Pensions and Annuities

Introduction

This bulletin explains how to report pension and annuity income on your New Jersey Income Tax return. It also describes the income exclusions qualified taxpayers can use to reduce their New Jersey taxable income. The forms, schedules, and **worksheets used in this bulletin** to illustrate return completion are for Tax Year 2018 only.

This document is designed to provide guidance to taxpayers and is accurate as of the date issued. Subsequent changes in tax law or its interpretation may affect the accuracy of this publication.

Changes for Tax Year 2018

Qualified taxpayers can exclude more pension and other income on the New Jersey return. The increased exclusion amounts are being phased in over a four-year period. For Tax Year 2018, the exclusion amounts are up to:

- $60,000 (married/CU couple, filing joint return);
- $45,000 (single, head of household, or qualifying widow(er)/surviving CU partner); or
- $30,000 (married/CU partner, filing separate return).

General Information

Pension and annuity income is taxable and must be reported on your New Jersey Income Tax return. In some cases, the taxable amount of pension or annuity you show on your New Jersey return may be different than the taxable amount for federal income tax purposes. This is because you may have to use a different method to calculate the taxable amount for your New Jersey return than the method you use for federal income tax purposes.

All State and local government, teachers' and federal pensions, and Keogh Plans are treated the same way as employee pensions and annuities from the private sector. Amounts received as "early retirement benefits" and amounts reported as pension on Schedule NJK-1, Partnership Return **Form NJ-1065**, also are taxable.

Civil Unions. Any reference in this bulletin to a spouse also refers to a spouse who entered into a valid same-sex marriage in another state or foreign nation and a partner in a **civil union (CU)** recognized under New Jersey law.

Social Security/Railroad Retirement Benefits/Disability

Social Security and Railroad Retirement benefits are exempt from New Jersey Income Tax and should not be reported as income on your New Jersey return. Payments from a public or private pension plan as a result of total and permanent disability also are exempt. However, if an individual retired before age 65 on a total and permanent disability pension and continues to receive pension payments after reaching age 65, the disability pension is treated as an ordinary, taxable pension beginning at age 65.

Military Pensions

If you are receiving a U.S. military pension or survivor's benefit payments, the military pension or survivor's benefit is exempt from New Jersey Income Tax regardless of your age or disability status. Do not include such payments on your New Jersey return. Military pensions are those resulting from service in the Army, Navy, Air Force, Marine Corps, or Coast Guard. This exemption does not apply to civil service pensions or annuities, even if the pension or annuity is based on credit for military service. Most military pensions and survivor's benefit payments are received from the **U.S. Defense Finance and Accounting Service**, while a civil service annuity is received through the **U.S. Office of Personnel Management**. For more information on military pensions, see Tax Topic Bulletin **GIT-7**, *Military Personnel and Families.*

Individual Retirement Arrangements (IRAs)

An IRA is a personal savings plan in which you set aside money for retirement. Taxable amounts withdrawn from an IRA are reported on the same line of the New Jersey tax return as taxable pensions and annuities. Residents also should report the excludable amount on the same line as excludable pensions and annuities.

If you receive payments from an IRA, see Tax Topic Bulletin **GIT-2**, *IRA Withdrawals*, for information on how to calculate the taxable and excludable portions of the withdrawal for your New Jersey Income Tax return. For information on Roth IRAs, see Technical Bulletin **TB-44**. The methods described here relate only to calculating the taxable and excludable portions of a withdrawal from a pension or annuity – *not* for an IRA withdrawal. Do not use them to calculate the tax consequences of an IRA withdrawal.

Part-Year Residents

Any person who became a resident of New Jersey or who moved out of this state during the year is considered a part-year resident. A part-year resident files a New Jersey Income Tax resident return that covers the period of residence in New Jersey and reports only the income he or she earned or received while a resident here. Part-year residents must prorate all exemptions, deductions, credits, and exclusions (including the pension and other retirement income exclusions) to reflect the period covered by the return. For more information, see Tax Topic Bulletin **GIT-6**, *Part-Year Residents.*

Nonresidents

Pension and annuity income received by a nonresident for work performed in New Jersey is not taxable under the New Jersey Gross Income Tax Act. If your only income from New Jersey sources is pension or annuity income, you do not need to file a New Jersey nonresident return. However, if you have other income from New Jersey that is taxable to a nonresident (e.g., wages, business income, gain from the sale of real property in New Jersey), you are required to file a New Jersey Income Tax Nonresident Return (**Form NJ-1040NR**). Report any pension or annuity income in Column A along with your other taxable income.

Withholding Tax and Estimated Tax

New Jersey residents who receive pension or annuity income can ask the payer to withhold New Jersey Income Tax from these payments. If you want to have New Jersey Income Tax withheld, complete the **NJ-W-4-P**, Certificate of Voluntary Withholding of New Jersey Gross Income Tax From Pension and Annuity Payments. Indicate the amount of tax to be withheld, and give it to the payer of the pension or annuity.

Federal civilian retirees can elect to have New Jersey Income Tax withheld from their federal pension payments. Federal retirees who want to take advantage of this option should call the U.S. Office of Personnel Management, the agency that oversees federal pensions, at 1-888-767-6738 or visit **here**. Voluntary New Jersey withholdings also are permitted for retirees from the uniformed services.

Individuals who expect their New Jersey Income Tax liability to be more than $400 after taking into account all their exemptions, deductions, withholdings, and other credits for the tax year are required to make quarterly estimated tax payments. This requirement may affect taxpayers who do not have New Jersey Income Tax withheld from their wages and/or pension, those who are self-employed, or those whose income is from sources such as interest, dividends, or capital gains, which are not covered by withholding tax. Use **Form NJ-1040-ES** to file estimated tax payments when due. For more information on estimated tax payments, see Tax Topic Bulletin **GIT-8**, *Estimating Income Taxes*.

Recordkeeping

Keeping records will help you prepare a complete and accurate tax return and pay the correct amount of New Jersey tax on income from your pension, annuity, or IRA.

