJ-1040. If the netted amount is a loss, enter zero here and make no entry on Line 22, Form NJ-1040.

## Qualifications

To be eligible for a New Jersey Homestead Property Tax Rebate:

- ◆ You must have been domiciled and maintained a principal residence as a homeowner or tenant in New Jersey during 1996; and
- ◆ Your gross income for the entire year must have been \$100,000 or less (See Note on page 31); and
- ◆ Your principal residence, whether owned or rented, must be subject to local property taxes, and property taxes must have been paid on that residence either as actual property taxes or through rent; and
- ◆ Your rented dwelling must have its own separate kitchen and bath facilities; and
- ◆ If you are filing Form NJ-1040, you must file the Homestead Property Tax Rebate Application (Form HR-1040) **and** the NJ-1040 **by April 15, 1997**, or if you are filing the NJ-1040 under an extension, by the extended due date. If you are filing **only** Form HR-1040, see "Rebate Only Filers" below.

**Rebate Only Filers.** A resident who is not required to file a New Jersey income tax return (because of income below the minimum filing threshold) and meets the qualifications for a Homestead Property Tax Rebate **may file only the HR-1040 to claim a rebate. It is not necessary to file the NJ-1040 along with the homestead rebate application.** These residents have until January 15, 1998 to file Form HR-1040.

**Part-year Residents.** A part-year resident who meets the qualifications is eligible for a Homestead Property Tax Rebate. Part-year residents must enter their full year income from all sources on Line 8 of the HR-1040.

**Principal Residence.** A principal residence means a homestead, either owned or rented, actually and continually occupied as your permanent residence. No rebate will be granted for a vacation home, a "second home," or property which the owner rents to someone else.

## Homeowners

Under the Homestead Property Tax Rebate Act of 1990, you may claim a rebate for the home in New Jersey that you owned and lived in as your principal residence provided it was subject to local property taxes. Both single family homes and certain multi-family homes qualify.

**Multi-Unit Properties.** As a homeowner, you may claim a rebate on your property only if it contains four units or less. Of these four units, only one may be used for commercial purposes.

**Condominiums and Co-ops.** A condominium unit or a unit in a cooperative housing complex or mutual housing corporation is considered a single family dwelling for purposes of the rebate.

**Continuing Care Communities.** As a resident in a continuing care retirement community, you may qualify for a rebate as a homeowner if the continuing care contract for your unit separately states your share of the property taxes.

**Disabled Veterans.** Totally and permanently disabled veterans who have a 100% exemption from local property tax are **not** eligible for a homestead rebate. If any portion of the dwelling is rented to a tenant and property tax is paid by the disabled veteran owner on the rented portion, any tenant may be eligible for a homestead rebate, but the property owner is not eligible.

**Life Tenancy.** You are also a homeowner if you have life tenancy rights or hold a lease for 99 years or more.

## Tenants

Under the Homestead Property Tax Rebate Act, you may claim a rebate if you rented a home or an apartment in a dwelling subject to local property taxes which contained its own separate kitchen and bathroom. You do not qualify for a rebate if you reside in a unit which only has access to a kitchen or bathroom.

**Mobile Homes.** If you own a mobile home which is located in a mobile home park, you qualify for a rebate as a tenant. For more information on mobile homes, contact the New Jersey Tax Hotline.

## Tax-exempt, Subsidized and Campus Housing

One of the qualifications for the New Jersey Homestead Property Tax Rebate is that property taxes be paid on the applicant's principal residence, either directly or through rent. Thus, tenants living in dwellings which are not subject to local property tax are not eligible for the rebate. This includes tenants living in tax-exempt housing or other dwellings owned by State, County, Municipal or Federal government; students living in on-campus apartments at State colleges and universities; and tenants living in dwellings owned by religious, charitable or other nonprofit organizations (including on-campus apartments at private nonprofit colleges and universities), if the property is exempt from local property taxes.

**Do not complete the Homestead Property Tax Rebate Application (Form HR-1040) if the dwelling you rent is not subject to local property tax; you do not qualify for a rebate. If you are not sure whether the dwelling you rent is subject to local property tax, contact your municipal tax assessor for information. The Division of Taxation audits returns to insure that only qualified applicants receive rebates.**

## Identification Section

### Name and Address

**Rebate Filers Only.** If you are filing only the homestead rebate application, place the peel-off label from the front of this booklet in the name and address section at the top of the application. Correct the label where errors occur. If you have no label, print or type your name (last name first), complete address and zip code in the spaces provided. Also include your spouse's name if filing jointly.

