

NEW IN 2001

Gross Income Tax Filing Thresholds

For tax years 2001 and thereafter, taxpayers whose filing status is married, filing joint return, head of household or qualifying widow(er) and have New Jersey gross income of \$20,000 or less (\$10,000 or less for those whose filing status is single or married, filing separately and for estates and trusts) are not subject to New Jersey gross income tax and are not required to file a New Jersey income tax return. Table 1 shows how the income threshold for each filing status has increased over the past three years.

New Jersey Earned Income Tax Credit

For tax year 2001, the New Jersey Earned Income Tax Credit (NJEITC) is 15% of the applicant's Federal earned income credit, up from 10% of the Federal credit in tax year 2000. The New Jersey credit will increase to 17.5% of the Federal credit amount for 2002 and to 20% of the Federal amount for tax year 2003 and subsequent years.

For more information contact the New Jersey Earned Income Tax Credit Hotline at 1-888-895-9179.

Military Pensions

Effective for taxable years beginning on or after January 1, 2001, all recipients of U.S. military pensions and military survivor's benefits may exclude such amounts from New Jersey gross income taxation. For tax years 1998 – 2000, only persons 62 years of age or older or disabled were eligible to exclude their military pension or survivor's benefits from reportable income.

Pension/Other Retirement Income Exclusion

The maximum amounts of pension and/or other retirement income that qualifying taxpayers may exclude from New Jersey gross income have increased for tax year 2001 as shown in Table 2. Maximum exclusion amounts will continue to increase through tax year 2003.

Designated Contribution

The Organ and Tissue Donor Awareness Education Fund has been added to the list of organizations to which taxpayers can contribute on the New Jersey tax return. To donate to the new fund, taxpayers must specify the donation amount and enter code 03 on the line entitled "Other Designated Contribution."

NJ WebFile

New Jersey has expanded the paperless filing options available to qualified full-year residents with the introduction of NJ WebFile. This on-line filing application allows taxpayers to file their gross income tax resident returns directly from the Division's secure Internet site. For more information about NJ WebFile or New Jersey's other paperless filing methods, visit: www.njfastfile.com

Credit for Taxes Paid to Other Jurisdictions

Effective for tax year 2001, the amount of income subject to tax by New Jersey to be used as the denominator of the credit calculation (Line 2, Schedule A) is the amount reported on the New Jersey Gross Income Tax return at Line 29, "New Jersey Gross Income." This is the total of all taxable income reported on

Table 1 Minimum Income Filing Threshold

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

Table 2 Retirement Income Exclusion Amounts

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

the New Jersey return after any New Jersey pension exclusion and/or other retirement income exclusion has been deducted but before personal exemptions and other deductions have been subtracted.

Social Security Numbers Must Be Entered

Social security number(s) will no longer be printed on any peel-off label provided with a tax return instruction booklet or preprinted postcard. The social security number(s) must be entered in the spaces provided at the top of the return. If the taxpayers' filing status is married, filing joint return, the social security numbers of the spouses should be entered in the same order as the names.

Social security number(s) must be entered on all forms submitted to the Division of Taxation, even those with a preprinted name and address (e.g., income tax payment voucher, extension application, or declaration of estimated tax voucher).

Incorrect Name and Address Label

Do not use a mailing label if any of the preprinted information is incorrect. Instead, print or type all the information in the spaces provided at the top of the return.

Partnership Returns

Beginning with tax year 2001, all business entities required to file a New Jersey partnership return (Form NJ-1065) which consist of ten or more partners or members must file the return electronically. For more information on electronic filing or to obtain electronic payment and filing formats, visit the Division of Revenue's Web site at:

www.state.nj.us/treasury/revenue/

or call the Alternate Filing Branch at: 609-984-7989.

Property Tax Relief Programs

Homestead Rebate

The *maximum* homestead rebate for tax year 2001 for qualified homeowners and tenants aged 65 and over or disabled is \$775. The maximum amount was increased from \$500 to \$750 for tax year 2000 (paid in July 2001). The maximum rebate is adjusted annually to reflect changes in the cost of living.

NJ SAVER Rebates

Phase-in of the NJ SAVER Rebate Program has been accelerated from five years to four. As a result, rebates will reach the full benefit amount for tax year 2001, one year earlier than originally scheduled, and will average \$600.