Contributions. It is very important to keep any statements that show your contributions to your pension, annuity, or IRA. You will need this information when you start to withdraw money from the plan. You may have to pay more tax if you do not know the amount of your contributions on which New Jersey Income Tax has already been paid. If you do not have a record of your contributions, you must contact the payer of the pension or annuity to get that information.

Income Statements. Keep all the statements from your pension, annuity, or IRA showing the amounts you have received from the plan. These include Forms W-2P and 1099-R.

Tax Returns and Worksheets. Keep copies of the tax returns you have filed and the Income Tax instruction booklet as part of your records. You may need information from the return or from the worksheets in the instruction booklet to prepare future tax returns. This information also is necessary if you file an amended return. Copies of your returns and other records can be helpful to your surviving spouse or the executor/administrator of your estate.

Calculating Taxable and Excludable Amounts

Pensions and annuities fall into one of two categories: noncontributory or contributory. A noncontributory plan is one to which an individual has not made contributions. A contributory plan is one to which an individual has made contributions. The taxable amount you report on your New Jersey Income Tax return will depend on whether the pension or annuity payment came from a contributory or a noncontributory plan.

Noncontributory Plans

Noncontributory plans do not require an employee to make contributions. Payments you receive from such a plan are fully taxable because you have never paid tax on any of the funds in the plan. You will report on your New Jersey Income Tax return the total amount of pension or annuity income shown on the Form 1099-R you receive from the payer of the pension or annuity.

Contributory Plans

Contributory pension plans are structured in such a way that an employee contributes money at set intervals and collects an annual pension upon retirement. In most cases, pension contributions are made through salary deduction and are included in the employee's income when the contributions are made.

The total value of the pension or annuity consists of your contributions, your employer's contributions, if any, and earnings. In general, your personal contributions to the pension or annuity are taxed when they are made. Those contributions, once taxed, will not be taxed again by New Jersey. Therefore, the part of a pension or annuity payment that represents a return of contributions that already have been taxed is excludable. It should not be reported as taxable income on Line 19a, Form NJ-1040 or on Line 21, Column A, Form NJ-1040NR. However, any amounts you receive in excess of your previously taxed contributions must be reported as taxable income.

You must determine the taxable portion (and the excludable portion if you are a resident) of payments you receive from a pension or annuity to which you have made contributions. For New Jersey purposes, you will use either the Three-Year Rule Method or the General Rule Method to calculate these amounts. To determine which method you should use, complete **Worksheet A**. If you do not use the correct method to determine the taxable and excludable portions of your pension or annuity, you may owe additional tax, penalty, and interest.

Note: If your retirement account is a 401(k) plan, review the information on **Section 401(k) Plans** before continuing.

Worksheet A
Which Pension Method to Use

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

(Keep for your records)

Three-Year Rule Method

There are two methods you can use to calculate taxable pension income: Three-Year Rule Method and General Rule Method. If you use the Three-Year Rule Method, your pension is not reported as taxable income until the payments you receive from the plan equal the amount you contributed. Use the Three-Year Rule Method to determine your New Jersey taxable and excludable pension income if:

1. You will receive an amount equal to or greater than your pension and annuity contributions within three years (36 months) from the date you receive your first payment from the plan; **and**
2. Your employer contributed to the plan.

When using the Three-Year Rule Method, you should exclude pension and annuity payments from taxable income until the payments received equal the amount you contributed to the plan. *This will not necessarily be a full 36 months.* Until that time, the amounts you receive, because they are considered contributions, are not taxable and should not be reported as taxable income on your New Jersey return. However, residents must report these excludable amounts on Line 20b, Form NJ-1040. The nonresident return does not have a line for reporting the excludable portion of pension and annuity payments.

Once you have received (recovered) an amount equal to the amount you contributed to the pension or annuity, all amounts you receive are fully taxable. (See **example**.)

Note: The Three-Year Rule Method was repealed for federal income tax purposes. If you are using the Three-Year Rule Method for New Jersey Income Tax purposes, the amount of taxable pension or annuity you report on your New Jersey return will be different than the taxable amount on your federal return.

General Rule Method

If you use the General Rule Method, part of your pension or annuity payment is taxable and part is excluded from your income every year. You must use the General Rule Method to determine New Jersey taxable pension income when:

1. You will not recover all your personal contributions within three years (36 months) from the date you receive your first payment from the plan; or
2. Your employer did not contribute to the plan.

Worksheet B
General Rule Method

1. Your previously taxed contributions to the plan .... 1.__________________
2. Expected return on contract* .... 2.__________________
3. Percentage excludable (Divide line 1 by line 2) .... 3.__________________%
4. Amount received this year .... 4.__________________
5. Amount excludable (Multiply line 4 by line 3.
   Enter here and on Line 20b, Form NJ-1040) .... 5.__________________
6. Taxable amount (Subtract line 5 from line 4.
   Enter here and on Line 20a, Form NJ-1040) .... 6.__________________

*****The expected return on the contract is the amount receivable. If life expectancy is a factor under your plan, you must use federal actuarial tables to calculate the expected return. The federal actuarial tables are contained in the Internal Revenue Service's Publication 939, *General Rule for Pensions and Annuities*. Contact the **IRS** for this publication. If life expectancy is not a factor under your plan, the expected return is found by totaling the amounts to be received.

(Keep for your records)

When you use the General Rule Method, in the first year and every year thereafter, part of your pension or annuity payment will be excludable (the portion of that year's distribution that represents your contributions) and part will be taxable. Use Worksheet B to determine the taxable portion and the excludable portion of your pension or annuity payment.

Example

James Henderson, a New Jersey resident, retired and began to receive an annual pension of $7,000. He contributed $20,000 to his pension, and his employer also contributed. James can use the Three-Year Rule Method to calculate the taxable amount of his pension income because the amount he will have received within 36 months from the date of the first payment ($21,000) exceeds the amount of his contributions ($20,000) by $1,000 (see line 3 of worksheet), and his employer also contributed to the plan.

