

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.

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, before exemptions or deductions, is more than \$10,000 (prorated for the number of months covered by a part-year return) during the taxable year. If a resident trust or estate does not have any assets in New Jersey or income from New Jersey sources, and does not have any trustees or executors in New Jersey, it is not subject to New Jersey tax. However, a New Jersey Gross Income Tax Fiduciary Return should be filed with a statement attached certifying the trust's or estate's exempt status.

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.

Grantor trusts are required to file a New Jersey Gross Income Tax Fiduciary Return. If the grantor trust income is reportable by or taxable to the grantor for Federal income tax purposes, it is also taxable to the grantor for New Jersey gross income tax purposes. See the line-by-line instructions for distributions.

A resident estate or trust does 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 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.

In general, 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 \$10,000 (prorated for the number of months covered by a part-year return) before exemptions or deductions.

A nonresident estate or trust does 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. Net gambling winnings from New Jersey sources (other than the New Jersey Lottery).

C. Electing Small Business Trusts

A Federal Electing Small Business Trust can make a New Jersey election to be taxed in the same manner as for Federal tax purposes. Request Form NJ-1041SB for election information, filing instructions, and tax forms.

PERIOD TO BE COVERED BY RETURN

The 2006 return filed by an administrator or an executor of an estate must cover the period from January 1, 2006, or fiscal year beginning in 2006, or the date of death of decedent (if death occurred after January 1, 2006) to the end of the taxable year selected by the fiduciary when appropriate. The 2006 return filed by a trustee of a trust must cover the period beginning January 1, 2006. Only charitable trusts which are exempt from tax are permitted to use a fiscal tax year.

The taxable year cannot be longer than 12 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.

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.

Use the large envelope in this packet to mail Form NJ-1041 with related enclosures, payment voucher, and check or money order for any tax due.

Mail Form NJ-1041 to: STATE OF NEW JERSEY
DIVISION OF TAXATION
REVENUE PROCESSING CENTER
PO BOX 888
TRENTON NJ 08646-0888

PAYMENT OF TAX

The balance of tax due must be paid in full by the original due date of the return. If the amount due is less than \$1, no payment is required. New Jersey income tax payments for tax year 2006 as well as estimated tax payments for 2007 may be made by check or money order, electronic check (e-check), or credit card.

Check or Money Order. Checks and money orders are to be made payable to "State of New Jersey - TGI." Write the Federal employer identification number on the check or money order then enter the amount of tax due in the appropriate boxes on payment voucher NJ-1041-V located at the front of this booklet. Do not make changes to any of the information preprinted on the payment voucher. Instead, make any necessary changes on Form NJ-1041. Send the check or money order and the payment voucher in the same envelope as the NJ-1041 return.

Do not include in the same check or money order the amount due for tax year 2006 and the first installment of estimated taxes for 2007. Use a separate check or money order for each payment. Send the 2007 estimated tax payment with an NJ-1040-ES voucher to the address indicated on that payment voucher. **Do not include the estimated tax payment with the 2006 fiduciary return.**

Electronic Check (e-check). This option is available on the Division's Web site (www.state.nj.us/treasury/taxation/). Taxpayers who do not have Internet access can pay by e-check by contacting the Division's Customer Service Center at 609-292-6400. Do not send in the payment voucher (Form NJ-1041-V) when paying by e-check.

When using e-check on the Web, you will need the Federal employer identification number, the date of the decedent's death or the date the trust was created, your bank's routing number, and your account number to make a payment.

Credit Card. A Visa, American Express, MasterCard, or Discover credit card may be used to pay by phone (1-800-2PAYTAX, toll-free) or online (www.state.nj.us/treasury/taxation/). You may be asked to enter a jurisdiction code to make your payment. The code for New

Jersey is 4000. There is a convenience fee of 2.49% paid directly to Official Payments Corporation based on the amount of the tax payment. Do not send in the payment voucher (Form NJ-1041-V) when paying by credit card. A \$1 convenience fee will be charged for all tax payments of \$40 or less.

Credit Card Payment Sample Convenience Fees

Transaction Amount	Convenience Fee	Total Amount
\$ 100.00	\$ 2.49	\$ 102.49
200.00	4.98	204.98
400.00	9.96	409.96
600.00	14.94	614.94
1,000.00	24.90	1,024.90
1,400.00	34.86	1,434.86
2,000.00	49.80	2,049.80
2,700.00	67.23	2,767.23
3,500.00	87.15	3,587.15
4,400.00	109.56	4,509.56
5,400.00	134.46	5,534.46
6,400.00	159.36	6,559.36
7,400.00	184.26	7,584.26
8,700.00	216.63	8,916.63
10,400.00	258.96	10,658.96
13,000.00	323.70	13,323.70
17,400.00	433.26	17,833.26
21,000.00	522.90	21,522.90
28,000.00	697.20	28,697.20
36,000.00	896.40	36,896.40
45,000.00	1,120.50	46,120.50
55,000.00	1,369.50	56,369.50
66,000.00	1,643.40	67,643.40
77,000.00	1,917.30	78,917.30
88,000.00	2,191.20	90,191.20

NOTE: Fees are subject to change.
For payments above \$100,000, please contact
Official Payments Corp. at 1-866-621-4109

John Smith
Jane Smith
123 Main Street
Trenton, NJ 08611

Date _____

15-0000/0000

1234

PAY TO THE ORDER OF \$ _____

DOLLARS

Anyplace Bank
Trenton, NJ 08611

For _____

Routing number: 20202086

Account number: 1234

Do not include the check number

1250250025

SAMPLE

You will need your bank's 9-digit routing number and your account number to make a payment by e-check. Do not enter the check number as part of the account number. **Note:** The routing and account numbers may be in different places on your check.

EXTENSION OF TIME TO FILE

An extension of time is granted only to file the New Jersey Gross Income Tax Fiduciary Return. There is no extension of time to pay tax due. **Penalties and interest are imposed whenever tax is paid after the original due date.**

Six-Month Extension

You may receive a six-month extension of time to file your New Jersey Gross Income Tax Fiduciary Return if at least 80% of the tax liability computed on your Form NJ-1041 when filed is paid in the form of 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 Form NJ-1041 is checked (or, if the Federal extension application was filed electronically, the confirmation number is entered in the space provided at the top of Form NJ-1041); **or**
- 2. No Federal extension filed.** You file a request for a six-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.

