

State of New Jersey
GROSS INCOME TAX
FIDUCIARY RETURN

For Taxable Year January 1, 1996 - December 31, 1996

5-F

Or Other Taxable Year Beginning _____, 1996, Ending _____, 19____

Check this block if application for Federal extension is attached.

Federal Employer Identification Number	Name of Estate or Trust		
	Name and Title of Fiduciary		
For Privacy Act Notification, see instructions	Address of Fiduciary (Number and Street or Rural Route)		
	City, Town or Post Office	State	Zip Code

RESIDENCY STATUS: (check only ONE box)

1. Resident Estate - Date of decedent's death _____
2. Resident Trust - Date trust created _____
3. Nonresident Estate - Date of decedent's death _____ } _____ Name of State
4. Nonresident Trust - Date trust created _____ }
5. If estate was closed or trust terminated, check box Also state the date _____

GUBERNATORIAL ELECTIONS FUND



Do you wish to designate \$1 of your taxes for this fund?

YES NO

Note: IF YOU CHECK THE "YES" BOX IT WILL NOT INCREASE THE TAX OR REDUCE THE REFUND

NOTE: Nonresident estates and trusts, see instructions.

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14a.	NONRESIDENTS: NJ Income from Schedule G, Line 9	14a		
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15.	Income Commissions	15		
16.	Gross Income (Line 14b minus Line 15)	16		
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19.	Total deductions and exemption (Add Lines 17 and 18)	19		
20.	Taxable Income (Line 16 less Line 19)	20		

NONRESIDENTS ONLY:

21.	Tax on amount on Line 20 (From Tax Table on Page 9)	21		
22.	Income Percentage _____ = _____ % (Line 14b)			

23.	TAX: Residents (From Tax Table, Page 9) Nonresidents (Multiply amount from Line 21 _____ x _____ % from Line 22)	23		
24.	New Jersey Income Tax previously paid during taxable period	24		
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26.	Total payments and credits (Add Lines 24 and 25)	26		
27.	Balance of Tax Due (Line 23 less Line 26)	27		
28.	Overpayment (Line 26 less Line 23)	28		

SIGN HERE	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.			Pay amount on line 27 in full. Write Federal ID number on check or money order and make payable to: STATE OF NEW JERSEY - TGI Division of Taxation CN 888 Trenton, NJ 08646-0888
	 Signature of Fiduciary or Officer Representing Fiduciary	Date		
 Signature of Preparer Other than Fiduciary	Address	Date	Fed. ID. No.	

SCHEDULE A NET PROFITS FROM BUSINESS		List below the type of business, address and net profit (loss) from each business carried on individually by the taxpayer	
TYPE OF BUSINESS	ADDRESS	NET PROFIT (LOSS)	
29.			
30.	TOTAL (Enter here and on Page 1, Line 8) (If loss enter ZERO)	30	

SCHEDULE B NET GAINS OR INCOME FROM DISPOSITION OF PROPERTY		List the net gains or income, less net loss, derived from the sale, exchange, or other disposition of property including real or personal whether tangible or intangible.	
	(a) Kind of property and description	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)
			(d) Gross sales price
			(e) Cost or other basis as adjusted (see instructions) and expense of sale
			(f) Gain or (loss) (d less e)
31.			
32.	Capital Gains Distributions		32
33.	Other Net Gains		33
34.	Net Gains (Add Lines 31, 32 and 33) (Enter here and on Page 1, Line 9) (If loss enter ZERO)		34

SCHEDULE C NET GAINS OR INCOME FROM ROYALTIES, PATENTS AND COPYRIGHTS		List the net gains or net income, less net loss, derived from or in the form of rents, royalties, patents and copyrights as reported on your Federal Income Tax Return. If you have passive losses for Federal purposes, see instructions.	
	(a) Kind of property	(b) Net Rental Income (loss)	(c) Net Income From Royalties
			(d) Net Income From Patents
			(e) Net Income From Copyrights
35.			
36.	TOTALS	(b)	(c)
			(d)
			(e)
37.	Net Income (Combine Columns, b, c, d and e) (Enter here and on Page 1, Line 10) (If loss enter ZERO)		37

SCHEDULE D BENEFICIARIES' SHARES OF INCOME					
	Name of Each Beneficiary	Indicate Residency Status	Address of each beneficiary. If mailing address differs from home address, give both.	Social Security Number	Amount Distributed During Taxable Period
38.					
39.	TOTAL (Enter here and on Page 1, Line 17)				39.