Worksheet A

Which Pension Method to Use

1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment 1. 21,000
2. Your contributions to the plan 2. 20,000
3. Subtract line 2 from line 1 .... 3. 1,000
   (a) If line 3 is "0" or more, *and* both you and your employer contributed to the plan, you can use the **Three-Year Rule Method.**
   (b) If line 3 is less than "0," or your employer did not contribute to the plan, you must use the **General Rule Method.**

(Keep for your records)

When using the Three-Year Rule Method, Mr. Henderson will exclude the pension payments he receives from his New Jersey income until he has recovered an amount equal to his contributions. Then his pension payments become fully taxable. He will report his pension as follows:

Recovery Period	Taxable Pension	Excludable Pension
Year 1	$ 0	$7,000
Year 2	0	7,000
Year 3	1,000	6,000
Year 4 and after	7,000	0

If Mr. Henderson were a nonresident, he would not report the excludable portion of his pension payment on Form NJ-1040NR, only the taxable portion.

Remember when completing your tax return that the recovery period described above begins with the date of the first pension payment. The "*first year*," "*second year*," etc., cannot correspond with the beginning of the taxable year.

If a taxpayer will not recover all personal contributions within three years (36 months) from the date of the first payment from the plan, or if the employer did not contribute to the plan, then the General Rule Method must be used to determine the taxable amount of pension for New Jersey Income Tax purposes.

Therefore, if James Henderson's contributions to his pension plan were $20,000 and his annual pension amount $4,000, he would have to use the General Rule Method because he would not recover an amount equal to his contributions within 36 months after the first payment. Using **Worksheet B**, he would calculate the percentage of his pension payment that is excludable from New Jersey income each year.

Contributions Prior to Residence

Any contributions you made to a pension or annuity before you moved to New Jersey are treated in the same way they would have been treated if you had been living in New Jersey at the time you made the contributions. Contributions to plans other than 401(k) Plans are considered to have been previously taxed. Use the appropriate method to determine the taxable and excludable amounts to report on your New Jersey return.

Section 401(k) Plans

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

1. **All contributions made on or after January 1, 1984.** If all contributions to your 401(k) Plan were made on or after January 1, 1984, they were not included in income when they were made, unless the contributions exceeded the federal elective deferral limit. As a result, distributions from the plan are fully taxable.

2. **Contributions made before January 1, 1984.** Contributions to a 401(k) Plan made before January 1, 1984, were included in an employee's income when they were made. If you made contributions to a 401(k) Plan before January 1, 1984, or you made contributions beyond the federal limit, you will calculate the taxable portion and the excludable portion of your distribution by using either the Three-Year Rule Method or the General Rule Method, whichever is appropriate.

Section 457 Plans

If you participated in an eligible deferred compensation plan of a state or local government or tax exempt organization (Section 457), your contributions to the plan were included in your New Jersey income when they were made. When you retire, you will only be taxed on amounts you receive in excess of those contributions.

1. **Tax years ending before January 1, 2002.** For tax years ending before January 1, 2002, distributions of deferred pay were treated as wages and reported on Line 14, Form NJ-1040 (or on the "wages" line in Column A, Form NJ-1040NR*). Taxpayers used the "State wages" figure from the W-2 form they received from the Section 457 Plan, which in most cases was different from the "federal wages" amount.

2. **Tax years beginning on or after January 1, 2002.** For tax years beginning on and after January 1, 2002, the federal reporting document for Section 457 Plan distributions for State and local government employees changed from federal Form W-2 to Form 1099-R. Distributions from a Section 457 Plan of amounts in excess of previously taxed contributions are treated as pension payments and should be reported on Line 20a, Form NJ-1040 (or Line 22, Column A, Form NJ-1040NR). See **Calculating Taxable**

and Excludable Amounts for information on how to determine the taxable portion and the excludable portion of your payment.

Section 457 Plan distributions to nongovernmental employees continue to be reported on federal Form W-2. Such taxpayers should use the "State wages" figure from the W-2 they receive on the "wages" line of Form NJ-1040 (or on the "wages" line in Column A, Form NJ-1040NR*).

*Distributions received from a Section 457 Plan by a nonresident that are reported on Form W-2 are not subject to New Jersey Income Tax, and should not be reported on the "wages" line in Column B, Form NJ-1040NR. They do not have to be reported if: such income was part of a series of substantially equal periodic payments (not less frequently than annually); made for the life or life expectancy of the recipient (or the joint lives or joint life expectancies of the recipient and the designated beneficiary of the recipient); or for a period of not less than 10 years, or if payment was received from a retirement benefit plan after termination of employment.

Section 403(b) Plans

If you participated in a 403(b) plan, your contributions to the plan were included in your New Jersey income when they were made. When you retire, you will only be taxed on amounts you receive in excess of those contributions.

Postretirement Contributions. If your employer makes a contribution to your 403(b) plan after you retire, the contribution is taxable for New Jersey Income Tax purposes and must be reported as wages on your New Jersey Income Tax return in the year(s) that the contribution is made. Such postretirement contributions, which have already been taxed by New Jersey, must be taken into account when determining the taxable amount and the excludable amount of any distribution from the 403(b) plan. (See **Calculating Taxable and Excludable Amounts**.)

Lump-Sum Distributions and Rollovers

When you receive a lump-sum distribution of the entire balance from a qualified employee pension, annuity, profit-sharing, or other plan, the amounts you receive that are in excess of your previously taxed contributions to the plan must be included in income in the year you receive them. New Jersey has no provisions for income averaging of lump-sum distributions. Residents also must report the excludable portion of the distribution on Line 20b, Form NJ-1040.

A lump-sum distribution that you roll over (transfer) into a traditional IRA or other eligible plan should not be reported on your New Jersey return if the rollover qualifies for deferral for federal income tax purposes. The amount rolled over (minus previously taxed amounts) is taxable later when it is withdrawn. As under federal law, the rollover must be made within the 60-day period after distribution. For more information, see Tax Topic Bulletin **GIT-2**, *IRA Withdrawals*.