NOTE: If a Federal extension is filed, Form NJ-630 must still be filed by the original due date if you are required to make a payment to satisfy the 80% requirement.

If you fail to satisfy the requirements outlined for an extension of time to file, 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, Interest, and Collection Fees" on page 4.

ACCOUNTING METHOD

A taxpayer's accounting method for New Jersey gross income tax shall be the same as the accounting method used for Federal income tax purposes. Income must be recognized and reported in the same period as it is recognized and reported for Federal income tax purposes.

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 for which the fiduciary is eligible 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 eligible for 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 filed 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 PAYMENTS

Certain estates and trusts are required to file Form NJ-1040-ES and make quarterly estimated tax payments for any tax year in which the estimated tax of the estate or trust is expected to exceed \$400. Estimated tax means the projected amount of New Jersey gross income tax liability for the taxable year after subtracting payments and other allowable credits. Instructions for computing the estimated tax and making estimated payments are included with Form NJ-1040-ES. Failure to file a declaration of estimated tax or to pay all or any part of an installment of estimated tax will result in interest charges on the underpayment.

Exceptions

Estimated tax payments are not required from:

- A decedent's estate for any tax year ending before the date that is two years after the decedent's death; or
- A trust that was treated as owned by the decedent if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust primarily responsible for paying debts, taxes, and expenses of administration) for any tax year ending before the date that is two years after the decedent's death.

Underpayment of Estimated Tax

If all estimated tax payments are not made as required, Form NJ-2210, Underpayment of Estimated Tax by Individuals, Estates or Trusts, should be completed to determine if interest is due and if so, to calculate the amount.

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 in the space provided 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.

Preparer Authorization

Because of the strict provisions of confidentiality, Division of Taxation personnel may not discuss your return or enclosures with anyone other than you without your written authorization. If, for any reason, you want a Division of Taxation representative to discuss your tax return with the individual who signed the return as "Preparer Other than Fiduciary," we must have your permission to do so. To authorize the Division of Taxation to discuss your return and enclosures with your "Preparer Other than Fiduciary," check the box above the preparer's signature line.

Tax Preparers

Any person who prepares a taxpayer's return for a fee must sign as "Preparer" and must include his or her social security number or Federal preparer tax identification number. Returns prepared by a firm or corporation should be signed by the individual preparer and should include the name of the firm or corporation. 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 penalty for each such failure.

NOTE: Any tax preparer who prepared 100 or more New Jersey gross income tax resident returns in 2005 must use electronic methods to file all 2006 New Jersey resident income tax returns and to pay any tax on behalf of the taxpayer. A tax preparer is liable for a penalty of \$50 for each return he or she fails to file electronically when required to do so.

PENALTIES, INTEREST, AND COLLECTION FEES

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 tax 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.
4. Collection Fees - In addition, if a tax bill is sent to our collection agency, a referral cost recovery fee of 10% of the tax due will be added to the liability. If a certificate of debt is issued for an outstanding liability, a fee for the cost of collection of the tax may also be imposed.

Line-by-Line Instructions

NAME, ADDRESS, AND IDENTIFICATION NUMBER

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. In the space provided, indicate the type of trust (i.e., Simple trust, Complex trust, Grantor trust).

Line 5 - Estate Closed or Trust Terminated

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 9.)

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, life insurance dividends, etc. Interest derived from sources held outside of New Jersey is includable in gross income. Interest paid or deemed to have been paid to the estate or trust by a partnership or S corporation and which is reportable on Form 1099 must be reported as interest on this line. Interest received by a sole proprietorship is reportable as net profits from business on Line 8. Interest earned and received by a partnership, an estate or trust or, in general, an S corporation is reportable as distributive share of partnership income on Line 11, net income from estates or trusts on Line 13, or net pro rata share of S corporation income on Line 12. For detailed information regarding the reporting of partnership or S corporation income, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

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.

Distributions from Coverdell education savings accounts (ESAs), but only the earnings portion, are also includable in gross income.

Amounts paid by 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, or to the extent that the distributions are attributable to interest earned on Federal obligations.

A New Jersey qualified investment fund is a regulated investment company in which at least 80% of the underlying investments are

continued

Line 6 - Interest - continued

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.

In the space provided, report all tax-exempt interest as well as exempt interest dividends from a New Jersey qualified investment fund. If exempt interest 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," and distributions paid by mutual funds to the extent the distributions are attributable to interest earned on Federal obligations.

Line 7 - Dividends

Enter on this line the amount of dividends received during the taxable year from investments (e.g., from stocks, mutual funds) or other income-producing activities which do not constitute a trade or business. The total amount of dividends received, **regardless of where earned**, must be reported. For dividends received from a mutual fund or other regulated investment company, see the instructions for interest income at Line 6.

Dividends received by a sole proprietorship are reportable as net profits from business on Line 8. Dividends earned and received by a partnership, an estate or trust or, in general, an S corporation are reportable as distributive share of partnership income on Line 11, net income from estates or trusts on Line 13, or net pro rata share of S corporation income on Line 12. For detailed information regarding the reporting of partnership income or S corporation income and distributions, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

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

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 nontaxable capital distributions. Such distributions are a return of capital, reduce the basis of the stock or investment, and are not taxable until the basis in the stock or investment 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 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 38. Attach a copy of Federal Schedules C or F.

Line 9 - Net Gains or Income From Disposition of Property

Enter on this line the amount from Schedule B, Line 42. Attach a copy of Federal Schedule D.

Line 10 - Net Gains or Income From Rents, Royalties, Patents, and Copyrights

Enter on this line the amount from Schedule C, Line 45. Attach a copy of Federal Schedule E.