SCHEDULE E CREDIT FOR INCOME OR WAGE TAXES PAID TO OTHER JURISDICTIONS		A copy of other state(s) or political subdivision tax return(s) must be attached to Form NJ-1041.	
40.	Income Subject to Tax by Other Jurisdiction(s). Name(s) (Do not combine the same income taxed by more than one jurisdiction.)	40	
41.	Income Subject to Tax by New Jersey. (From Page 1, Line 16)	41	
42.	Maximum Allowable Credit (40) _____ x _____ = _____ (Divide Line 41 into Line 40) (41) (New Jersey Tax, Line 23, Page 1)	42	
43.	Income tax paid to other jurisdictions	43	
44.	Credit Allowed. (Enter lesser of Line 42 or Line 43 here and on Page 1, Line 25)	44	

SCHEDULE F ALLOCATION OF BUSINESS INCOME TO NEW JERSEY		See instructions if other than Formula Basis of allocation is used. Attach Form NJ-NR-A to Form NJ-1041.	
BUSINESS ALLOCATION PERCENTAGE (From Form NJ-NR-A)			
Enter below, the line number and amount of each item of business income reported on Form NJ-1041 which is required to be allocated and multiply by allocation percentage to determine amount of income from New Jersey sources.			
From Line No. _____	\$ _____	x _____	% = \$ _____
From Line No. _____	\$ _____	x _____	% = \$ _____

Definitions

Fiduciary means a guardian, trustee, executor, administrator, receiver, conservator or any person acting in any trust or similar capacity.

The term *estates* refers only to the estates of deceased persons. The New Jersey Gross Income Tax liability for minors, persons adjudicated incompetent, or for any person who is suffering from some other legal disability shall be computed on the same form as that used for any other individual taxpayer, but it may be prepared in the name of the disabled individual and signed by the guardian or conservator.

Time and Place for Filing

Form NJ-1041 must be filed on or before the 15th day of the fourth month following the close of the taxable year of the estate or trust.

✓ This packet contains a small window envelope and a large envelope. If you are making a payment, 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** mail your NJ-1041 in the small window envelope.

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

Mail Your Return to: STATE OF NEW JERSEY
DIVISION OF TAXATION
CN 888
TRENTON NJ 08646-0888

WHO MUST FILE A RETURN

A. Resident Estates and Trusts

The fiduciary of every resident estate or trust is required to file a New Jersey Gross Income Tax Fiduciary Return (NJ-1041) if gross income is more than \$7,500 during the taxable year.

Resident estate or trust means:

- (1) The estate of a decedent who at his death was domiciled in New Jersey; or
- (2) A trust, or a portion of a trust, consisting of property transferred by will of a decedent who at his death was domiciled in New Jersey; or
- (3) A trust, or portion of a trust, consisting of the property of:
 - (a) A person domiciled in New Jersey at the time such property was transferred to the trust, if such trust or portion of a trust was then irrevocable; or if it was then revocable and has not subsequently become irrevocable; or
 - (b) A person domiciled in New Jersey at the time such trust, or portion of a trust, became irrevocable; if it was revocable when such property was transferred to the trust but has subsequently become irrevocable.

For the purposes of the foregoing, domicile is the place an individual regards as his permanent home—the place to which he intends to return after a period of absence. A domicile, once established, continues until a new, fixed and permanent home is acquired. No change of domicile results from moving to a new location if the intention is to remain only for a limited time even if it is for a relatively long duration.

A trust or portion of a trust is revocable if it is subject to a power, exercisable immediately or at any future time, to revest title in the person whose property constitutes such trust or portion of a trust, and a

trust or portion of a trust becomes irrevocable when the possibility that such power may be exercised has been terminated.

A resident estate or trust shall not include charitable trusts or trusts which are part of a pension or profit-sharing plan. A charitable trust is a trust operated **exclusively** for a religious, charitable, scientific, literary or educational purpose. Income of a charitable trust is exempt from the Gross Income Tax. However, income received by a charitable trust which is not distributed or credited to its beneficiaries is subject to tax in the taxable year of the trust in which such income is received. Where the terms of the governing instrument of an estate or trust require any amount of income to be accumulated and added to the principal for ultimate distribution to any religious, charitable, scientific, literary or educational organization and such income is permanently and irrevocably set aside for such purposes, it will be treated as having been paid, credited or required to be distributed to the charitable beneficiary. The same treatment is afforded to any income required to be held in trust for the use of any charitable beneficiary or organization.

Generally, income which is deemed to have been paid, credited or required to be distributed to a beneficiary is taxable to such beneficiary. Where, however, the beneficiary is an exempt charitable organization, no tax will be imposed. This is true even if the income is permanently and irrevocably set aside in an invested income account.

B. Nonresident Estates and Trusts

The fiduciary of every nonresident estate or trust which derived income from New Jersey sources must file a New Jersey Gross Income Tax Fiduciary Return (NJ-1041) if the gross income received from all sources (both inside and outside New Jersey) during the taxable year was more than \$7,500.

A nonresident estate or trust shall not include charitable trusts or pension or profit-sharing trusts. The residence of the fiduciary does not affect the nonresident classification of an estate or trust.

Gross income from sources within New Jersey for a nonresident estate or trust means those items of income and gain that are earned, received or acquired from the following sources:

1. By reason of ownership or disposition of any interest in real or tangible personal property in New Jersey; or
2. In connection with a trade, profession or occupation carried on in New Jersey or for the rendition of personal services performed in New Jersey; or
3. As a distributive share of the income of a business, profession, enterprise, undertaking or other activity as the result of work done, services rendered or other business activities conducted in New Jersey except as allocated to another state; or
4. From intangible personal property employed in a trade, profession, occupation or business carried on in New Jersey; or
5. Income of a New Jersey S corporation allocated to New Jersey; or
6. Prizes won in a lottery, drawing or other contest in New Jersey (other than the New Jersey Lottery).