If you convert a traditional IRA into a Roth IRA, any amount from the existing IRA that would be taxable if withdrawn must be included in your income. Residents also must report the excludable portion of the converted IRA on Line 20b, Form NJ-1040.

Survivors and Beneficiaries

In general, pension and annuity income received by a survivor or beneficiary is treated the same way as regular pension or annuity income. Amounts received, whether in the form of periodic payments or in a lump sum, are taxable to the extent that they exceed the decedent's previously taxed contributions to the plan. Upon the death of the owner of the pension or annuity, the amount paid to the surviving beneficiary is taxable to the extent that it exceeds the surviving beneficiary's contribution to the plan. The surviving beneficiary's contribution is determined as follows:

1. When the distribution to the surviving beneficiary is subject to taxation by the New Jersey Transfer Inheritance Tax Act,* the contribution of the surviving beneficiary is the value of the annuity, pension, or retirement benefits as determined for Transfer Inheritance Tax purposes. The recipient can exclude from Income Tax the amount that represents the contribution, which is the value determined for Transfer Inheritance Tax purposes. Consult the **Tax Guide on being an Executor** for more details.

2. When the beneficiary receives benefits that are not subject to Transfer Inheritance Tax, he or she is entitled to exclude from income the remaining previously taxed contributions of the decedent. If the decedent's contributions to the plan have already been recovered, all pension income received by the beneficiary is taxable and must be included in income.

*Property inherited from a spouse who died on or after January 1, 1985, is not subject to Inheritance Tax. Transfers to parents, grandparents, children, or grandchildren of decedents who died on or after July 1, 1988, also are not subject to Inheritance Tax. In addition, transfers to qualified domestic partners of decedents who died on or after July 10, 2004, are not subject to Inheritance Tax. Finally, transfers to a civil union partner from a decedent who died on or after February 19, 2007, are not subject to Inheritance Tax. Contact the Division's Inheritance Tax Section at 609-292-5033 for more information.

Income Exclusions

New Jersey tax law provides the following retirement income exclusions to enable you to reduce your taxable income: pension exclusion and the other retirement income exclusion, which includes the unclaimed pension exclusion and the special exclusion. The unclaimed pension exclusion is the unclaimed portion of the pension exclusion, and the special exclusion is for taxpayers who cannot receive Social Security or Railroad Retirement benefits. The exclusions are not a one-time benefit. You can use the exclusions on your New Jersey Income Tax return every year you qualify. Both residents and nonresidents can take advantage of the retirement income exclusions if they meet the qualifications.

Pension Exclusion

Taxpayers who qualify can exclude all or a part of the income received during the year from taxable pensions, annuities, and IRA withdrawals.

You qualify for the New Jersey pension exclusion if:

1. You (and/or your spouse/civil union partner, if filing jointly) were 62 or older or disabled as defined by Social Security guidelines on the last day of the tax year (December 31 for calendar year filers); **and**
2. Your total income for the entire year was $100,000 or less.

If you qualify, the pension exclusion amount you can claim for Tax Year 2018 is the lesser of:

1. Your actual taxable pension income; **or**
2. The maximum pension exclusion amount for your filing status:

   $60,000 Married/CU couple, filing joint return

   $45,000 Single; Head of household; Qualifying widow(er)/Surviving CU partner

   $30,000 Married/CU partner,

Report your taxable pension income amount on Line 20a, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR) and the allowable pension exclusion amount on Line 28a, Form NJ-1040 (Line 28a, Column A, Form NJ-1040NR).

Note: The pension exclusion used can never be more than your actual taxable pension income amount. Remember, part-year residents must prorate the pension exclusion amount by the number of months spent as a New Jersey resident. See Tax Topic Bulletin **GIT-6**, *Part-Year Residents,* for more information.

If you (and/or your spouse) were 62 or older on the last day of the tax year and you did not use the maximum pension exclusion amount for your filing status, or you did not use the pension exclusion because you did not report any taxable pension, annuity, or IRA withdrawal income on Line 20a, Form NJ-1040 or Line 22, Column A, Form NJ-1040NR, you may still qualify for other exclusions. (See **Other Retirement Income Exclusion: Unclaimed Pension Exclusion and Special Exclusion**.)

Example

John and Linda Harris are both 63 years old and file a joint return. Their combined total income is $66,000 for the tax year. Their combined taxable pension income totals:

Actual Taxable Pension Income	$62,000
Applicable Pension Exclusion	$60,000

Example

Henry Norton is 59 years old. He is single and not disabled. His total income for the tax year is $45,000. He receives a taxable pension of $7,000 and $303 of his IRA withdrawal is taxable.

Actual Taxable Pension Income	$ 7,303
Applicable Pension Exclusion	$ 0

Henry is not eligible to claim the pension exclusion because he is under age 62 and not disabled.

Example

Alejandro and Maria Rivera file a joint return and both qualify for the pension exclusion. They have a combined total income of $75,000 for the tax year. Mr. Rivera receives an annual taxable pension of $61,500, and Mrs. Rivera receives a $2,500 pension. She reports $0 as taxable income this year because she is using the Three-Year Rule Method and is still recovering her contributions.

Actual Taxable Pension Income	$61,500
Applicable Pension Exclusion	$60,000

Example
Tyrone and Shanequa Jackson are both age 67 and file a joint return. They have a combined total income of $110,450 for the tax year, including taxable pension income of $79,000.

Actual Taxable Pension Income	$79,000
Applicable Pension Exclusion	$ 0

The Jacksons are not eligible for a pension exclusion this year because their combined total income for the entire year is more than $100,000.

Only One Spouse Qualifies for Exclusion. When you and your spouse file a joint return with a combined total income of $100,000 or less, and only one of you is 62 or older or disabled, you can still claim the maximum pension exclusion amount. However, only the pension, annuity, or IRA withdrawal of the spouse who is 62 or older or disabled can be excluded.