Line 11 - Distributive Share of Partnership Income

Enter on Line 11 the estate's or trust's share of income derived from partnership(s) as reported to the estate or trust by the partnership(s) on Schedule NJK-1, Form NJ-1065. The appropriate amount to enter appears on the schedule in column A of the line labeled "Distributive Share of Partnership Income" and must be reported whether or not the income was actually distributed. If the net amount from all Schedule NJK-1s is zero or less, enter "0." Attach a copy of each Schedule NJK-1, Form NJ-1065, which the estate or trust received from the partnership.

If any adjustments to the amount reported on Line 11 are necessary, follow the detailed instructions in Tax Topic Bulletin GIT-9P, *Income From Partnerships*.

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-9P, *Income From Partnerships*. 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-9S, *Income From 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-9S, *Income From 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.

Line 14 - Gross Income

Enter on this line the total of Lines 6, 7, 8, 9, 10, 11, 12, and 13. If the total is \$10,000 or less (prorated for the number of months covered by a part-year return), there is no New Jersey tax liability and no return need be filed. If the return is being filed only to obtain a refund of estimated payments made and/or other credits, complete Schedule D, Beneficiaries' Shares of Income, and Line 15 and then continue completing the return at Line 30.

Line 15 - Deduction for Distributions to Beneficiaries

Enter on this line the amount from Schedule D, Line 47A.

Line 16 - Total Income

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

NONRESIDENT ESTATES AND TRUSTS ONLY:

Caution: Nonresident estates and trusts must complete Schedule G *before* completing Line 16a. See the instructions for Schedule G on page 9.

Line 16a - NJ Income from Schedule G, Line 11

Enter on this line the total amount of income from New Jersey sources from Schedule G, Line 11.

Line 17 - Income Commissions

Enter on this line commissions which are specifically related to income reported on Line 14 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 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, 15 days or more constitutes a month.

Line 19 - Health Enterprise Zone Deduction

Eligible taxpayers engaged in providing "primary care" medical and/or dental services at a qualified practice located in or within five miles of a designated Health Enterprise Zone (HEZ) enter the amount of their HEZ deduction on Line 19. Partners and S corporation shareholders of a qualified practice enter the HEZ deduction amount listed on Schedule NJK-1, Form NJ-1065, or Schedule NJ-K-1, Form CBT-100S. Sole proprietors must calculate the amount of their HEZ deduction for Line 19. For information on eligibility requirements and how to calculate the HEZ deduction, see Technical Bulletin TB-56, Health Enterprise Zones, which is available on the Division's Web site (www.state.nj.us/treasury/taxation/).

Line 20 - Total of Deductions and Exemption

Enter on this line the total of Lines 17, 18, and 19.

Line 21 - Taxable Income

Subtract total of deductions and exemption (Line 20) from total income (Line 16) and enter the result here.

Line 22 - Taxable Income

Enter on Line 22 the taxable income from Line 21, Page 1.

NONRESIDENT ESTATES AND TRUSTS ONLY:**Line 23 - Tax on Amount on Line 22**

Compute the tax on the amount on Line 22 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 11 or the New Jersey Tax Rate Schedule on page 19 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 19 if your taxable income is \$110,000 or more. After you have calculated your tax, enter the amount on Line 23.

Line 24 - Income Percentage

To figure your income percentage, enter the amounts from Line 16a and Line 16 in the spaces provided. Divide the amount on Line 16a by the amount on Line 16. Carry your result to four decimal places. For example, if the amounts used were \$20,000 (Line 16a) divided by \$30,000 (Line 16), the result would be 66.67% or .6667. 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 16) and \$50,000 as income from New Jersey sources (Line 16a). The income percentage is 125% (or 1.25) calculated as follows:

$$\$50,000 \text{ (Line 16a)} \div \$40,000 \text{ (Line 16)}.$$

Line 25 - Tax**• RESIDENT ESTATES AND TRUSTS**

Compute your New Jersey tax by using one of the following methods:

Tax Table. If your taxable income (Line 22) is less than \$110,000, you may use the New Jersey Tax Table on page 11 or the New Jersey Tax Rate Schedule on page 19 to find your tax. After you have found your tax, enter the amount on Line 25.

Tax Rate Schedule. You must use the New Jersey Tax Rate Schedule on page 19 if your taxable income is \$110,000 or more. After you have calculated your tax, enter the amount on Line 25.

• NONRESIDENT ESTATES AND TRUSTS

Multiply the amount on Line 23 by the income percentage on Line 24 and enter the result on Line 25. This is your New Jersey tax.

Line 26 - 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 52.

Line 27 - Balance of Tax

Subtract Line 26 from Line 25 and enter the result on Line 27.

Line 28 - Sheltered Workshop Tax Credit

Enter on Line 28 your Sheltered Workshop Tax Credit for the current year from Part IV, Line 12 of Form GIT-317. See outside back cover for how to request Form GIT-317 and instructions. Attach a copy of Form GIT-317 to your return and retain a completed copy for your records.

The Sheltered Workshop Tax Credit is only available to entities with privilege periods or taxable years beginning after January 12, 2006.

Line 29 - Balance of Tax

Subtract Line 28 from Line 27 and enter the result on Line 29.

Line 30 - New Jersey Income Tax Previously Paid

Enter on this line the total of estimated payments made for 2006, including any payments made in connection with the sale or transfer of real property in New Jersey; any 2005 overpayment credited to 2006; any amount paid to qualify for an extension of time to file; and any payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder.

Line 31 - Tax Paid on Your Behalf by Partnership(s)

Enter on this line the total amount of New Jersey income tax paid on behalf of the estate or trust by partnership(s), as shown in Column B, Part III of Schedule NJK-1. Attach a copy of Schedule NJK-1 for each partnership that paid tax on behalf of the estate or trust for which the estate or trust is claiming a credit.

Line 32 - Total Payments and Credits

Enter on this line the total of Lines 30 and 31.

Lines 33 and 34 - Balance of Tax Due or Overpayment

If the New Jersey tax (Line 25) is larger than total payments and credits (Line 32), subtract Line 32 from Line 25 and enter this amount on Line 33. See "Payment of Tax" on page 2.

If the total payments and credits (Line 32) are larger than the New Jersey tax (Line 25), subtract Line 25 from Line 32 and enter the result on Line 34.