**Income Tax with Rebate Filers.** If you are filing Form HR-1040 with your Form NJ-1040, it is necessary to complete only the name and social security number portion of the identification section of Form HR-1040 unless your address has changed.

If your address has changed, complete the address portion of the identification section and check the box at the top of the HR-1040.

### Social Security Number

Be sure to check the accuracy of the social security number(s) printed on the label. To correct an error, draw a line through the incorrect number and write the correct number above it.

If you do not have a label or you used the label on your tax return, enter your social security number(s) in the boxes provided, one digit in each box. If your filing status is married, filing joint return, remember to report both spouses' numbers in the order in which the names are listed on the return.

### County/Municipality Code

Check the county/municipality code on your label (see example). Make corrections to the code on the label. If you do not have a label, or you used the label on your tax return, enter your four-digit code, one digit in each box, from the table on page 33. This code identifies the county and municipality of your current residence. The county and municipality codes in these instructions are for Division of Taxation purposes only.

\*\*\*\*\*CAR-RT-SORT\*\*\*\*\*CR99

111-11-1111 SMIT 222-22-2222  
 SMITH JOHN & JANE  
 123 MAIN STREET  
 TRENTON NJ 08611

1111

County/Municipality Code

### Filing Status (Lines 1 - 5)

You must use the same filing status on your homestead rebate application as you do for your New Jersey Resident Income Tax Return (Form NJ-1040). If you do not file Form NJ-1040, use the same filing status as you would have used if you had filed the tax return.

### Residency Status (Line 6)

If you were a New Jersey resident for only part of the taxable year, list the month, day and year your residency began and the month, day and year it ended. All months should be listed as two digit numbers with the digits 01 for January, 02 for February, 03 for March, etc. Place the correct number for the beginning and ending months directly in the boxes containing the red letter "M," one digit in each box.

The days of the months should be listed as two digit numbers beginning with the digits 01 for the first day of the month and ending with the digits 31 for the last day of the month. Place the correct number for the beginning and ending dates directly in the boxes containing the red letter "D," one digit in each box.

For calendar year filers the year should be entered as 96 and the numbers placed directly in the boxes containing the red letter "Y," one digit in each box. Fiscal year filers should enter the appropriate year in the "Y" boxes.

### Line 7

If either you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year, check the "yes" box. "Disabled" means total and permanent inability to engage in any substantial gainful activity because of any physical or mental impairment, including blindness. Enclose a copy of the doctor's certificate or other medical records with your return the first time you claim the exemption. This information need not be submitted each year providing there is no change in your condition. You may only check the "yes" box if you or your spouse meet the qualifications; they do not apply to your dependents. If you do not meet the age or disability qualifications, check the "no" box.

### Line 8 - Gross Income

Enter on Line 8 the amount of income reported on Line 29 of your 1996 New Jersey income tax return, Form NJ-1040. If you did not complete Form NJ-1040, enter on Line 8 the same income as you would have reported on Line 29 if you had filed the tax return. Part-year residents must enter their income from all sources for the entire year.

### Line 9 - Spouse's Gross Income

If the filing status on your 1996 New Jersey income tax return is married, filing separate return, and you and your spouse maintain the same principal residence, check the box and enter on Line 9 the amount of income reported on Line 29 of your spouse's New Jersey income tax return, Form NJ-1040. If your spouse did not complete Form NJ-1040, enter on Line 9 the same income as your spouse would have reported on Line 29 if a tax return had been filed. Part-year residents must enter their spouse's income from all sources for the entire year.

## Line 10 - Total Gross Income

Add Lines 8 and 9 and enter the result on Line 10.

**NOTE:** If the amount on Line 10 is more than \$100,000, you are not eligible for a 1996 Homestead Property Tax Rebate. Do not complete the HR-1040.

## Line 11 - Address

Complete the street address and municipality of the New Jersey residence for which the rebate is claimed if different from the address on the front of the application. If you were not a resident on December 31, 1996, enter your last New Jersey address.

## Line 12 - Homeowner/Tenant Status

Check the box to indicate whether you were a homeowner, a tenant or both a homeowner and tenant during 1996. Check only one box.

## Line 13- Block and Lot Number

If you checked "Homeowner" or "Both" on Line 12, enter the Block and Lot Number of your principal residence on December 31, 1996, or the last day that you were a resident homeowner in 1996. Include qualifier if applicable. (Only condominiums may have qualifiers assigned to them.) You may obtain this information from your current property tax bill or from your local tax assessor. If you owned more than one principal residence in New Jersey during 1996, enter the Block and Lot Number of your most recent principal residence.