Period to be Covered by Return

The 1996 return for taxpayers filed by an administrator or an executor of an estate must cover the period from January 1, 1996, or fiscal year beginning in 1996 or the date of death of decedent (if death occurred after January 1, 1996) to the end of the taxable year selected by the fiduciary when appropriate. The 1996 return filed by a trustee of a trust must cover the period beginning January 1, 1996. Only charitable trusts which are exempt from tax are permitted to use a fiscal tax year.

Period to be Covered by Return - continued

The taxable year cannot be longer than twelve months and must coincide with the year selected for purposes of filing the Federal return. All income received by the executor, administrator or trustee in the taxable year must be reported on the return.

Payment of Tax

The balance of tax due must be paid in full with the return, unless the tax due is less than \$1 in which case no payment is required. Make check or money order payable to "State of New Jersey - T.G.I."

To insure proper credit for payment, place the Federal employer identification number on the remittance.

Accounting Method

A taxpayer's accounting method for the New Jersey Gross Income Tax shall be the same as the accounting method used for Federal income tax purposes.

Extensions

Extensions of time are granted only to file your New Jersey Gross 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.

Three-Month Extension

You may receive a three-month extension of time to file your New Jersey Gross Income Tax Return if at least 80% of the tax liability computed on your Form NJ-1041 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-1041 is checked;

or

2. **No Federal extension filed.** You file a request for a three-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 Three Months

If you have requested and been granted a three-month extension, you may apply for an additional three-month extension before the original three-month extension expires. You must file Form NJ-630 if you require an extension of more than three months for New Jersey purposes and you are not requesting an additional three-month extension for Federal purposes. Otherwise, enclose a copy of your Federal application for an additional three-month extension with your NJ-1041 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 "Penalties and Interest" on page 3.

Changes in Federal Income Tax

Report to the New Jersey Division of Taxation any change or correction in Federal taxable income as reported on your Federal fiduciary income tax return, whether resulting from the filing of any amended Federal return or otherwise, within 90 days after filing such return or final determination of such change by the Internal Revenue Service. Similarly, if an amended Federal return is filed, an amended New Jersey return must be filed within 90 days.

Amended Return

The fiduciary should carefully follow the instructions when completing the tax return. Check the return to be sure all of the income and credits to which the fiduciary is entitled have been claimed before filing the return. However, if after the return has been filed the taxpayer discovers that he failed to report some of his income or erroneously claimed credits or was entitled to credits which were not claimed, the error may be corrected by filing an amended return. The taxpayer should file a new return, clearly marked "AMENDED RETURN," in which the correct tax or refund is shown.

If an error is discovered that will result in a refund of tax, the amended Form NJ-1041 must be filed within three years from the date the original return was due or within two years from the time the tax was paid, whichever is later, in order to receive a refund. (A return filed before the due date or extended due date is considered to be filed on such due date or extended due date.)

Estimated Tax Declarations

The fiduciary of an estate or trust is not required to file estimated tax declarations.

Name and Federal Employer Identification Number

The name and Federal employer identification number **must** be entered on all schedules accompanying the return. Also, if there is a balance due with the return, place the Federal employer identification number on the remittance.

Privacy Act Notification

The Federal Privacy Act of 1974 requires all agencies requesting information to inform individuals from whom it seeks information why the request is being made and how the information is being used.

The Federal employer identification number is used primarily to account for and give credit for tax payments. It is also used in the administration and enforcement of all tax laws for which the Division of Taxation has statutory responsibility.

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 the 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.

Gubernatorial Elections Fund

A fiduciary may designate as a contribution to the Gubernatorial Elections Fund the sum of \$1. The designation of a contribution to this fund does not increase the tax liability or reduce the amount of any possible refund.

Signature and Date

The return must be signed and dated by the individual fiduciary or by the authorized officer of the organization receiving, having custody or control and management of the income of the estate or trust.

Any person who prepares a taxpayer's return for a fee must sign as "Preparer" and must include his or her social security (tax identification) number. If the return is prepared by a firm or corporation, it should be signed by the individual preparer and should include the firm's or corporation's name. The individual preparer's social security (tax identification) number must be included, as well as the Federal employer identification number of the firm or corporation.

Any tax preparer who fails to sign the return or provide the assigned tax identification number shall be liable for a \$25.00 penalty for each such failure.

Penalties and Interest

1. Late Filing Penalty - 5% per month or fraction thereof for each month of delinquency up to a maximum of 25% of the balance of the tax due with the return. In addition the law allows a \$100 per month (or fraction of a month) penalty.
2. Late Payment Penalty - 5% of the outstanding balance may be imposed.
3. 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.