Line 35 - Credit to 2007 Tax

Enter on Line 35 the amount of overpayment from Line 34 you wish to credit to 2007.

Line 36 - Refund

Subtract Line 35 from Line 34. Enter the result on Line 36. This is the amount to be refunded.

SCHEDULE A - Net Profits From Business**Line 37 - List of Businesses**

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. Adjustments should be made to Federal Schedule C or F to comply with the New Jersey income tax law.

- Add any amounts deducted for taxes based on income.
- Add interest from states or political subdivisions outside of New Jersey which were not reported for Federal purposes.
- Add interest and dividends that were derived by the trade or business.
- Add or subtract income or losses derived by the trade or business from rentals, royalties, patents, or copyrights.
- Add or subtract gains or losses from the sale, exchange, or other disposition of the trade or business's property, not including New Jersey exempt securities.
- Subtract interest which was taxable for Federal purposes but is exempt for New Jersey purposes.
- Subtract the remaining meal and entertainment expenses (that were disallowed on the Federal return).
- Deduct your qualified contributions to a self-employed 401(k) plan. Contributions to a plan in excess of the Federal limits, which are not an allowable deduction for Federal tax purposes, are also not deductible for New Jersey purposes.
- Add or subtract the net adjustment from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, Part 1, line 7. Be sure to retain the completed worksheet for your records. See outside back cover for how to request Worksheet GIT-DEP and instructions.
- Subtract the New Jersey allowable IRC Section 199 deduction which must be calculated on Form 501-GIT, Domestic Production Activities Deduction. Form 501-GIT can be found on the Division's Web site (www.state.nj.us/treasury/taxation/).

Sole proprietorships engaged in providing "primary care" medical and/or dental services at a qualified practice located in or within five miles of a designated Health Enterprise Zone (HEZ) may qualify for a deduction on Line 19. For information on eligibility requirements and how to calculate the HEZ deduction, see Technical Bulletin TB-56, Health Enterprise Zones, which is available on the Division's Web site (www.state.nj.us/treasury/taxation/).

There are no provisions to permit a carryback or carryover of net operating losses. Attach a copy of Federal Schedules C or F.

In order for an income-producing activity to constitute a business or profession, it must be a commercial enterprise regularly conducted for profit and meet the criteria listed in N.J.A.C. 18:35-1.1, *Net Profits from Business*.

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.

Line 38 - Total Net Profits From Business

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 39 - List of Transactions**

The portion of gain or loss derived from the disposition of property owned by a sole proprietorship, partnership, an estate or trust or, in general, an S corporation is reportable as net profits from business on Line 8, distributive share of partnership income on Line 11, income from estates or trusts on Line 13, or net pro rata share of S corporation income on Line 12. Enter in the spaces provided all other 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.

NOTE: If the estate or trust sold or transferred real property in New Jersey and was required to make estimated tax payments in connection with the sale or transfer, be sure to include such payments on Line 30.

The basis to be used for computing gain or loss is the cost or adjusted basis determined for Federal income tax purposes. New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment. In listing the gain or loss on disposition of rental property, the New Jersey adjustment from Worksheet GIT-DEP, line 6 must be taken into consideration. Be sure to retain the completed worksheet for your records. See outside back cover for how to request Worksheet GIT-DEP and instructions.

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production Activities Deduction. The result should be taken into consideration in calculating the gain or loss on disposition of applicable property. Form 501-GIT can be found on the Division's Web site (www.state.nj.us/treasury/taxation/).

If an interest in a partnership, sole proprietorship, or rental property was sold, you may be required to use a New Jersey adjusted basis. If shares in an S corporation were sold, you **must** use the New Jersey adjusted basis. The gain or loss from the sale or liquidation of a sole proprietorship, a partnership interest, or shares of S corporation stock must be reported as net gains or income from disposition of property on Schedule B. For instructions on calculating the New Jersey adjusted basis and the New Jersey gain or loss on disposition of a partnership interest or S corporation shares, request Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

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 New Jersey basis differs from the Federal basis, a New Jersey installment sale calculation must be made and the New Jersey gain must be reported. If the spaces provided are not sufficient, attach a rider to the return. Attach a copy of Federal Schedule D.

Line 40 - Capital Gains Distributions

Enter on this line the total amount of all capital gains distributions.

Line 41 - Other Net Gains

Enter on this line the total amount of net gains or income less net losses from disposition of property not included on Lines 39 and 40.

Line 42 - Net Gains

Enter on this line the total of Lines 39, 40, and 41. 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 43 - List of Property and Income**

Net gains or income from rents, royalties, patents, and copyrights that are derived by a sole proprietorship, a partnership, an estate or trust or, in general, an S corporation are reportable as net profits from business on Line 8, distributive share of partnership income on Line 11, income from estates or trusts on Line 13, or net pro rata share of S corporation income on Line 12. For all other net gains or income from rents, royalties, patents, and copyrights, enter in the spaces provided the kind of property and the net gains or net income less net losses as reported on the Federal income tax return of the fiduciary for the taxable period. New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment. In listing the income or loss for rental property, the New Jersey adjustments from Worksheet GIT-DEP, lines 4 and 5 must be taken into consideration. Be sure to retain the completed worksheet for your records. See outside back cover for how to request Worksheet GIT-DEP and instructions.

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production Activities Deduction. The result should be taken into consideration in calculating the net gain, income, or loss resulting from the rental of applicable property. Form 501-GIT can be found on the Division's Web site (www.state.nj.us/treasury/taxation/).

The New Jersey 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. Attach a copy of Federal Schedule E.

Line 44 - Total Income by Category

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

Line 45 - Net Income

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 46 - Name and Address of Each Beneficiary**

Enter in the spaces provided the name and address, state of residence, and social security number of each beneficiary to whom estate or trust income was distributed or distributable during the taxable year. In Column A enter the actual amount of income distributed or required to be distributed to the beneficiaries. For New Jersey nonresident beneficiaries, also enter in Column B the New Jersey source income distributed or required to be distributed. Do not include distributions of New Jersey tax-exempt income or corpus distributions. If the spaces provided are not sufficient, attach a rider to the return. Attach a copy of New Jersey Schedule NJK-1.