## Line 14a - d

**You must answer "Yes" or "No" to each question in this section.**

If you answer "Yes" to any of these questions, you must complete Schedule HR-A. If Schedule HR-A is not completed and enclosed with Form HR-1040, when required, your Homestead Property Tax Rebate Application will not be processed.

## Line 14a - Multiple Residences

Check "Yes" only if you moved from one New Jersey residence to another New Jersey residence during the year. (For example, you move from a house to an apartment, or move from one house to another, etc.) If you were both a homeowner and a tenant at the same address during the year, check "Yes."

If you occupied only one residence during the year, check "No."

## Line 14b - Multiple Owners

Check "Yes" only if you own your principal residence with someone else (other than your spouse). (For example, you and your sister own the home you live in.)

If you (and your spouse) are the sole owner, check "No."

## Line 14c - Multi-Unit Properties

Check "Yes" if your principal residence consists of more than one dwelling unit. (For example, you own a property which consists of four residential units and you occupy one of the units as your principal residence.) Otherwise, check "No."

Residents of cooperative dwelling units and continuing care retirement facilities are **not** considered to be living in multi-unit dwellings and should check "No" at Line 14c.

**NOTE:**

- ♦ If the property consists of more than four units, the owner of the property **does not qualify** for the rebate.
- ♦ If the property contains more than one commercial unit, the owner of the property **does not qualify** for the rebate.
- ♦ Tenants living in multi-unit properties, regardless of the number of units, **do qualify** for the rebate if they meet the other qualifications.

## Line 14d - Multiple Tenants

Check "Yes" only if you lived with someone (other than your spouse) and shared the rent with them. (For example, you and your daughter live together and share the rent for your apartment.)

If you (and your spouse) are the sole tenant(s), check "No."

## Homeowners (Lines 15 and 16)

### Line 15 - Property Tax

Enter on Line 15 the total amount of property taxes paid on your principal residence in New Jersey during the year. Report only the actual amount of property tax that was due and paid to the local taxing authorities during 1996. If no property tax payments were made by December 31, 1996, you may not claim a Homestead Property Tax Rebate. If your filing status is married, filing separate return, report the full amount of property taxes paid, unless you do not own the principal residence.

Residents of cooperative dwelling units must obtain from their cooperative's management their share of property taxes for the residential unit they occupy.

Residents of continuing care retirement facilities may not include charges for anything other than their share of property taxes which are specified in their continuing care contract.

#### For Schedule HR-A filers only:

- ♦ Enter on Line 15 the amount from Line 6, Part I of Schedule HR-A;
- ♦ Continue with Lines 16a and b of the HR-1040.

*continued*

## Line 16a - Total Property Taxes Paid

Do not complete Line 16a unless you are filing Schedule HR-A. If you completed Schedule HR-A, enter on Line 16a the total amount of property taxes paid from Schedule HR-A, Part I, Line 5.

## Line 16b - Number of Days as an Owner

Do not complete Line 16b unless you are filing Schedule HR-A. If you completed Schedule HR-A, enter on Line 16b the total number of days you were a homeowner from Schedule HR-A, Part I, Line 4. The number of days may not exceed 365.

## Tenants (Lines 17 and 18)

### Line 17 - Rent

Enter on Line 17 the total amount of rent paid on your principal residence in New Jersey during the year.

#### For Schedule HR-A filers only:

- ◆ Enter on Line 17 your share of total rent paid from Line 12, Part II of Schedule HR-A;
- ◆ Continue with Lines 18a and b of Form HR-1040.

### Line 18a - Total Rent Paid

Do not complete Line 18a unless you are enclosing Schedule HR-A. If you completed Schedule HR-A, enter on Line 18a the total amount of rent paid by all tenants from Schedule HR-A, Part II, Line 11.

### Line 18b - Number of Days as a Tenant

Do not complete Line 18b unless you are enclosing Schedule HR-A. If you completed Schedule HR-A, enter on Line 18b the total number of days you were a tenant from Schedule HR-A, Part II, Line 10. The number of days may not exceed 365.

If you were both a homeowner and a tenant during 1996, the total number of days on Line 16b and 18b may not exceed 365.

## Signatures

 **Rebate Only Filers.** Sign and date your homestead rebate application in ink. Both husband and wife must sign a joint application. The signature(s) on the form you file must be original; photocopied signatures are not acceptable. An application without the proper signatures cannot be processed and will be returned to you. This may result in a delay in payment of your homestead rebate.

## Schedule HR-A

Complete this Schedule and enclose it with your HR-1040 **only** if you answered "Yes" to one or more of the questions at Line 14 of Form HR-1040. Be sure to complete all the columns for each address listed. See additional instructions on the form.