Line by Line Instructions

Name, Address and Identification Number

Please place the preprinted name and address label in the appropriate space provided on the form. If a label is not provided, print or type the name of the estate or trust, the name and title of the fiduciary and complete address with the zip code. Enter the Federal employer identification number in the space provided.

Lines 1 through 4 - Residency Status. Indicate the residency status of the estate or trust by checking the appropriate block provided at each line. Also indicate in the space provided the date of decedent's death or the date the trust was created. If the estate or trust is a resident of a state other than New Jersey, enter the name of the state.

Line 5. If the estate was closed or the trust terminated, check the box provided and indicate the date of such closing or termination. Also write "FINAL RETURN" at the top of the form.

INCOME

Estates and trusts (whether resident or nonresident) must report on Lines 6 through 13 taxable income received from all sources (both inside and outside New Jersey) during the taxable year. (Nonresident estates or trusts must complete Lines 6-13 as if the income was earned by a resident estate or trust. Nonresident estates or trusts must also complete Schedule G to report their income from New Jersey sources. See the instructions for Schedule G on page 6.)

➔ **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, enter "0" for that category. No carryback or carryover of losses is permitted under New Jersey law.

Line 6 - Interest. Report all taxable interest from all sources, including savings and loan associations, credit unions, bank deposits, bonds, certificates of deposit, interest bearing checking accounts, etc. Interest derived from sources held outside of New Jersey is includable in gross income. Interest received as a partner in a partnership must be included on this line if it was not earned in the ordinary course of business of the partnership.

Interest received from Ginnie Maes, Fannie Maes and Freddie Macs is taxable since these securities are not direct obligations of the Federal government. Interest income received from repurchase agreements is taxable to the investor regardless of the nature of the underlying obligation.

Interest on obligations of other states and their political subdivisions is subject to tax, as is the interest on obligations of the District of Columbia.

Amounts received from a mutual fund or other regulated investment company are includable in gross income unless the fund is a qualified investment fund as defined by New Jersey law.

A New Jersey qualified investment fund is a regulated investment company in which at least 80% of the underlying investments are obligations issued either directly by the Federal government or by the State of New Jersey or any of its political subdivisions.

If you received a distribution from a qualified investment fund, you may exclude from gross income only the portion which is attributable to qualified exempt obligations. A fund that is a qualified investment fund for New Jersey purposes should notify its shareholders by February 15 as to the portion of each distribution which may be excluded from gross income.

For New Jersey gross income tax purposes, a forfeiture penalty resulting from an early withdrawal of a time deposit account is considered a loss which may be used to offset interest income.

Line 7 - Dividends. Enter on this line the amount of dividends received during the taxable year. The total amount of dividends received, regardless of the source, must be reported. For dividends received from a mutual fund or other regulated investment company, see the instructions for Interest Income at Line 6.

Distributions out of earnings and profits of corporations are required to be reported in the year received by the shareholder.

Shareholders of S corporations, see Line 12, below and request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*, for information on how to report S corporation income.

Distributions not out of earnings and profits of a corporation which are a return of investment or capital in the company are sometimes referred to as tax-free distributions or non-taxable capital distributions. Such distributions are a return of capital and reduce the basis of the stock or investment and are not taxable until the basis in the stock or investment

Line 7 - Dividends - continued

is fully recovered. To the extent that a return of capital (when added to other distributions received in the past) exceeds the investment in the stock or security, it is included in income as a capital gain on Line 9. Capital gain dividends, under the New Jersey law, are taxable in full as capital gains. Dividends reinvested in a public utility are taxable.

Line 8 - Net Profits from Business. Enter on this line the amount from Schedule A, Line 30.

Line 9 - Net Gains or Income from Disposition of Property. Enter on this line the amount from Schedule B, Line 34.

Line 10 - Net Gains or Income from Rents, Royalties, Patents and Copyrights. Enter on this line the amount from Schedule C, Line 37.

Line 11 - Distributive Share of Partnership Income. Enter on Line 11 the estate's or trust's 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*.

Attach a copy of the Schedule NJK-1, Form NJ-1065, which the estate or trust received from the partnership and enter the income amounts on the NJ-1041 as indicated. Any amounts less than zero must be entered as "0."

If the estate or trust did not receive a Schedule NJK-1, you must attach 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 the estate's or trust's records.

Line 12 - Net Pro Rata Share of S Corporation Income. Enter on Line 12 the amount of the estate's or trust's 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*.

Attach a copy of the Schedule NJ-K-1, Form CBT-100S which was received from the S corporation. If the estate or trust did not receive a Schedule NJ-K-1, you must attach 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 the estate's or trust's records.

Line 13 - Other Income. Enter on this line the amount of income for which a space is not provided elsewhere on the return. Also state the nature of this income. If additional space is needed, attach a rider to the return.

NONRESIDENT ESTATES AND TRUSTS ONLY:

➔ **Caution:** Nonresident estates and trusts must complete Schedule G *before* completing Line 14a. See the instructions for Schedule G on page 6.