GRANTOR TRUSTS ONLY:

If the income from a grantor trust is reportable by or taxable to the grantor for Federal income tax purposes, it is also taxable to the grantor, and not the trust, for New Jersey gross income tax purposes. The following instructions should be followed:

Line 46 - Name and Address of Each Beneficiary

Enter the name and address, state of residence, and social security number of the taxable grantor. In Column A, enter the trust's gross income from Line 14. For a New Jersey nonresident grantor, also enter in Column B the New Jersey source income included in the trust's gross income. Enter the amount on Line 47A on Line 15. Line 16 (Total Income) should equal zero ("0").

Line 47A - Total Distributions to Beneficiaries

Enter on this line the total of the income distributed or distributable. Also enter this amount on Page 1, Line 15.

Line 47B - New Jersey Source Income Distributed

Enter on this line the total of New Jersey source income distributed or distributable. Also enter this amount on Schedule G, Line 10.

Do not enter an amount on this line for a nonresident beneficiary if the income being distributed to the nonresident beneficiary was received from a business entity (i.e., sole proprietorship, partnership, LLP, or LLC) located in New Jersey and the business entity's only activity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers. You must however, include such income in Column A.

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 eligible for 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.

NOTE: New Jersey does not require that a copy of the income tax return(s) filed with the other jurisdiction(s) be submitted with Form NJ-1041. However, taxpayers should retain complete copies of any returns filed with other jurisdiction(s), including Electronic Filing Income Tax Returns and associated schedules and worksheets which establish the nature and source of the income being taxed by the other jurisdiction. If the fiduciary return is audited, the taxpayer will be asked to submit copies of these or other documents.

Line 48 - Income Actually Taxed by Other Jurisdiction

Enter on this line the amount of income earned during the taxable year, after the deduction of the actual amount of income distributed or required to be distributed, which was subject to tax by another jurisdiction and also reported on the New Jersey return and included in Schedule E, Line 49. 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 48.

Line 49 - Income Subject to Tax by New Jersey

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

Line 50 - Maximum Allowable Credit

To compute the amount to be entered on this line divide the income taxed by New Jersey (Schedule E, Line 49) into income taxed by the other jurisdiction (Schedule E, Line 48) and multiply the result by the

Schedule E - Credit for Taxes Paid to Other Jurisdictions - continued

New Jersey tax (Page 2, Line 25). This is the amount of maximum allowable credit.

Line 51 - Income Tax Paid to Other Jurisdiction

Enter on this line the total amount of income or wage tax paid to the other jurisdiction on the amount of income indicated at Schedule E, Line 48.

Line 52 - Credit Allowed

Enter on this line the *lesser* of Schedule E, Line 50 (maximum allowable credit) or Schedule E, Line 51 (income or wage tax paid to other jurisdiction). Also enter this amount on Page 2, Line 26.

For more information on claiming a credit for taxes paid to another jurisdiction, request Tax Topic Bulletin GIT-3W, *Credit for Taxes Paid to Other Jurisdictions (Wage Income)*, and GIT-3B, *Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)*.

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 below.

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 16a of Form NJ-1041. If you complete Schedule G, be sure to attach it to your completed Form NJ-1041.

INSTRUCTIONS FOR SCHEDULE NJK-1

Beneficiaries are subject to New Jersey gross income tax on the net income from an estate or trust actually distributed or required to be distributed during the taxable year. The fiduciary of an estate or trust must provide each beneficiary with a New Jersey Schedule NJK-1, Form NJ-1041 listing the total income distributed and the New Jersey source income distributed.

Prepare a Schedule NJK-1 for each beneficiary using the information listed on Schedule D, Form NJ-1041, Beneficiaries' Shares of Income.

BUSINESS ALLOCATION SCHEDULE (FORM NJ-NR-A)**General Instructions**

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

Lines 1–8 Income From New Jersey Sources

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.

Income or losses which a nonresident estate or trust receives from a business entity (i.e., sole proprietorship, partnership, LLP, or LLC) located in New Jersey will not be deemed to be derived from New Jersey sources if the business entity's sole activity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers. You must, however, include such income on the appropriate line of Form NJ-1041.

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 3 of Form NJ-1041.

Line 9 - Total Income From New Jersey Sources

Enter on Line 9 the total of Lines 1–8.

Line 10 - New Jersey Source Income Distributed to Beneficiaries

Enter on Line 10 the amount from Schedule D, Line 47B (total New Jersey source income distributed to beneficiaries).

Line 11 - New Jersey Income

Subtract Line 10 from Line 9. Enter the result here and on Page 1, Line 16a.

For a Grantor Trust, prepare a Grantor Attachment listing the Grantor's income by category as required to be reported for gross income tax purposes.

Do not include distributions of New Jersey tax-exempt income or corpus distributions.

Include the NJK-1(s) and Grantor Attachment with Form NJ-1041.

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.

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**

continued

Section 1 - Business Locations - continued

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 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 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 IV, Form NJ-1040NR
- Line 16b, 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.

2006 New Jersey Tax Table for Form NJ-1041

Use this table if your taxable income on Line 22 is less than \$110,000. If your taxable income is \$110,000 or more, you must use the Tax Rate Schedule on page 19 of this booklet.

Example: Mr. Evans is filing a fiduciary return for his mother’s estate. The taxable income on Line 22 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 25 of Form NJ-1041 (nonresidents, Line 23).