You must complete Schedule HR-A if in 1996 you had:

- ◆ More than one New Jersey residence during the year; or
- ◆ A residence with more than one eligible dwelling unit; or
- ◆ A residence with multiple owners; or
- ◆ A residence with multiple tenants; or
- ◆ Checked the "Both" (homeowner and tenant) box at Line 12.

**NOTE:** Part-year residents must complete Schedule HR-A **only** if one or more of the conditions above apply.

## Where to Send Your Application

 **Rebate Only Filers.** If you are filing only the homestead rebate application, use the large return envelope to file Form HR-1040. Use the return address label located on the envelope flap of the large envelope addressed to.

STATE OF NEW JERSEY  
DIVISION OF TAXATION  
CN 197  
TRENTON NJ 08646-0197

**Income Tax with Rebate Filers.** If you are filing both Form NJ-1040 and Form HR-1040, mail your homestead rebate application in the same envelope together with your income tax return. See "Where to Send Your Return" on page 6.

**Seniors or Blind/Disabled Persons.** If either you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year, and your gross income on Line 29 is \$7,500 or less (\$3,750 for married persons filing separately), and you are entitled to a property tax credit in the amount of \$25, this credit will automatically be sent to you with your homestead rebate. **Do not** complete Line 35 to claim a property tax deduction **or** Line 43 to claim a property tax credit.

**NOTE:** The Division of Taxation will calculate the amount of your rebate based on the information you provide. Rebate amounts and qualifications for eligibility are subject to change due to budgetary restrictions. For 1995, eligible taxpayers who were under age 65 and were not blind or disabled received rebates if their gross income was \$40,000 or less. For 1996, these restrictions may or may not apply.

For more information on how the rebate is calculated, request Tax Topic Bulletin HR-2, *Homestead Property Tax Rebate Guidelines*.

Enter the appropriate four-digit number in the boxes at line 1, Form NJ-1040. The County/Municipality Codes reflected below are for Division of Taxation purposes only.