Line 14a - NJ Income from Schedule G, Line 9. Enter on this line the total amount of income from New Jersey sources from Schedule G, Line 9.

Line 14b - Total Income. Enter on this line the total of Lines 6, 7, 8, 9, 10, 11, 12 and 13.

Line 15 - Income Commissions. Enter on this line commissions which are specifically related to income reported on Line 14b and paid or accrued to the Executor or Trustee. Deductible commissions are those measured as a percentage of income. Fixed fee commissions are not deductible. Attach a schedule showing the calculation of the commissions.

Line 16 - Gross Income. Line 14b less Line 15.

Line 17 - Deduction for Distributions to Beneficiaries. Enter on this line the amount from Schedule D, Line 39.

Line 18 - Exemption. Enter \$1,000 on Line 18. The exemption allowable on returns that cover less than a full calendar year is limited to that percent of \$1,000 which the total number of months within a taxpayer's taxable year bears to 12. For this calculation, fifteen days or more shall constitute a month.

Line 19 - Total of Deductions and Exemption. Enter on this line the total of Lines 17 and 18.

Line 20 - Taxable Income. Subtract total of deductions and exemption (Line 19) from gross income (Line 16) and enter the result on this line.

NONRESIDENT ESTATES AND TRUSTS ONLY:

Line 21 - Tax on Amount on Line 20. Compute the tax on the amount on Line 20 by using one of the following methods:

Tax Table. If your taxable income is less than \$110,000, you may use the New Jersey Tax Table on page 9 or the New Jersey Tax Rate Schedule on page 17 to find your tax. After you have found your tax, enter the amount on Line 21.

Tax Rate Schedule. You must use the New Jersey Tax Rate Schedule on page 17 if your taxable income is \$110,000 or more. After you have calculated your tax, enter the amount on Line 21.

Line 22 - Income Percentage. To figure your income percentage, enter the amounts from Line 14a and Line 14b in the spaces provided. Divide the amount on Line 14a by the amount on Line 14b. Carry your result to three decimal places. For example, if the amounts used were \$20,000 (Line 14a) divided by \$30,000 (Line 14b), the result would be 66.7% or .667. In certain situations, however, the income percentage can exceed 100%.

NOTE: The income percentage can exceed 100%. For example, a nonresident estate or trust realizes a \$50,000 gain from the sale of real property in New Jersey and sustains a \$10,000 loss from the sale of property in Florida. This nonresident taxpayer (which has no other income) reports \$40,000 as total income (Line 14b) and \$50,000 as income from New Jersey sources (Line 14a). The income percentage is 125% (or 1.25) calculated as follows: \$50,000 (Line 14a) divided by \$40,000 (Line 14b).

Line 23 - Tax

- **RESIDENT ESTATES AND TRUSTS.** Compute your New Jersey tax by using one of the following methods:

Tax Table. If your taxable income (Line 20) is less than \$110,000, you may use the New Jersey Tax Table on page 9 or the New Jersey Tax Rate Schedule on page 17 to find your tax. After you have found your tax, enter the amount on Line 23.

Tax Rate Schedule. You must use the New Jersey Tax Rate Schedule on page 17 if your taxable income is \$110,000 or more. After you have calculated your tax, enter the amount on Line 23.

- **NONRESIDENT ESTATES AND TRUSTS.** Multiply the amount on Line 21 by the income percentage on Line 22 and enter the result on Line 23. This is your New Jersey tax.

Line 24 - New Jersey Income Tax Previously Paid. Enter on this line the amount of any New Jersey Gross Income Tax previously paid toward your 1996 NJ-1041 during the taxable period, including any payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder.

Line 25 - Credit for Income or Wage Taxes Paid by New Jersey Estates or Trusts to Other Jurisdictions. Enter on this line the amount of credit allowed from Schedule E, Line 44.

Line 26 - Total Payments and Credits. Enter on this line the total of Lines 24 and 25.

Line 27 and 28 - Balance of Tax Due or Overpayment. If the New Jersey tax (Line 23) is larger than total payments and credits (Line 26), subtract Line 26 from Line 23 and enter this amount on Line 27. Please make your check for this amount payable to "State of New Jersey - T.G.I."

If the total payments and credits (Line 26) is larger than the New Jersey tax (Line 23), subtract Line 23 from Line 26 and enter the result on Line 28.

SCHEDULE A - Net Profits from Business

Line 29. Enter in the spaces provided the type of business(es), address and net profit (loss) from the operation of a business, profession or other activity carried on by the estate or trust after provision for all costs and expenses incurred in the conduct thereof, determined either on a cash or accrual basis in accordance with the method of accounting used for Federal income tax purposes. No deduction of taxes based on income shall be allowed. Adjustments should be made compatible with the New Jersey Income Tax Law, e.g., capital gains, interest on Federal obligations, interest on bonds of other states and other municipalities. There are no provisions to permit a carryback or carryover of net operating losses.

In order for an income producing activity to constitute a business or profession, it must be a commercial enterprise regularly conducted for profit and involved in the offering of goods or services to others in the marketplace.