Accelerated phase-in of full NJ SAVER benefits caused rebates for tax year 2000 (paid in September 2001) to increase to an average of \$500 (83⅓% of the full rebate amount).

Property Tax Reimbursement

The Property Tax Reimbursement (PTR) Program reimburses qualified senior citizens and disabled persons for property tax increases they incur each year. To receive the reimbursement, an applicant must satisfy all the eligibility requirements for two years in a row.

Income limits for the PTR program have been increased beginning with applications filed for tax year 2001, and apply to income received for tax years 2000, 2001 and thereafter. For residents applying for a reimbursement for tax year 2001, the total amount of income must be *less than*:

2000: \$37,174 if single, or
\$45,582 (combined income) if
married, and

2001: \$38,475 if single, or
\$47,177 (combined income) if
married

The new income limits do not apply to applications filed for tax year 2000. Therefore, individuals who were not eligible for a reimbursement for 2000 because their income was above the previous income limits cannot amend their applications for 2000.

NOTE: With few exceptions *all income* received during the year, including income that is not required to be reported on the New Jersey income tax return (e.g., social security benefits, disability benefits, unemployment compensation) must be taken into account to determine PTR eligibility.

Local Property Tax Exempt Organizations

Firefighters Associations: When the property of an exempt New Jersey firefighter's association, firefighter's relief association, or volunteer fire company is used in the conduct of an income-producing activity that is not the organization's primary purpose, the property remains exempt from property tax provided that such activity does not exceed 120 days annually and that the net proceeds derived therefrom are used in furtherance of the organization's primary purpose or for other charitable purposes. This change is effective retroactively to January 1, 1998.

Religious/Charitable Organizations: A religious or charitable organization may lease property to another exempt entity for a different exempt use

without losing its property tax exemption. This change is effective retroactively to September 30, 1999.

Veterans' Deduction

The property tax deduction for certain qualifying veterans and their surviving spouses increased to \$150 for calendar year 2001. The deduction will increase to \$200 for calendar year 2002 and \$250 for calendar year 2003 and thereafter.

The annual property tax deduction and certain other benefits have been extended to qualifying veterans who served during the Lebanon crisis of 1958.

Corporation Tax

Phase-out of CBT on S Corporation Income

The tax on the "regular" income of New Jersey S corporations will be gradually eliminated as follows:

- For S corporations with annual income in excess of \$100,000 the tax rate is reduced to 1.33% for privilege periods ending on or after July 1, 2001, but on or before June 30, 2002, and to 0.67% for privilege periods ending on or after July 1, 2002, but on or before June 30, 2003. For privilege periods ending on or after July 1, 2003, no tax is imposed.
- For S corporations with annual income of \$100,000 or less, no tax is imposed for privilege periods ending on or after July 1, 2001.

"Regular" income means entire net income allocable to New Jersey that is not subject to Federal income taxation.

Minimum Tax

For tax periods beginning on and after January 1, 2002, the minimum tax

is \$210 for both domestic and foreign corporations. For tax periods that begin before January 1, 2002, the minimum tax remains \$200. The minimum tax cannot be prorated for short period returns.

CBT Payments Required by Certain Partnerships

For tax years beginning on or after January 1, 2001, limited liability companies (LLCs) and limited partnerships (LPs) that are classified as partnerships for Federal income tax purposes are obligated to remit New Jersey corporation business tax payments on behalf of any member or partner that is a nonconsenting corporation not exempt from the tax.

A nonconsenting corporation is one that has not provided the LLC or LP of which it is a member with a statement of consent acknowledging this State's right and jurisdiction to tax and collect the tax on the corporate partner's income allocated to New Jersey.

The 2001 Form NJ-1065 has been updated to accommodate the new requirements for LLCs and LPs.

Corporate Mergers

Corporations organized in New Jersey (i.e., domestic corporations) are now permitted to change from an operating corporation to a holding corporation with one or more wholly owned subsidiaries by means of a merger method that does not require shareholder approval or a transfer of assets. Shareholder approval is not required provided that, as a result of the merger, the new parent corporation is structurally identical to, with the same shareholder rights and directors as, the old parent corporation.