Example
Ben and Sara Smith file a joint return for the tax year. Their combined total income is $74,500. Mr. Smith is 63 and receives a taxable pension of $40,500. His wife is 60 years old, not disabled, and receives a taxable pension of $28,000.

Actual Taxable Pension Income	$68,500
Applicable Pension Exclusion	$40,500

The Smiths can only claim a pension exclusion of $40,500, the full amount of Ben's pension. They cannot claim a pension exclusion for the $28,000 in taxable pension Sara received because she is under 62 and not disabled.

Example
Jamie and Estella Martin file a joint return. Their combined total income for the tax year is $27,000. Jamie is 64 and receives taxable pension income of $6,900. Estella is 61, not disabled, and receives taxable pension income of $8,000.

Actual Taxable Pension Income	$14,900
Applicable Pension Exclusion	$ 6,900

The Martins can use only $6,900 of their pension exclusion because only $6,900 of their combined $14,900 taxable pension income belongs to Jamie, the spouse who is age 64. The balance of their pension income belongs to Estella ($8,000). None of Estella's pension income can be excluded because she is under age 62 and not disabled. However, Jamie may be able to use the balance of the pension exclusion to exclude additional income. (See the instructions for the other retirement income exclusion below.)

Other Retirement Income Exclusion: Unclaimed Pension Exclusion and Special Exclusion

If you (and/or your spouse if filing jointly) are 62 or older on the last day of the tax year, you may be able to exclude other types of income (wages, interest, dividends, etc.) from your total income. There are two parts to the other retirement income exclusion. The first is the unclaimed portion of your pension exclusion. The second is a special exclusion for taxpayers who cannot receive Social Security or Railroad Retirement benefits. Each part has different eligibility requirements.

Both parts of the exclusion are claimed at the line on your return labeled "Other Retirement Income Exclusion" (Line 28b, Form NJ-1040 or Line 28b, Column A and Column B, Form NJ-1040NR). Taxpayers who qualify may be able to claim both parts of the Other Retirement Income Exclusion (ORIE) in addition to the pension exclusion. To calculate the total other retirement income exclusion amount for which you are eligible, complete Worksheet D (full-year residents), Worksheet E (part-year residents), or the Other Retirement Income Exclusion Worksheet (non-residents).

Unclaimed Pension Exclusion

If you and/or your spouse did not claim the maximum pension exclusion amount, you may be able to use the unclaimed portion of your pension exclusion to exclude other types of income (wages, interest, dividends, etc.) on your return. You may have claimed less than the maximum pension exclusion amount because your actual taxable pension income was less than the maximum pension exclusion amount for your filing status, or because you did not report any taxable pension, annuity, or IRA withdrawal income on your return.

To qualify for the Unclaimed Pension Exclusion, you must satisfy all of the following conditions:

1. You (and/or your spouse if filing jointly) must be 62 or older on the last day of the tax year; **and**
2. Your total income from Line 27, Form NJ-1040 (or Line 27, Column A, Form NJ-1040NR) for the entire year must be $100,000 or less; **and**
3. Your earned income (combined if filing jointly) from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income must be $3,000 or less; **and**
4. You did not use the maximum pension exclusion amount ($60,000, $45,000, or $30,000, depending on filing status).

The actual amount of the unclaimed pension exclusion differs from taxpayer to taxpayer, since it is the difference between the amount of pension exclusion you claimed on Line 28a, Form NJ-1040 (Line 28a, Column A, Form NJ-1040NR) and the maximum pension exclusion amount for your filing status.

Note: If you did not use the pension exclusion because you did not report any taxable pension income on your return, you can still take advantage of the unclaimed pension exclusion if you meet the qualifications.

Example

Mohammed Patel is 69 years old and single. His total income for the tax year was $62,000. He received a $3,000 taxable pension and claimed $3,000 as pension exclusion. His income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $2,308.

Maximum Pension Exclusion	$45,000
Less: Pension Exclusion claimed	$ 3,000
Unused Pension Exclusion	$42,000
ORIE – Unclaimed Pension Exclusion	$42,000

Mohammed qualifies for the unclaimed pension exclusion.

Example

Linda Martin is over age 62 and her filing status is head of household. Her total income was $58,000 for the tax year. She received a pension but reported $0 as taxable pension income this year because she is using the Three-Year Rule Method and is still recovering her pension contributions. Her income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $2,675.

Maximum Pension Exclusion	$45,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$45,000
ORIE – Unclaimed Pension Exclusion	$45,000

Linda qualifies for the unclaimed pension exclusion.

Example

LeAnn and Graham Anderson are both 63 years old and file a joint return. Their combined total income was $75,000 for the tax year. They do not have any pension income. The Andersons' joint income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $1,872.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$60,000
ORIE – Unclaimed Pension Exclusion	$60,000

They qualify for the unclaimed pension exclusion.

Example

Clarence Johnson is 67 years old and his filing status is married/CU partner, filing separate return. His total income for the tax year was $38,000. He received $30,000 in taxable pension income and claimed $30,000 as pension exclusion.

Maximum Pension Exclusion	$30,000
Less: Pension Exclusion claimed	$30,000
Unused Pension Exclusion	$ 0
ORIE – Unclaimed Pension Exclusion	$ 0

Clarence does not qualify for the unclaimed pension exclusion because he has already claimed the maximum pension exclusion amount.

Example

Emmanuel and Alma Avendano file a joint return for the tax year. Both are over age 62. Their combined total income was $32,000. Mr. Avendano has a taxable pension of $6,200 and he also earned $1,500 in net profits from his business. Mrs. Avendano had wages of $2,306 from her part-time job.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$ 6,200
Unused Pension Exclusion	$53,800
ORIE – Unclaimed Pension Exclusion	$ 0

The Avendanos cannot take advantage of the unclaimed pension exclusion even though they did not use their maximum pension exclusion of $60,000. That is because their joint income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income was more than $3,000.