Example: A trust invests in stock for its own financial benefit. It does not offer its investment services to others for a fee. It derives substantial income (gains from the sale of stock, interest and dividends) from the investment activities. The trust's income is not net profits from a business or profession. It must report this income as gains from the sale of stock, interest and dividends.

Gain or loss from the sale of an asset used in a business, other than inventory or stock-in-trade, must be reported on Schedule B. Interest, dividends, rents and royalty income not derived in the ordinary course of business are not reportable as profits from a business or profession. Expenses which are attributable to such income are not deductible business expenses.

Line 30. Enter on this line the total of all net profits (losses). Also enter this amount on Page 1, Line 8. If this amount is a loss, enter "0."

SCHEDULE B - Net Gains or Income from Disposition of Property

Line 31. Enter in the spaces provided the net gains or income less net losses derived from the sale, exchange or other disposition of property including real or personal property whether tangible or intangible, taxable under New Jersey law. The basis to be used for computing gain or loss is the cost or adjusted basis used for Federal income tax purposes. If, however, you are selling S corporation shares, request Tax Topic Bulletin GIT-9, *Income from Partnerships and S Corporations*, for more information.

All capital gains are taxed at their full amount. Thus, you may deduct Federal passive losses in full in the year incurred, provided that there is a gain within the same category of income. No preferential treatment is given to any capital gain. All gains derived from installment sales must be reported in the same tax year as reported for Federal income tax purposes. If the spaces provided are not sufficient, attach a rider to the return.

Line 32. Enter on this line the total amount of all capital gain distributions.

Line 33. Enter on this line the total amount of net gains or income less net losses from disposition of property not included on Lines 31 and 32 above.

Line 34. Enter on this line the total of Lines 31, 32 and 33. Also enter this amount on Page 1, Line 9. If this amount is a loss, enter "0."

SCHEDULE C - Net Gains or Income from Rents, Royalties, Patents and Copyrights

Line 35. Enter in the spaces provided the kind of property and the net gains or net income less net losses derived from or in the form of rents, royalties, patents and copyrights as reported on the Federal income tax return of the fiduciary for the taxable period. The Gross Income Tax Act has no provision, however, which allows the Division to distinguish between active and passive losses. Nor is there a provision authorizing carryback or carryforward of such losses. Thus, you may deduct Federal passive losses in full in the year incurred, provided that there is a gain within the same category of income. If the spaces provided are not sufficient, attach a rider to the return.

Line 36. Enter on this line the individual total of Columns (b), (c), (d) and (e).

Line 37. Enter on this line the combined totals of Columns (b), (c), (d) and (e). Also enter this amount on Page 1, Line 10. If this amount is a loss, enter "0."

SCHEDULE D - Beneficiaries' Shares of Income

Line 38. Enter in the spaces provided the name, state of residence, address and social security number of each beneficiary to whom estate or trust income was distributed or distributable during the taxable year. Also enter on this line the actual amount of income distributed or required to be distributed to the beneficiaries. If the spaces provided are not sufficient, attach a rider to the return.

Line 39. Enter on this line the total of the income distributed or distributable. Also enter this amount on Page 1, Line 17.

SCHEDULE E - Credit for Income or Wage Taxes Paid by New Jersey Estates or Trusts to Other Jurisdictions

A resident estate or trust may be entitled to a tax credit against its New Jersey tax if its income is from sources outside New Jersey and is subject to both New Jersey Income Tax and the income tax or wage tax imposed by another state of the United States or political subdivision of such state or by the District of Columbia. The fiduciary must complete this schedule to be allowed the credit. Copies of other state(s) or political subdivision(s) tax return(s) must be attached to Form NJ-1041.

Line 40. Enter on this line the amount of income received during the taxable year which was subject to tax by another jurisdiction and also reported on the New Jersey return and included in Schedule E, Line 41. Do not combine the same income subject to tax by more than one jurisdiction. Income subject to tax by foreign countries CANNOT be included in Line 40.

Line 41. Enter on this line the amount of income taxed by New Jersey from Page 1, Line 16 (Gross Income).

Line 42. To compute the amount to be entered on this line divide the income taxed by New Jersey (Schedule E, Line 41) into income taxed by other jurisdictions (Schedule E, Line 40) and multiply the result by the New Jersey Tax (Page 1, Line 23). This is the amount of maximum allowable credit.

Line 43. Enter on this line the total amount of income or wage tax paid to other jurisdictions on the amount of income indicated at Schedule E, Line 40.

Line 44. Enter on this line the LESSER of Schedule E, Line 42 (maximum allowable credit) or Schedule E, Line 43 (income or wage tax paid to other jurisdictions). Also enter this amount on Page 1, Line 25.

SCHEDULE F - Allocation of Business Income to New Jersey

Schedule F must be used by nonresident taxpayers who are required to complete and attach a Gross Income Tax Business Allocation Schedule (Form NJ-NR-A). This schedule is completed only by nonresidents carrying on business both inside and outside New Jersey. See the instructions for Form NJ-NR-A on the next page.