If Line 22 (Taxable Income) is—			Your Tax is—
At Least	But Less Than		
39,800	39,850		711
39,850	39,900		713
39,900	39,950		715
39,950	40,000		717

2006 NEW JERSEY TAX TABLE (NJ-1041)

If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —					
At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:			
			1,000			2,000			3,000			4,000		
0	50	0	1,000	1,050	14	2,000	2,050	28	3,000	3,050	42	4,000	4,050	56
50	100	1	1,050	1,100	15	2,050	2,100	29	3,050	3,100	43	4,050	4,100	57
100	150	2	1,100	1,150	16	2,100	2,150	30	3,100	3,150	44	4,100	4,150	58
150	200	2	1,150	1,200	16	2,150	2,200	30	3,150	3,200	44	4,150	4,200	58
200	250	3	1,200	1,250	17	2,200	2,250	31	3,200	3,250	45	4,200	4,250	59
250	300	4	1,250	1,300	18	2,250	2,300	32	3,250	3,300	46	4,250	4,300	60
300	350	5	1,300	1,350	19	2,300	2,350	33	3,300	3,350	47	4,300	4,350	61
350	400	5	1,350	1,400	19	2,350	2,400	33	3,350	3,400	47	4,350	4,400	61
400	450	6	1,400	1,450	20	2,400	2,450	34	3,400	3,450	48	4,400	4,450	62
450	500	7	1,450	1,500	21	2,450	2,500	35	3,450	3,500	49	4,450	4,500	63
500	550	7	1,500	1,550	21	2,500	2,550	35	3,500	3,550	49	4,500	4,550	63
550	600	8	1,550	1,600	22	2,550	2,600	36	3,550	3,600	50	4,550	4,600	64
600	650	9	1,600	1,650	23	2,600	2,650	37	3,600	3,650	51	4,600	4,650	65
650	700	9	1,650	1,700	23	2,650	2,700	37	3,650	3,700	51	4,650	4,700	65
700	750	10	1,700	1,750	24	2,700	2,750	38	3,700	3,750	52	4,700	4,750	66
750	800	11	1,750	1,800	25	2,750	2,800	39	3,750	3,800	53	4,750	4,800	67
800	850	12	1,800	1,850	26	2,800	2,850	40	3,800	3,850	54	4,800	4,850	68
850	900	12	1,850	1,900	26	2,850	2,900	40	3,850	3,900	54	4,850	4,900	68
900	950	13	1,900	1,950	27	2,900	2,950	41	3,900	3,950	55	4,900	4,950	69
950	1,000	14	1,950	2,000	28	2,950	3,000	42	3,950	4,000	56	4,950	5,000	70

2006 NEW JERSEY TAX TABLE (NJ-1041)

If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —			If Line 22 (New Jersey Taxable Income) Is —		
At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:	At Least	But Less Than	Your Tax Is:
5,000			8,000			11,000			14,000			17,000		
5,000	5,050	70	8,000	8,050	112	11,000	11,050	154	14,000	14,050	196	17,000	17,050	238
5,050	5,100	71	8,050	8,100	113	11,050	11,100	155	14,050	14,100	197	17,050	17,100	239
5,100	5,150	72	8,100	8,150	114	11,100	11,150	156	14,100	14,150	198	17,100	17,150	240
5,150	5,200	72	8,150	8,200	114	11,150	11,200	156	14,150	14,200	198	17,150	17,200	240
5,200	5,250	73	8,200	8,250	115	11,200	11,250	157	14,200	14,250	199	17,200	17,250	241
5,250	5,300	74	8,250	8,300	116	11,250	11,300	158	14,250	14,300	200	17,250	17,300	242
5,300	5,350	75	8,300	8,350	117	11,300	11,350	159	14,300	14,350	201	17,300	17,350	243
5,350	5,400	75	8,350	8,400	117	11,350	11,400	159	14,350	14,400	201	17,350	17,400	243
5,400	5,450	76	8,400	8,450	118	11,400	11,450	160	14,400	14,450	202	17,400	17,450	244
5,450	5,500	77	8,450	8,500	119	11,450	11,500	161	14,450	14,500	203	17,450	17,500	245
5,500	5,550	77	8,500	8,550	119	11,500	11,550	161	14,500	14,550	203	17,500	17,550	245
5,550	5,600	78	8,550	8,600	120	11,550	11,600	162	14,550	14,600	204	17,550	17,600	246
5,600	5,650	79	8,600	8,650	121	11,600	11,650	163	14,600	14,650	205	17,600	17,650	247
5,650	5,700	79	8,650	8,700	121	11,650	11,700	163	14,650	14,700	205	17,650	17,700	247
5,700	5,750	80	8,700	8,750	122	11,700	11,750	164	14,700	14,750	206	17,700	17,750	248
5,750	5,800	81	8,750	8,800	123	11,750	11,800	165	14,750	14,800	207	17,750	17,800	249
5,800	5,850	82	8,800	8,850	124	11,800	11,850	166	14,800	14,850	208	17,800	17,850	250
5,850	5,900	82	8,850	8,900	124	11,850	11,900	166	14,850	14,900	208	17,850	17,900	250
5,900	5,950	83	8,900	8,950	125	11,900	11,950	167	14,900	14,950	209	17,900	17,950	251
5,950	6,000	84	8,950	9,000	126	11,950	12,000	168	14,950	15,000	210	17,950	18,000	252
6,000			9,000			12,000			15,000			18,000		
6,000	6,050	84	9,000	9,050	126	12,000	12,050	168	15,000	15,050	210	18,000	18,050	252
6,050	6,100	85	9,050	9,100	127	12,050	12,100	169	15,050	15,100	211	18,050	18,100	253
6,100	6,150	86	9,100	9,150	128	12,100	12,150	170	15,100	15,150	212	18,100	18,150	254
6,150	6,200	86	9,150	9,200	128	12,150	12,200	170	15,150	15,200	212	18,150	18,200	254
6,200	6,250	87	9,200	9,250	129	12,200	12,250	171	15,200	15,250	213	18,200	18,250	255
6,250	6,300	88	9,250	9,300	130	12,250	12,300	172	15,250	15,300	214	18,250	18,300	256
6,300	6,350	89	9,300	9,350	131	12,300	12,350	173	15,300	15,350	215	18,300	18,350	257
6,350	6,400	89	9,350	9,400	131	12,350	12,400	173	15,350	15,400	215	18,350	18,400	257
6,400	6,450	90	9,400	9,450	132	12,400	12,450	174	15,400	15,450	216	18,400	18,450	258
6,450	6,500	91	9,450	9,500	133	12,450	12,500	175	15,450	15,500	217	18,450	18,500	259
6,500	6,550	91	9,500	9,550	133	12,500	12,550	175	15,500	15,550	217	18,500	18,550	259
6,550	6,600	92	9,550	9,600	134	12,550	12,600	176	15,550	15,600	218	18,550	18,600	260
6,600	6,650	93	9,600	9,650	135	12,600	12,650	177	15,600	15,650	219	18,600	18,650	261
6,650	6,700	93	9,650	9,700	135	12,650	12,700	177	15,650	15,700	219	18,650	18,700	261
6,700	6,750	94	9,700	9,750	136	12,700	12,750	178	15,700	15,750	220	18,700	18,750	262
6,750	6,800	95	9,750	9,800	137	12,750	12,800	179	15,750	15,800	221	18,750	18,800	263
6,800	6,850	96	9,800	9,850	138	12,800	12,850	180	15,800	15,850	222	18,800	18,850	264
6,850	6,900	96	9,850	9,900	138	12,850	12,900	180	15,850	15,900	222	18,850	18,900	264
6,900	6,950	97	9,900	9,950	139	12,900	12,950	181	15,900	15,950	223	18,900	18,950	265
6,950	7,000	98	9,950	10,000	140	12,950	13,000	182	15,950	16,000	224	18,950	19,000	266
7,000			10,000			13,000			16,000			19,000		
7,000	7,050	98	10,000	10,050	140	13,000	13,050	182	16,000	16,050	224	19,000	19,050	266
7,050	7,100	99	10,050	10,100	141	13,050	13,100	183	16,050	16,100	225	19,050	19,100	267
7,100	7,150	100	10,100	10,150	142	13,100	13,150	184	16,100	16,150	226	19,100	19,150	268
7,150	7,200	100	10,150	10,200	142	13,150	13,200	184	16,150	16,200	226	19,150	19,200	268
7,200	7,250	101	10,200	10,250	143	13,200	13,250	185	16,200	16,250	227	19,200	19,250	269
7,250	7,300	102	10,250	10,300	144	13,250	13,300	186	16,250	16,300	228	19,250	19,300	270
7,300	7,350	103	10,300	10,350	145	13,300	13,350	187	16,300	16,350	229	19,300	19,350	271
7,350	7,400	103	10,350	10,400	145	13,350	13,400	187	16,350	16,400	229	19,350	19,400	271
7,400	7,450	104	10,400	10,450	146	13,400	13,450	188	16,400	16,450	230	19,400	19,450	272
7,450	7,500	105	10,450	10,500	147	13,450	13,500	189	16,450	16,500	231	19,450	19,500	273
7,500	7,550	105	10,500	10,550	147	13,500	13,550	189	16,500	16,550	231	19,500	19,550	273
7,550	7,600	106	10,550	10,600	148	13,550	13,600	190	16,550	16,600	232	19,550	19,600	274
7,600	7,650	107	10,600	10,650	149	13,600	13,650	191	16,600	16,650	233	19,600	19,650	275
7,650	7,700	107	10,650	10,700	149	13,650	13,700	191	16,650	16,700	233	19,650	19,700	275
7,700	7,750	108	10,700	10,750	150	13,700	13,750	192	16,700	16,750	234	19,700	19,750	276
7,750	7,800	109	10,750	10,800	151	13,750	13,800	193	16,750	16,800	235	19,750	19,800	277
7,800	7,850	110	10,800	10,850	152	13,800	13,850	194	16,800	16,850	236	19,800	19,850	278
7,850	7,900	110	10,850	10,900	152	13,850	13,900	194	16,850	16,900	236	19,850	19,900	278
7,900	7,950	111	10,900	10,950	153	13,900	13,950	195	16,900	16,950	237	19,900	19,950	279
7,950	8,000	112	10,950	11,000	154	13,950	14,000	196	16,950	17,000	238	19,950	20,000	280