Example

Shaun and Elizabeth Clarke are both over age 65. They file a joint return on which they report a combined total income of $103,200 for the tax year. Their taxable pension income was $57,000. They also had $22,200 in taxable interest income and $24,000 in taxable dividends.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$60,000
ORIE – Unclaimed Pension Exclusion	$ 0

The Clarkes are not eligible for the unclaimed pension exclusion (nor were they eligible for the pension exclusion) because their combined total income for the entire year was more than $100,000.

Only One Spouse Qualifies for Exclusion.

When you and your spouse file a joint return and only one of you is 62 or older, any pension exclusion that was not claimed can be used as the unclaimed pension exclusion provided that (1) the joint total income for the entire year is $100,000 or less, (2) the joint earned income (total of: wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income) is $3,000 or less, and (3) the exclusion is applied only to the income of the qualified (age 62 or older) spouse.

Example

Martha (age 58) and Sho (age 63) Tsukino file a joint return for the tax year. They have a combined total income of $30,000. Martha receives a taxable pension of $18,000 and Sho receives a taxable pension of $6,000. Interest from their joint savings account totals $4,000. Sho has wages of $1,500 and Martha has wages of $500.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$ 6,000
Unused Pension Exclusion	$54,000
ORIE – Unclaimed Pension Exclusion	$ 3,500

In this example, only $3,500 of the $54,000 unused pension exclusion can be used as the unclaimed pension exclusion. That is because only $3,500 of their combined total income belongs to Sho, the spouse who is age 63 ($1,500 wages and $2,000 interest). The balance belongs to Martha ($500 wages, $2,000 interest, and $18,000 pension). None of Martha's income can be excluded because she is under age 62.

Special Exclusion

In addition to the pension exclusion and unclaimed exclusion, New Jersey provides a special exclusion for taxpayers who cannot receive Social Security or Railroad Retirement benefits. This benefit is not related to the pension exclusion and, if you qualify, you can claim it whether or not you use the pension exclusion and/or the unclaimed pension exclusion.

You qualify for this additional exclusion if:

1. You (and/or your spouse/civil union partner, if filing jointly) were 62 or older on the last day of the tax year; **and**
2. You (and your spouse/civil union partner, if filing jointly) cannot receive Social Security or Railroad Retirement benefits, but would have been eligible for benefits had you fully participated in either program.

You must work a minimum of 40 quarters with Social Security coverage to be eligible to receive Social Security benefits. If you worked the required amount of time but contributed to the Social Security program for less than 40 quarters, you cannot receive Social Security benefits and may be eligible for the special exclusion.

Note: Since most taxpayers will receive Social Security or Railroad Retirement benefits, relatively few taxpayers are eligible for the special exclusion.

Individuals who have contributed to the Social Security or Railroad Retirement funds so that they would be eligible to receive Social Security or Railroad Retirement benefits are not eligible for the special exclusion, regardless of whether they are actually collecting any benefits. Also, when a joint return is filed, if one spouse is covered by either the Social Security or the Railroad Retirement program, neither spouse can claim the special exclusion.

Taxpayer(s) eligible for the special exclusion can use one of the following amounts depending on the filing status:

$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/Surviving CU partner

$3,000 Single; Married/CU partner, filing separate return

The special exclusion is also claimed on the "Other Retirement Income Exclusion" line on the return (Line 28b, Form NJ-1040 or Line 28b, Columns A and B, Form NJ-1040NR). The special exclusion amount is added to any amount of unclaimed pension exclusion to arrive at the total for Line 28b. A married/civil union couple filing jointly, if qualified, could exclude a total of $66,000 (pension exclusion plus other retirement income exclusion: unclaimed pension exclusion and special exclusion). When a married/civil union couple files jointly and only one spouse is 62 or older, only the income of the spouse who is 62 or older can be excluded.

Example

Damian (age 65) and Clara (age 62) Brown are married and file a joint return for the tax year. Their combined total income is $67,000. Their combined taxable pension income is $59,000, joint interest is $6,000, and dividends are $2,000. The Browns had no wages, business profits, partnership, or S corporation income. They are not covered by either the Social Security or Railroad Retirement program, but they would have been eligible for benefits if they had been enrolled in either plan.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$59,000
Unused Pension Exclusion	$ 1,000
ORIE – Unclaimed Pension Exclusion	$ 1,000
ORIE – Special Exclusion	$ 6,000
Total ORIE	$ 7,000

The Browns are eligible to exclude the full amount of their taxable pension income of $59,000, as well as claim the unclaimed pension exclusion because their total earned income was less than $3,000. Because neither of them receive Social Security or Railroad Retirement Benefits, even though they would have been eligible had they enrolled in either plan, the Browns also are eligible for the $6,000 special exclusion. They will report that amount on the other retirement income exclusion line (Line 28b, Form NJ-1040 or Line 28b, Columns A and B, Form NJ-1040NR).

Example

Joshua and Genevieve Burke are both 83 years old and they file a joint return. They report a combined total income of $104,000 for the tax year. Their combined taxable pension and annuity income is $96,000, joint interest is $6,000, and dividends are $2,000. They are not covered by either the Social Security or Railroad Retirement program, but they would have been eligible for benefits if they had been enrolled in either plan.

Maximum Pension Exclusion	$60,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$60,000
ORIE – Unclaimed Pension Exclusion	$ 0
ORIE – Special Exclusion	$ 6,000
Total ORIE	$ 6,000

The Burkes do not qualify for the pension exclusion or the unclaimed pension exclusion because their combined total income is more than $100,000. However, they are eligible for the $6,000 special exclusion and will report that amount on the other retirement income exclusion line (Line 28b, Form NJ-1040 or Line 28b, Columns A and B, Form NJ-1040NR).

Example
Nevaeh Reilly is single and over age 65. She contributed to the Social Security program for over 30 years, but has chosen to delay receiving Social Security benefits until age 70.

Nevaeh does not qualify for the special exclusion because she contributed to the Social Security fund so that she would be eligible to receive Social Security, despite the fact that she is not actually collecting any benefits now.