Municipality	Code	Municipality	Code	Municipality	Code	Municipality	Code
<b>ATLANTIC COUNTY</b>							
Absecon City	0101	Ridgewood Village	0251	Gibbsboro Borough	0413	Nutley Township	0716
Atlantic City City	0102	River Edge Borough	0252	Gloucester City	0414	Orange City Township	0717
Brigantine City	0103	Rivervale Township	0253	Gloucester Township	0415	Roseland Borough	0718
Buena Borough	0104	Rochelle Park Township	0254	Haddon Township	0416	South Orange Village Twp.	0719
Buena Vista Township	0105	Rockleigh Borough	0255	Haddonfield Borough	0417	Verona Township	0720
Corbin City City	0106	Rutherford Borough	0256	Haddon Heights Borough	0418	West Caldwell Township	0721
Egg Harbor City	0107	Saddle Brook Township	0257	Hi Nella Borough	0419	West Orange Township	0722
Egg Harbor Township	0108	Saddle River Borough	0258	Laurel Springs Borough	0420	<b>GLOUCESTER COUNTY</b>	
Estell Manor City	0109	South Hackensack Twp.	0259	Lawnside Borough	0421	Clayton Borough	0801
Folsom Borough	0110	Teaneck Township	0260	Lindenwold Borough	0422	Deptford Township	0802
Galloway Township	0111	Tenaflly Borough	0261	Magnolia Borough	0423	East Greenwich Township	0803
Hamilton Township	0112	Teterboro Borough	0262	Merchantville Borough	0424	Elk Township	0804
Hammonton Town	0113	Upper Saddle River Bor.	0263	Mount Ephraim Borough	0425	Franklin Township	0805
Linwood City	0114	Waldwick Borough	0264	Oaklyn Borough	0426	Glassboro Borough	0806
Longport Borough	0115	Wallington Borough	0265	Pennsauken Township	0427	Greenwich Township	0807
Margate City City	0116	Washington Township	0266	Pine Hill Borough	0428	Harrison Township	0808
Mullica Township	0117	Westwood Borough	0267	Pine Valley Borough	0429	Logan Township	0809
Northfield City	0118	Woodcliff Lake Borough	0268	Runnemede Borough	0430	Mantua Township	0810
Pleasantville City	0119	Wood Ridge Borough	0269	Somerdale Borough	0431	Monroe Township	0811
Port Republic City	0120	Wycoff Township	0270	Stratford Borough	0432	National Park Borough	0812
Somers Point City	0121	<b>BURLINGTON COUNTY</b>		Tavistock Borough	0433	Newfield Borough	0813
Ventnor City	0122	Bass River Township	0301	Voorhees Township	0434	Paulsboro Borough	0814
Weymouth Township	0123	Beverly City	0302	Waterford Township	0435	Pitman Borough	0815
<b>BERGEN COUNTY</b>		Bordentown City	0303	Winslow Township	0436	South Harrison Township	0816
Allendale Borough	0201	Bordentown Township	0304	Woodlynne Borough	0437	Swedesboro Borough	0817
Alpine Borough	0202	Burlington City	0305	<b>CAPE MAY COUNTY</b>			
Bergenfield Borough	0203	Burlington Township	0306	Avalon Borough	0501	Washington Township	0818
Bogota Borough	0204	Chesterfield Township	0307	Cape May City	0502	Wenonah Borough	0819
Carlstadt Borough	0205	Cinnaminson Township	0308	Cape May Point Borough	0503	West Deptford Township	0820
Cliffside Park Borough	0206	Delanco Township	0309	Dennis Township	0504	Westville Borough	0821
Closter Borough	0207	Delran Township	0310	Lower Township	0505	Woodbury City	0822
Cresskill Borough	0208	Eastampton Township	0311	Middle Township	0506	Woodbury Heights Bor.	0823
Demarest Borough	0209	Edgewater Park Township	0312	North Wildwood City	0507	Woolwich Township	0824
Dumont Borough	0210	Evesham Township	0313	Ocean City	0508	<b>HUDSON COUNTY</b>	
East Rutherford Borough	0212	Fieldsboro Borough	0314	Sea Isle City	0509	Bayonne City	0901
Edgewater Borough	0213	Florence Township	0315	Stone Harbor Borough	0510	East Newark Borough	0902
Elmwood Park Borough	0211	Hainesport Township	0316	Upper Township	0511	Guttenberg Town	0903
Emerson Borough	0214	Lumberton Township	0317	West Cape May Borough	0512	Harrison Town	0904
Englewood City	0215	Mansfield Township	0318	West Wildwood Borough	0513	Hoboken City	0905
Englewood Cliffs Boro	0216	Maple Shade Township	0319	Wildwood City	0514	Jersey City City	0906
Fair Lawn Borough	0217	Medford Township	0320	Wildwood Crest Borough	0515	Kearny Town	0907
Fairview Borough	0218	Medford Lakes Borough	0321	Woodbine Borough	0516	North Bergen Township	0908
Fort Lee Borough	0219	Moorestown Township	0322	<b>CUMBERLAND COUNTY</b>			
Franklin Lakes Borough	0220	Mount Holly Township	0323	Bridgeport City	0601	Secaucus Town	0909
Garfield City	0221	Mount Laurel Township	0324	Commercial Township	0602	Union City City	0910
Glen Rock Borough	0222	New Hanover Township	0325	Deerfield Township	0603	Weehawken Township	0911
Hackensack City	0223	North Hanover Township	0326	Downe Township	0604	West New York Town	0912
Harrington Park Borough	0224	Palmyra Borough	0327	Fairfield Township	0605	<b>HUNTERDON COUNTY</b>	
Hasbrouck Heights Bor.	0225	Pemberton Borough	0328	Greenwich Township	0606	Alexandria Township	1001
Haworth Borough	0226	Pemberton Township	0329	Hopewell Township	0607	Bethlehem Township	1002
Hillsdale Borough	0227	Riverside Township	0330	Lawrence Township	0608	Bloomsbury Borough	1003
Hohokus Borough	0228	Riverton Borough	0331	Maurice River Township	0609	Califon Borough	1004
Leonia Borough	0229	Shamong Township	0332	Millville City	0610	Clinton Town	1005
Little Ferry Borough	0230	Southampton Township	0333	Shiloh Borough	0611	Clinton Township	1006
Lodi Borough	0231	Springfield Township	0334	Stow Creek Township	0612	Delaware Township	1007
Lyndhurst Township	0232	Tabernacle Township	0335	Upper Deerfield Twp.	0613	East Amwell Township	1008
Mahwah Township	0233	Washington Township	0336	Vineland City	0614	Flemington Borough	1009
Maywood Borough	0234	Westampton Township	0337	<b>ESSEX COUNTY</b>			
Midland Park Borough	0235	Willingboro Township	0338	Belleville Township	0701	Franklin Township	1010
Montvale Borough	0236	Woodland Township	0339	Bloomfield Township	0702	Frenchtown Borough	1011
Moonachie Borough	0237	Wrightstown Borough	0340	Caldwell Borough Twp.	0703	Glen Gardner Borough	1012
New Milford Borough	0238	<b>CAMDEN COUNTY</b>		Cedar Grove Township	0704	Hampton Borough	1013
North Arlington Borough	0239	Audubon Borough	0401	East Orange City	0705	High Bridge Borough	1014
Northvale Borough	0240	Audubon Park Borough	0402	Essex Fells Borough	0706	Holland Township	1015
Norwood Borough	0241	Barrington Borough	0403	Fairfield Township	0707	Kingwood Township	1016
Oakland Borough	0242	Bellmawr Borough	0404	Glen Ridge Borough	0708	Lambertville City	1017
Old Tappan Borough	0243	Berlin Borough	0405	Irvington Township	0709	Lebanon Borough	1018
Oradell Borough	0244	Berlin Township	0406	Livingston Township	0710	Lebanon Township	1019
Palisades Park Borough	0245	Brooklawn Borough	0407	Maplewood Township	0711	Milford Borough	1020
Paramus Borough	0246	Camden City	0408	Millburn Township	0712	Raritan Township	1021
Park Ridge Borough	0247	Cherry Hill Township	0409	Montclair Township	0713	Readington Township	1022
Ramsey Borough	0248	Chesilhurst Borough	0410	Newark City	0714	Stockton Borough	1023
Ridgefield Borough	0249	Clementon Borough	0411	North Caldwell Borough	0715	Tewksbury Township	1024
Ridgefield Park Village	0250	Collingswood Borough	0412				