2006 New Jersey Tax Rate Schedule for Form NJ-1041

If Taxable Income (Line 22) is:		STEP 1	STEP 2		STEP 3		Your Tax
Over	But not over	Enter Your Line 22	Multiply Your Line 22 by:	=	Subtract	=	
\$ 0	\$ 20,000	_____	× .014	= _____	– \$ 0	= _____	
\$ 20,000	\$ 35,000	_____	× .0175	= _____	– \$ 70.00	= _____	
\$ 35,000	\$ 40,000	_____	× .035	= _____	– \$ 682.50	= _____	
\$ 40,000	\$ 75,000	_____	× .05525	= _____	– \$ 1,492.50	= _____	
\$ 75,000	\$500,000	_____	× .0637	= _____	– \$ 2,126.25	= _____	
\$500,000	and over	_____	× .0897	= _____	– \$15,126.25	= _____	

NJ Tax Talk

Tax Talk is the portion of the Automated Tax Information System (ATIS) that provides recorded information to callers on a variety of New Jersey tax topics. Callers will have the opportunity, after certain topics, to request a form or publication pertaining to that topic. TaxTalk is available 24 hours a day, 7 days a week.

Select the 3-digit number of the topic you want to hear. Then from a Touch-tone phone call 1-800-323-4400 (within NJ, NY, PA, DE, and MD) or 609-826-4400 (anywhere). Have paper and pencil available to take notes. Additional topics may become available after the printing of this booklet.

TaxTalk — Topic Codes

NJ INCOME TAX INFORMATION FOR INDIVIDUALS

Filing Your New Jersey Return

- 100 Who Must File
- 102 How and When to File an Extension
- 103 Military Extensions
- 104 How and When to Amend
- 106 Penalties, Interest & Collection Fees
- 108 Who is Required to Make Estimated Tax Payments
- 110 Penalties and Interest on Underpayment of Estimated Tax Payments
- 112 Pennsylvania Residents Working in New Jersey/New Jersey Residents Working in Pennsylvania
- 114 Nonresidents
- 115 Nonresidents: Estimated Tax on Income From the Sale or Transfer of New Jersey Real Estate

- 116 Mailing Your Return With No Balance Due
- 118 Mailing Your Return With Tax Due
- 120 How to Pay