Other Retirement Income Exclusion Worksheet

If you and/or your spouse are 62 or older on the last day of the tax year, when you come to the line on your tax return labeled "Other Retirement Income Exclusion" (Line 28b, Form NJ-1040 or Line 28b, Columns A and B, Form NJ-1040NR), complete Worksheet D (full-year residents), Worksheet E (part-year residents), or the Other Retirement Income Exclusion Worksheet (nonresidents) to calculate the total exclusion amount you are eligible to claim here. Do not complete the worksheet unless you (or your spouse if you are filing a joint return) are 62 or older. Y*ou do not qualify for the other retirement income exclusion: unclaimed pension exclusion and special exclusion unless you or your spouse are 62 or older.*

Part-Year Residents. If you were a New Jersey resident for only part of the year, do not complete the Other Retirement Income Exclusion Worksheet. Instead, total the amount of earned income (wages, net profits from business, partnership income, and S corporation income) you received for the entire year. If you and/or your spouse are 62 or older and your earned income for the entire year is $3,000 or less and you did not use your entire prorated pension exclusion, you may be able to use the unclaimed pension exclusion at Line 28b, Form NJ-1040 or NJ-1040NR. You can only do so provided your total income (combined income if filing jointly) for the entire year is $100,000 or less before subtracting any pension exclusion.

If you (and your spouse if filing jointly) are eligible for the special exclusion (see **Special Exclusion**), you can claim the additional exclusion amount whether or not you used all of your prorated pension exclusion. For more information, see Tax Topic Bulletin **GIT-6**, *Part-Year Residents*.

Example

Harry Meehan is single and 66 years old. He receives an annuity of $8,000, which is fully taxable, and claims $8,000 as pension exclusion. Harry cannot receive Social Security, but he would have been eligible for benefits if he had been covered by the program. His other income includes: $12,108 taxable interest, $2,981 dividends, $9,500 from the sale of stock, $14,000 net rental income, and $2,142 gambling winnings. Harry completes the Other Retirement Income Exclusion Worksheet as follows:

Harry did not claim the maximum pension exclusion amount for his filing status ($45,000). He used only $8,000 as pension exclusion. However, he can use the unclaimed $37,000 other retirement income exclusion because his earned income (line 5 of worksheet) is less than $3,000. He also is eligible to claim the $3,000 special exclusion for a total other retirement income exclusion of $40,000.

Worksheet D
Unclaimed Pension Exclusion
Age Requirement: 62 or older

Part-year residents, do not complete this worksheet.

Is income on Line 27, NJ-1040 **MORE than $100,000?**

○ Yes. You are not eligible for the unclaimed pension exclusion.
● No. Continue with line 1.

1.	Enter the amount from Line 15, NJ-1040	1.
2.	Enter the amount from Line 18, NJ-1040	2.
3.	Enter the amount from Line 21, NJ-1040	3.
4.	Enter the amount from Line 22, NJ-1040	4.
5.	Add lines 1, 2, 3, and 4	5. 0

Is the amount on line 4 MORE than $3,000?

○ Yes. You are not eligible for the unclaimed pension exclusion. See Special Exclusion below.
● No. Continue with line 6.

6. **Enter: if your filing status is:**
$60,000 Married/CU couple, filing joint return
$45,000 Single; Head of household; Qualifying widow(er)/ surviving CU partner
$30,000 Married/CU partner, filing separate return 6. 45,000

7. Enter the amount from Line 28a, NJ-1040 .... 7. 8,000

8. Unclaimed Pension Exclusion. Subtract line 7 from line 6. Include this amount on Line 28b, NJ-1040. .... 8. 37,000

Joint filers: If only one spouse is 62 or older, only the income of that spouse can be excluded.

Special Exclusion. If you (and your spouse if filing jointly) will never be eligible to receive Social Security or Railroad Retirement benefits because your employer did not participate in either program, see Tax Topic Bulletin GIT-1, *Pensions and Annuities*, before entering an amount on Line 28b.

(Keep for your records)

The income section of Harry Meehan's New Jersey resident return for Tax Year 2018 looks like this:

Form NJ-1040

15.	Wages, salaries, tips, and other employee compensation (State wages from Box 16 of enclosed W-2(s)) (See instructions)	
16a.	Taxable interest income (Enclose federal Schedule B if over $1,500) (See instructions)	12,108.00
16b.	Tax-exempt interest income (Enclose Schedule) (See instructions) Do not include on Line 16a	
17.	Dividends	2,981.00
18.	Net profits from business (Schedule NJ-BUS-1, Part I, Line 4) (Enclose federal Schedule C)	
19.	Net gains or income from disposition of property (Schedule NJ-DOP, Line 4)	9,500.00
20a.	Pensions, Annuities, and IRA Withdrawals (See instructions)	8,000.00
20b.	Excludable Pensions, Annuities, and IRA Withdrawals	
21.	Distributive Share of Partnership Income (Schedule NJ-BUS-1, Part II, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1)	
22.	Net pro rata share of S Corporation Income (Schedule NJ-BUS-1, Part III, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1)	
23.	Net gains or income from rents, royalties, patents, and copyrights (Schedule NJ-BUS-1, Part IV, Line 4)	14,000.00
24.	Net Gambling Winnings (See instructions)	2,142.00
25.	Alimony and Separate Maintenance Payments received	
26.	Other (Enclose documents) (See instructions)	
27.	Total Income (Add Lines 15, 16a, 17 through 20a, and 21 through 26)	48,731.00
28a.	Retirement/Pension Exclusion (See instructions)	8,000.00
28b.	Other Retirement Income Exclusion (See Worksheet D and instructions page xx)	40,000.00
28c.	Total Exclusion Amount (Add Lines 28a and 28b)	48,000.00
29.	**New Jersey Gross Income** (Subtract Line 28c from Line 27) (See instructions)	731.00

Example

Alexander and Charlotte McSherry are both over age 65. They are married and file a joint return. The McSherrys are not covered by either the Social Security or Railroad Retirement program, but they would have been eligible for benefits if they had been enrolled in either plan. Their income consists of $8,200 taxable interest, $19,000 pension income ($11,000 taxable and $8,000 excludable using the General Rule Method), $1,500 partnership income, and $95,000 net gain from the sale of their vacation home. They complete the Other Retirement Income Exclusion Worksheet as follows:

Worksheet D
Unclaimed Pension Exclusion
Age Requirement: 62 or older

Part-year residents, do not complete this worksheet.