SCHEDULE G - New Jersey Income of Nonresident Estates and Trusts

The New Jersey income tax liability of a nonresident estate or trust is based on the percentage of its total income which comes from New Jersey sources. Tax is computed on income from all sources, and then prorated according to the ratio that New Jersey income bears to income from both inside and outside New Jersey.

Nonresident estates must report their income from all sources (both inside and outside New Jersey) on Lines 6–13 of Form NJ-1041 and their income from New Jersey sources on Lines 1–8 of Schedule G. These figures cannot be copied from figures reported on the Federal return.

Complete Schedule G *before* completing Line 14a of Form NJ-1041. If you complete Schedule G, be sure to attach it to your completed Form NJ-1041.

Lines 1–8

For each of the various categories of income, enter the portion of the estate's or trust's income received during the taxable year that comes from New Jersey sources.

→ Important: For every entry on Lines 6–13 of Form NJ-1041, there should be an entry on the corresponding line on Schedule G. If none of the income in a particular category is from New Jersey sources, enter "0" on the appropriate line on Schedule G.

A nonresident estate or trust which carries on business *both inside and outside New Jersey* must allocate business income to determine the amount of income from New Jersey sources. Complete and attach a separate Business Allocation Schedule (Form NJ-NR-A) for each business required to allocate. Also complete Schedule F on Page 2 of Form NJ-1041.

Line 9

Enter on Line 9 the total of Lines 1–8. Also enter this amount on Line 14a, Form NJ-1041.

Form NJ-NR-A

If business activities are carried on *both inside and outside New Jersey*, business income may be allocated to determine the amount of income from New Jersey sources. Carrying on business activities outside New Jersey means maintaining, operating or occupying a regular place of business outside New Jersey, such as an office, shop, store, warehouse, factory, agency or other place where the business's affairs are systematically and regularly conducted.

The business may not allocate income if it has only an occasional or isolated business transaction outside the State. Likewise, if the business

has no regular place of business outside New Jersey, it may not allocate income, even though its representatives travel outside the State for the purposes of performing duties connected with the trade or business, and make sales or perform services for persons or corporations located outside the State.

Be sure that Form NJ-NR-A is firmly attached to Form NJ-1040NR, NJ-1041, or NJ-1065, and that the name and address on the Business Allocation Schedule agree exactly with the name and address on the return to which it is attached.

Line by Line Instructions

Section 1 - Business Locations

Use Section 1 to list the locations where the business activities are conducted. In Columns (a) and (b) list the exact locations at which the business carries on activities both inside and outside the State. List **all** business locations. In Column (c) describe the places listed in Columns (a) and (b) (i.e., branch office, agency, factory, warehouse, etc.). In Column (d) indicate whether the business rents or owns each location listed. Attach additional sheets if necessary.

Section 2 - Average Values

Use Section 2 to determine the average values of your business assets.

The *average value of property owned* is determined by adding (1) the book value of the property at the beginning of the taxable year and (2) the book value of the property at the end of the taxable year and dividing the sum by two.

The *average value of property rented or leased* is valued at eight times the annual rent. Rent includes any amounts paid in addition to, or accrued in lieu of rent for the period covered by the return (such as interest, taxes, insurance and repairs).

Line 1 - Real Property Owned

COLUMN A

Enter on Line 1, Column A, the average value of the real property listed in Section 1 that was owned for the period covered by the return. Include property located both inside and outside New Jersey.

COLUMN B

Enter on Line 1, Column B, the average value of the real property listed in Section 1 that was owned in the State. Include only property located in New Jersey.

Line 2 - Real and Tangible Property Rented

COLUMN A

Enter on Line 2, Column A, the average value of the property, both real and tangible, that was rented for the period covered by the return. Include property located both inside and outside New Jersey.

COLUMN B

Enter on Line 2, Column B, the average value of the property, both real and tangible, that was rented in the State. Include only property located in New Jersey.

Line 3 - Tangible Personal Property Owned

COLUMN A

Enter on Line 3, Column A, the average value of the tangible personal property that was owned and used in the business for the period covered by the return. Include property located both inside and outside New Jersey.

COLUMN B

Enter on Line 3, Column B, the average value of the tangible personal property that was owned and used in the business in the State. Include only property located in New Jersey.

Line 4 - Totals

COLUMN A

Add Lines 1–3 of Column A and enter the total on Line 4, Column A.

COLUMN B

Add Lines 1–3 of Column B and enter the total on Line 4, Column B.

Section 3 - Business Allocation Percentage

Use Section 3 to determine the business allocation percentage that must be applied to business income. The Business Allocation Percentage must be applied to business income from all sources in order to determine the amount from New Jersey sources.

Line 1 - Average Values of Property

Line 1a - In New Jersey

Enter on Line 1a the average values of the business property in New Jersey from Line 4, Column B, Section 2.

Line 1b - Everywhere

Enter on Line 1b the average values of the business property from everywhere (both inside and outside New Jersey) from Line 4, Column A, Section 2.