Enter the appropriate four-digit number in the boxes at line 1, Form NJ-1040. The County/Municipality Codes reflected below are for Division of Taxation purposes only.

Municipality	Code	Municipality	Code	Municipality	Code	Municipality	Code
<b>MERCER COUNTY</b>							
East Windsor Township	1101	Monmouth Beach Borough	1334	Lakehurst Borough	1514	Warren Township	1820
Ewing Township	1102	Neptune City Borough	1336	Lakewood Township	1515	Watchung Borough	1821
Hamilton Township	1103	Neptune Township	1335	Lavallette Borough	1516	<b>SUSSEX COUNTY</b>	
Hightstown Borough	1104	Ocean Township	1337	Little Egg Harbor Twp.	1517	Andover Borough	1901
Hopewell Borough	1105	Oceanport Borough	1338	Long Beach Township	1518	Andover Township	1902
Hopewell Township	1106	Red Bank Borough	1339	Manchester Township	1519	Branchville Borough	1903
Lawrence Township	1107	Roosevelt Borough	1340	Mantoloking Borough	1520	Byram Township	1904
Pennington Borough	1108	Rumson Borough	1341	Ocean Gate Borough	1522	Frankford Township	1905
Princeton Borough	1109	Sea Bright Borough	1342	Ocean Township	1521	Franklin Borough	1906
Princeton Township	1110	Sea Girt Borough	1343	Pine Beach Borough	1523	Fredon Township	1907
Trenton City	1111	Shrewsbury Borough	1344	Plumsted Township	1524	Green Township	1908
Washington Township	1112	Shrewsbury Township	1345	Point Pleasant Borough	1525	Hamburg Borough	1909
West Windsor Township	1113	South Belmar Borough	1346	Pt. Pleasant Beach Bor.	1526	Hampton Township	1910
<b>MIDDLESEX COUNTY</b>							
Carteret Borough	1201	Spring Lake Borough	1347	Seaside Heights Borough	1527	Hardyston Township	1911
Cranbury Township	1202	Spring Lake Heights Bor.	1348	Seaside Park Borough	1528	Hopatcong Borough	1912
Dunellen Borough	1203	Tinton Falls Borough	1349	Ship Bottom Borough	1529	Lafayette Township	1913
East Brunswick Township	1204	Union Beach Borough	1350	South Toms River Bor.	1530	Montague Township	1914
Edison Township	1205	Upper Freehold Township	1351	Stafford Township	1531	Newton Town	1915
Helmetta Borough	1206	Wall Township	1352	Surf City Borough	1532	Ogdensburg Borough	1916
Highland Park Borough	1207	West Long Branch Boro	1353	Tuckerton Borough	1533	Sandyston Township	1917
Jamesburg Borough	1208	<b>MORRIS COUNTY</b>		<b>PASSAIC COUNTY</b>		Sparta Township	1918
Metuchen Borough	1209	Boonton Town	1401	Bloomingdale Borough	1601	Stanhope Borough	1919
Middlesex Borough	1210	Boonton Township	1402	Clifton City	1602	Stillwater Township	1920
Milltown Borough	1211	Butler Borough	1403	Haledon Borough	1603	Sussex Borough	1921
Monroe Township	1212	Chatham Borough	1404	Hawthorne Borough	1604	Vernon Township	1922
New Brunswick City	1213	Chatham Township	1405	Little Falls Township	1605	Walpack Township	1923
North Brunswick Twp.	1214	Chester Borough	1406	North Haledon Borough	1606	Wantage Township	1924
Old Bridge Township	1215	Chester Township	1407	Passaic City	1607	<b>UNION COUNTY</b>	
Perth Amboy City	1216	Denville Township	1408	Paterson City	1608	Berkeley Heights Twp.	2001
Piscataway Township	1217	Dover Town	1409	Pompton Lakes Borough	1609	Clark Township	2002
Plainsboro Township	1218	East Hanover Township	1410	Prospect Park Borough	1610	Cranford Township	2003
Sayreville Borough	1219	Florham Park Borough	1411	Ringwood Borough	1611	Elizabeth City	2004
South Amboy City	1220	Hanover Township	1412	Totowa Borough	1612	Fanwood Borough	2005
South Brunswick Twp.	1221	Harding Township	1413	Wayne Township	1614	Garwood Borough	2006
South Plainfield Bor.	1222	Jefferson Township	1414	West Milford Township	1615	Hillside Township	2007