Completing Your New Jersey Return

- 122 Filing Status
- 124 Part-Year Residents
- 126 Military Personnel
- 128 Deceased Taxpayers
- 130 Personal Exemptions
- 131 Domestic Partnerships
- 132 Dependent Exemptions
- 133 Dependents Attending Colleges
- 134 New Jersey Earned Income Tax Credit
- 135 General Information on the Property Tax Deduction or Credit
- 136 Deductions
- 138 Reporting Wages
- 140 Nontaxable Income
- 142 Reporting Capital Gain Income
- 144 Reporting a Gain From the Sale of a Principal Residence

- 146 Reporting Business Income
- 147 Use Tax Due on Out-of-State Purchases
- 148 Withholdings and Payments
- 150 Claiming Credit for Income or Wage Tax Paid to Other Jurisdictions
- 152 Claiming Excess Unemployment and Disability

Pension and IRA Information

- 154 Pension Income
- 156 Pension Exclusion
- 157 Employer Post-Retirement Contributions to Section 403(b) Plan
- 158 IRA Distributions
- 160 Establishing Your Roth IRA
- 162 Qualified Distributions From a Roth IRA
- 164 Nonqualified Distributions From a Roth IRA

NJ PROPERTY TAX RELIEF PROGRAMS**Senior Freeze/Property Tax Reimbursement Program**

- 216 General Information on the Senior Freeze/Property Tax Reimbursement Program
- 218 Eligibility Requirements
- 220 How to Apply for a Senior Freeze/Property Tax Reimbursement

Property Tax Deduction or Credit

- 224 General Information on the Property Tax Deduction or Credit

Homestead Rebate

- 228 General Information on the Homestead Rebate for Homeowners
- 229 General Information on the Homestead Rebate for Tenants
- 230 Amending the Homestead Rebate Application for Tenants
- 231 Homestead Rebate Amounts

PAPERLESS FILING PROGRAMS**New Jersey WebFile**

- 300 NJ WebFile

New Jersey E-File

- 304 NJ E-File

NJ TAX AND FEE INFORMATION FOR BUSINESSES**Business Registration**

- 400 Starting a Business in NJ
- 401 How to File Taxes and Fees by Phone or Online
- 402 Small Business Workshops
- 404 Electing S Corporation Status
- 406 New York and New Jersey Sales Tax Agreement
- 408 Alcoholic Beverage Retail Licenses
- 410 Ending Your Tax Registration in New Jersey

Income Tax Withholding Information for Businesses

- 412 Reporting and Remitting NJ Income Tax Withheld
- 414 Reconciling Tax Withheld With Form NJ-W-3
- 416 Forms W-4 and NJ-W-4
- 420 Withholding New Jersey Income Taxes
- 422 Filing Informal Employer Returns of Income Tax Withheld

Sales and Use Tax Information for Businesses

- 423 Sales and Use Tax Changes Effective October 1, 2006

- 424 General Information for Sales and Use Tax for Businesses
- 426 Use Tax
- 428 Annual Use Tax
- 429 New Jersey Sales and Use Tax EZ File Systems
- 430 Filing Sales and Use Tax Returns
- 432 Filing Informal Sales and Use Tax Returns
- 434 Penalties, Interest, and Collection Fees
- 436 Contractors
- 438 Mail Order and Internet Business
- 440 Taxability of Medicines and Medical Items
- 442 Urban Enterprise Zone

Lease and Rental Information for Businesses

- 444 Lease and Rental Transactions
- 448 Domestic Security Fee

Other Fees and Taxes

- 449 9-1-1 System and Emergency Response Fee
- 450 Casino Taxes and Fees
- 451 Cosmetic Medical Procedures Gross Receipts Tax
- 452 Dishonored Check Fee
- 454 Domestic Security Fee
- 455 Fur Clothing Retail Gross Receipts Tax
- 456 Hotel/Motel State Occupancy Fee and Municipal Occupancy Tax
- 458 Litter Control Fee
- 459 Motor Vehicle Tire Fee
- 460 Outdoor Advertising Fee

CORPORATIONS & PARTNERSHIPS**Corporations**

- 501 Starting a Corporation
- 502 Filing Responsibilities
- 503 General Information on How to Dissolve, Withdraw, or Surrender a Corporation
- 504 Tax Rates and Accounting Periods
- 506 Electing S Corporation Status

Partnerships

- 508 Partnership Information
- 510 Partnership Filing Requirements
- 511 Prepayment of Partnership Filing Fee

INFORMATION FOR INDIVIDUALS ON SALES & USE TAX AND STATE FEES**General Information on Sales and Use Tax for Individuals**

- 600 General Information on Sales and Use Tax for Individuals
- 601 Sales and Use Tax Changes Effective October 1, 2006

Out-of-State Purchases

- 602 Out-of-State Purchases

Mail Orders and Internet Purchases

- 604 Mail Orders and Internet Purchases

Home Improvements

- 606 Home Improvements

Taxability of Leases and Rentals

- 608 Taxability of Leases and Rentals

Other Fees and Taxes

- 609 9-1-1 System and Emergency Response Fee
- 610 Atlantic City Luxury Tax
- 612 Atlantic City Casino Hotel Parking Fee
- 614 Cape May County Tourism Tax and Assessment
- 615 Cosmetic Medical Procedures Gross Receipts Tax
- 616 Dishonored Check Fee
- 618 Domestic Security Fee
- 619 Fur Clothing Retail Gross Receipts Tax
- 620 Hotel/Motel State Occupancy Fee and Municipal Occupancy Tax
- 621 Motor Vehicle Tire Fee

OTHER NJ TAX INFORMATION**New Jersey Division of Taxation Regional Offices**

- 700 Asbury Park Office
- 702 Camden Office
- 704 Fair Lawn Office
- 706 Newark Office
- 708 Northfield Office
- 710 Somerville Office
- 712 Trenton Office

Other Ways to Contact the Division

- 714 Other Ways to Contact the Division

Order Forms Through NJ TaxFax

- 716 Order Forms Through NJ TaxFax

Taxpayers' Bill of Rights

- 718 Taxpayers' Bill of Rights

CATCH Program

- 720 CATCH Program

Inheritance and Estate Tax

- 722 Inheritance and Estate Tax