Line 1c - Percentage in New Jersey

Divide the amount on Line 1a by the amount on Line 1b. The result will be 100% or less. Enter the result on Line 1c.

Line 2 - Total Receipts from All Sales, Services and Other Business Transactions**Line 2a - In New Jersey**

Enter on Line 2a the total of receipts from all sales made, services performed and business transactions conducted in New Jersey during the period covered by the return. This includes sales made and services performed by partners, employees, agents, agencies or independent contractors of the business situated at or sent out from, the offices of the business (or its agencies) located in New Jersey. For example, if a salesperson working out of the New Jersey office of the business covers the states of New Jersey, New York and Pennsylvania, all sales made are to be allocated to New Jersey and reported on Line 2a.

Line 2b - Everywhere

Enter on Line 2b the total of receipts from all sales made, services performed and business transactions conducted both inside and outside New Jersey during the period covered by the return.

Line 2c - Percentage in New Jersey

Divide the amount on Line 2a by the amount on Line 2b. The result will be 100% or less. Enter the result on Line 2c.

Line 3 - Wages, Salaries and Other Personal Compensation Paid During the Year**Line 3a - In New Jersey**

Enter on Line 3a the total of wages, salaries and other personal compensation paid to employees in connection with operations carried on in New Jersey during the period covered by the return. Compensation is paid in connection with operations carried on in New Jersey if work is based in an office or other place of business located in New Jersey.

Include only amounts paid to employees on Line 3a. **Do not include payments to independent contractors, independent sales agents, etc.**

Line 3b - Everywhere

Enter on Line 3b the total compensation paid to employees both inside and outside New Jersey during the period covered by the return. **Do not include payments to independent contractors, independent sales agents, etc.**

Line 3c - Percentage in New Jersey

Divide the amount on Line 3a by the amount on Line 3b. The result will be 100% or less. Enter the result on Line 3c.

Line 4 - Sum of New Jersey Percentages

Add Lines 1c, 2c and 3c and enter the total on Line 4.

Line 5 - Business Allocation Percentage

Divide the total on Line 4 by three and enter the result on Line 5. Also enter this percentage on the appropriate line of the following returns:

- Part VI, Form NJ-1040NR
- Line 6b, Form NJ-1065
- Schedule F, Form NJ-1041

If one of the fractions (property, receipts or payroll) is missing, the other two percentages are added and the sum is divided by two. If two of the fractions are missing, the remaining percentage may be used as the allocation factor. A fraction is not missing merely because its numerator is zero, but is missing if its denominator is zero.

1996 New Jersey Tax Table for Form NJ-1041

Use this table if your taxable income on Line 20 is less than \$110,000. If your taxable income is \$110,000 or more, you must use the Tax Rate Schedule on the last page of this booklet.

Example: Mr. Evans is filing a fiduciary return for his mother’s estate. The taxable income on Line 20 of Form NJ-1041 is \$39,875. First he finds the \$39,850–\$39,900 income line. Next, he finds the column for “Your Tax is—” and reads down the column. The amount shown where the income line meets the tax amount column is \$713. This is the tax amount to be entered on Line 23 of Form NJ-1041 (nonresidents, Line 21).

If Line 20 (Taxable Income) is—		
At Least	But Less Than	Your Tax is—
39,800	39,850	711
39,850	39,900	713
39,900	39,950	715
39,950	40,000	717

**1996 New Jersey Tax Rate Schedule
for Form NJ-1041**

If Taxable Income (Line 20) is:		STEP 1	STEP 2	STEP 3	Your Tax
		Enter Your Line 20	Multiply Your Line 20 by:	Subtract	
Over	But not over				
\$ 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 = _____	_____

SCHEDULE G
(FORM NJ-1041)

1996

NEW JERSEY GROSS INCOME TAX

NEW JERSEY INCOME OF NONRESIDENT ESTATES AND TRUSTS

All nonresident estates and trusts must complete this schedule and file it with the New Jersey Gross Income Tax Fiduciary Return (Form NJ-1041).

Enter name, address and Federal Employer Identification Number as shown on Form NJ-1041

Name of Estate or Trust	Federal Employer Identification Number
Name and Title of Fiduciary	
Address of Fiduciary (Number and Street or Rural Route)	For the Taxable Year Ended (Month, Day, Year)
City, Town, Post Office State Zip Code	

INCOME FROM NEW JERSEY SOURCES:		Net losses in one category cannot be applied against income in another. In case of a net loss in any category, enter "zero" for that category.		New Jersey Income	
1.	Interest	1.			
2.	Dividends	2.			
3.	Net profits from business	3.			
4.	Net gains or income from disposition of property	4.			
5.	Net gains or income from rents, royalties, patents and copyrights	5.			
6.	Distributive share of partnership income	6.			
7.	Net pro rata share of S corporation income	7.			
8.	Other Income—State Nature	8.			
9.	TOTAL INCOME FROM NEW JERSEY SOURCES (Add Lines 1 through 8) (Enter here and on Line 14a, Form NJ-1041)	9.			