South River Borough	1223	Kinnelon Borough	1415	West Paterson Borough	1616	Kenilworth Borough	2008
Spotswood Borough	1224	Lincoln Park Borough	1416	<b>SALEM COUNTY</b>		Linden City	2009
Woodbridge Township	1225	Long Hill Township	1430	Alloway Township	1701	Mountainside Borough	2010
<b>MONMOUTH COUNTY</b>							
Aberdeen Township	1301	Madison Borough	1417	Carneys Point Township	1702	New Providence Borough	2011
Allenhurst Borough	1302	Mendham Borough	1418	Elmer Borough	1703	Plainfield City	2012
Allentown Borough	1303	Mendham Township	1419	Elsinboro Township	1704	Rahway City	2013
Asbury Park City	1304	Mine Hill Township	1420	Lower Alloways Crk. Twp.	1705	Roselle Borough	2014
Atlantic Highlands Bor.	1305	Montville Township	1421	Mannington Township	1706	Roselle Park Borough	2015
Avon By The Sea Bor.	1306	Morris Plains Borough	1423	Oldmans Township	1707	Scotch Plains Township	2016
Belmar Borough	1307	Morris Township	1422	Penns Grove Township	1708	Springfield Township	2017
Bradley Beach Borough	1308	Morristown Town	1424	Pennsville Township	1709	Summit City	2018
Brielle Borough	1309	Mountain Lakes Borough	1425	Pilesgrove Township	1710	Union Township	2019
Colts Neck Township	1310	Mt. Arlington Borough	1426	Pittsgrove Township	1711	Westfield Town	2020
Deal Borough	1311	Mt. Olive Township	1427	Quinton Township	1712	Winfield Township	2021
Eatontown Borough	1312	Netcong Borough	1428	Salem City	1713	<b>WARREN COUNTY</b>	
Englishtown Borough	1313	Parsippany-Troy Hills Twp.	1429	Upper Pittsgrove Twp.	1714	Allamuchy Township	2101
Fair Haven Borough	1314	Pequanock Township	1431	Woodstown Borough	1715	Alpha Borough	2102
Farmingdale Borough	1315	Randolph Township	1432	<b>SOMERSET COUNTY</b>		Belvidere Town	2103
Freehold Borough	1316	Riverdale Borough	1433	Bedminster Township	1801	Blairstown Township	2104
Freehold Township	1317	Rockaway Borough	1434	Bernards Township	1802	Franklin Township	2105
Hazlet Township	1318	Rockaway Township	1435	Bernardsville Borough	1803	Frelinghuysen Township	2106
Highlands Borough	1319	Roxbury Township	1436	Bound Brook Borough	1804	Greenwich Township	2107
Holmdel Township	1320	Victory Gardens Borough	1437	Branchburg Township	1805	Hackettstown Town	2108
Howell Township	1321	Washington Township	1438	Bridgewater Township	1806	Hardwick Township	2109
Interlaken Borough	1322	Wharton Borough	1439	Far Hills Borough	1807	Harmony Township	2110
Keansburg Borough	1323	<b>OCEAN COUNTY</b>		Franklin Township	1808	Hope Township	2111
Keyport Borough	1324	Barneget Light Borough	1501	Green Brook Township	1809	Independence Township	2112
Little Silver Borough	1325	Barneget Township	1502	Hillsborough Township	1810	Knowlton Township	2113
Loch Arbour Village	1326	Bay Head Borough	1503	Manville Borough	1811	Liberty Township	2114
Long Branch City	1327	Beach Haven Borough	1504	Millstone Borough	1812	Lopatcong Township	2115
Manalapan Township	1328	Beachwood Borough	1505	Montgomery Township	1813	Mansfield Township	2116
Manasquan Borough	1329	Berkeley Township	1506	North Plainfield Borough	1814	Oxford Township	2117
Marlboro Township	1330	Brick Township	1507	Peapack-Gladstone Bor.	1815	Pahaquarry Township	2118
Matawan Borough	1331	Dover Township	1508	Raritan Borough	1816	Phillipsburg Town	2119
Middletown Township	1332	Eagleswood Township	1509	Rocky Hill Borough	1817	Pohatcong Township	2120
Millstone Township	1333	Harvey Cedars Borough	1510	Somerville Borough	1818	Washington Borough	2121
		Island Heights Borough	1511	South Bound Brook Bor.	1819	Washington Township	2122
		Jackson Township	1512			White Township	2123
		Lacey Township	1513				