Petroleum Products Gross Receipts Tax Phase-out of Tax on Certain sales

Application of the tax to receipts from the sale of petroleum products used by a utility, co-generation facility, or wholesale generation facility to generate electricity sold for resale or sold to all but certain end users, is being phased out over a three-year period beginning January 1, 2001.

Sales and Use Tax File ST-50/ST-51 Online

New Jersey Sales and Use Tax quarterly returns and monthly remittances (Forms ST-50 and ST-51) can both be filed online from the Division of Taxation's Web site at: www.state.nj.us/treasury/taxation/

Limousines

Effective July 1, 2001, receipts from the sale of a motor vehicle registered as a limousine to a person licensed in New Jersey to operate a limousine service are exempt from sales and use tax. Receipts from the repair of such vehicles, including replacement parts, are also exempt from tax, whether the limousine service operator is licensed in New Jersey or under the laws of another state.

Miscellaneous Online Registration

New business entities, such as domestic or foreign corporations and limited liability companies, can now complete their public records filing obligations and obtain their Certificate of Incorporation, Certificate of Formation, and Certificate of Authority to do business in New Jersey online at: www.state.nj.us/treasury/revenue/

There is a fee schedule associated with public records filings. The fee may be paid online by credit card or prepaid depository account.

Addition of this feature means that new business entities required to file public records information may now complete the entire New Jersey registration process online.

Payment by Electronic Check (E-Check)

Taxpayers now have the option of making certain tax payments by means of electronic check (e-check). Individuals, estates, or trusts can use this method to pay any New Jersey gross income tax due with their State tax returns, extension requests, or estimated tax declarations. Businesses can remit sales and use tax and employer withholdings via e-check.

Payments of gross income tax and sales and use tax can be made on the Division of Taxation's Web site at: www.state.nj.us/treasury/taxation/

Employer withholding payments can be made from the Division of Revenue's Business Gateway Services Web site at: www.state.nj.us/njbgs/

Wage Reporting

Beginning with the first quarter 2001, all employers with 50 or more employees must file their quarterly Employer Report of Wages Paid (Form WR-30) electronically. The reports can be filed online, via magnetic media, or by e-mail attachment, whichever method is most convenient for the employer. Employers with fewer than 50 employees are encouraged to file Form WR-30 electronically, although not required to do so.

More information on electronic filing of wage reports may be obtained by calling the Alternative Filing Branch at 609-984-7989.

Business Registration

Effective September 1, 2001, providers of goods and services to the State and its agencies, to casinos, and to subcontractors under any State or casino contracts are required to register their businesses with the Division of Revenue and obtain a Business Registration Certificate.

Commuter Transportation Benefits

State and local government employers in New Jersey may now offer qualified transportation fringe benefits to their employees as an employee set-aside program and take full advantage of the tax incentives for qualified transportation fringe benefits extended under Federal tax law. In addition, the Travel Demand Management Program in the New Jersey Department of Transportation has been changed to increase the gross income tax exclusion for commuter transportation benefits to \$1,200 beginning in 2002, to comply with the same annual levels as the Federal transit benefits.

Extensions for Disaster Victims of September 11

Victims of the September 11, 2001, terrorist attacks were granted an extension of time to satisfy their New Jersey tax obligations for the month of September 2001.

For those businesses and individuals *directly* affected by the attacks, the Division of Taxation extended the

due date of tax returns and payments originally due between September 11, 2001, and November 30, 2001, including returns on extension, until December 15, 2001. The extension applies to victims whose place of employment was damaged or destroyed during the attacks, relief workers, taxpayers with records destroyed in the attacks, businesses destroyed or damaged, businesses whose accounts or payroll services were directly affected, and victims on the airlines.

Individuals *indirectly* affected by the catastrophes (e.g., those stranded away from home or unable to access their funds) were granted an extension of ten business days from the original filing or payment date for returns due during the month of September.

In addition, the Division of Taxation suspended compliance activities such as levies and seizures for directly affected taxpayers for six months.

Taxpayers affected by the September 11 attacks who receive notices from the Division should contact the Division as instructed on the notice and explain why they are entitled to relief.

For more information continue to monitor the Division's Web site or write to:

STATE OF NEW JERSEY
DIVISION OF TAXATION
ATTN: EMERGENCY MANAGEMENT
PROJECT
PO BOX 269
TRENTON NJ 08695-0269