## 1996 New Jersey Tax Table

**PLEASE NOTE THAT TAX TABLES ARE NOT INCLUDED IN THIS DOWNLOADABLE COPY OF THE GROSS INCOME TAX RESIDENT INSTRUCTIONS.**

**YOU MAY OBTAIN A COPY OF THE TABLES BY CALLING OUR TAX HOTLINE AT 609-588-2200.**

**THE DIVISION OF TAXATION REGRETS ANY INCONVENIENCE CAUSED TO TAXPAYERS.**

Use this table if your New Jersey taxable income on Line 36 is less than \$100,000. If your taxable income is \$100,000 or more, you must use the Tax Rate Schedule on page 44 of this booklet.

**Example:** Mr. and Mrs. Evans are filing a joint return. They checked filing status "2," married, filing joint return. Their taxable income on Line 36 of Form NJ-1040 is \$39,875. First they find the \$39,850–\$39,900 income line. Next, they find the column for filing status "2" and read down the column. The amount shown where the income line meets the filing status column is \$628. This is the tax amount to be entered on Line 37 of Form NJ-1040.

If Line 36 (taxable income) Is—		And Your Filing Status* Is	
At least	But Less Than	1 or 3	2, 4 or 5
		<b>Your Tax is—</b>	
39,800	39,850	711	627
39,850	39,900	713	628
39,900	39,950	715	629
39,950	40,000	717	630

**\*Filing Status:**

- 1—Single
- 2—Married, filing joint return
- 3—Married, filing separate return
- 4—Head of Household
- 5—Qualifying Widow(er)

# New Jersey Tax Rate Schedules 1996

**FILING STATUS:** Single  
Married, filing separate return

**Table A**

		STEP 1	STEP 2			STEP 3		
If Taxable Income (Line 36) is:		Enter Line 36	Multiply Line 36 by:			Subtract	Your Tax	
<b>Over</b>	<b>But not over</b>							
\$ 0	\$20,000	_____	x .014 =	_____	- \$ 0 =	_____		
\$20,000	\$35,000	_____	x .0175 =	_____	- \$ 70.00 =	_____		
\$35,000	\$40,000	_____	x .035 =	_____	- \$ 682.50 =	_____		
\$40,000	\$75,000	_____	x .05525 =	_____	- \$1,492.50 =	_____		
\$75,000	and over	_____	x .0637 =	_____	- \$2,126.25 =	_____		

**FILING STATUS:** Married, filing joint return  
Head of Household  
Qualifying Widow(er)

**Table B**

		STEP 1	STEP 2			STEP 3		
If Taxable Income (Line 36) is:		Enter Line 36	Multiply Line 36 by:			Subtract	Your Tax	
<b>Over</b>	<b>But not over</b>							
\$ 0	\$ 20,000	_____	x .014 =	_____	- \$ 0 =	_____		
\$ 20,000	\$ 50,000	_____	x .0175 =	_____	- \$ 70.00 =	_____		
\$ 50,000	\$ 70,000	_____	x .0245 =	_____	- \$ 420.00 =	_____		
\$ 70,000	\$ 80,000	_____	x .035 =	_____	- \$1,154.50 =	_____		
\$ 80,000	\$150,000	_____	x .05525 =	_____	- \$2,775.00 =	_____		
\$150,000	and over	_____	x .0637 =	_____	- \$4,042.50 =	_____		

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