Is income on Line 27, NJ-1040 **MORE than $100,000?**

- ● Yes. You are not eligible for the unclaimed pension exclusion.
- ○ No. Continue with line 1.

1. Enter the amount from Line 15, NJ-1040 .... 1.______
2. Enter the amount from Line 18, NJ-1040 .... 2.______
3. Enter the amount from Line 21, NJ-1040 .... 3.______
4. Enter the amount from Line 22, NJ-1040 .... 4.______
5. Add lines 1, 2, 3, and 4 .... 5.______

   Is the amount on line 4 MORE than $3,000?
   - ○ Yes. You are not eligible for the unclaimed pension exclusion. See Special Exclusion below.
   - ○ No. Continue with line 6.
6. **Enter: if your filing status is:**

   $60,000 Married/CU couple, filing joint return
   $45,000 Single; Head of household; Qualifying widow(er)/ surviving CU partner
   $30,000 Married/CU partner, filing separate return .... 6.______
7. Enter the amount from Line 28a, NJ-1040 .... 7.______
8. Unclaimed Pension Exclusion. Subtract line 7 from line 6. Include this amount on Line 28b, NJ-1040. .... 8.___0___

   Joint filers: If only one spouse is 62 or older, only the income of that spouse can be excluded.

   Special Exclusion. If you (and your spouse if filing jointly) will never be eligible to receive Social Security or Railroad Retirement benefits because your employer did not participate in either program, see Tax Topic Bulletin GIT-1, *Pensions and Annuities*, before entering an amount on Line 28b.

(Keep for your records)

The McSherrys cannot claim the unclaimed pension exclusion because their combined total income is more than $100,000. However, they are eligible to claim a special exclusion of the other retirement income exclusion because while they do not receive Social Security or Railroad Retirement benefits, they would have been eligible had their employers participated in either program. They can claim $6,000 since they are married, filing joint.

The McSherrys complete the income section of their New Jersey resident return for Tax Year 2018 like this:

Form NJ-1040

15.	Wages, salaries, tips, and other employee compensation (State wages from Box 16 of enclosed W-2(s)) (See instructions) ... 15.	, , .
16a.	Taxable interest income (Enclose federal Schedule B if over $1,500) (See instructions) ... 16a.	8,200.00
16b.	Tax-exempt interest income (Enclose Schedule) (See instructions) Do not include on Line 16a ... 16b.	, , .
17.	Dividends ... 17.	, , .
18.	Net profits from business (Schedule NJ-BUS-1, Part I, Line 4) (Enclose federal Schedule C) ... 18.	, , .
19.	Net gains or income from disposition of property (Schedule NJ-DOP, Line 4) ... 19.	95,000.00
20a.	Pensions, Annuities, and IRA Withdrawals (See instructions) ... 20a.	11,000.00
20b.	Excludable Pensions, Annuities, and IRA Withdrawals ... 20b.	8,000.00
21.	Distributive Share of Partnership Income (Schedule NJ-BUS-1, Part II, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1) ... 21.	1,500.00
22.	Net pro rata share of S Corporation Income (Schedule NJ-BUS-1, Part III, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1) ... 22.	, , .
23.	Net gains or income from rents, royalties, patents, and copyrights (Schedule NJ-BUS-1, Part IV, Line 4) ... 23.	, , .
24.	Net Gambling Winnings (See instructions) ... 24.	, , .
25.	Alimony and Separate Maintenance Payments received ... 25.	, , .
26.	Other (Enclose documents) (See instructions) ... 26.	, , .
27.	Total Income (Add Lines 15, 16a, 17 through 20a, and 21 through 26) ... 27.	115,700.00
28a.	Retirement/Pension Exclusion (See instructions) ... 28a.	, .
28b.	Other Retirement Income Exclusion (See Worksheet D and instructions page xx) ... 28b.	6,000.00
28c.	Total Exclusion Amount (Add Lines 28a and 28b) ... 28c.	6,000.00
29.	**New Jersey Gross Income** (Subtract Line 28c from Line 27) (See instructions) ... 29.	109,700.00

Example

George (age 69) and Guiliana (age 65) Pell are married and file a joint return. Both receive Social Security. Their combined fully taxable pension income is $15,414, and they claim that amount as pension exclusion on their return. They also received $11,800 taxable interest, $1,950 wages, $2,915 dividends, $850 in net pro rata share of S corporation income, and a $35,000 net gain from the sale of stock. The Pells complete Worksheet D as follows:

Worksheet D
Unclaimed Pension Exclusion
Age Requirement: 62 or older
Part-year residents, do not complete this worksheet.

Is income on Line 27, NJ-1040 **MORE than $100,000?**

- ○ Yes. You are not eligible for the unclaimed pension exclusion.
- ● No. Continue with line 1.

1. Enter the amount from Line 15, NJ-1040 .... 1. 1,950
2. Enter the amount from Line 18, NJ-1040 .... 2. 0
3. Enter the amount from Line 21, NJ-1040 .... 3. 0
4. Enter the amount from Line 22, NJ-1040 .... 4. 850
5. Add lines 1, 2, 3, and 4 .... 5. 2,800
   Is the amount on line 4 MORE than $3,000?
   - ○ Yes. You are not eligible for the unclaimed pension exclusion. See Special Exclusion below.
   - ● No. Continue with line 6.
6. **Enter: if your filing status is:**
   $60,000 Married/CU couple, filing joint return
   $45,000 Single; Head of household; Qualifying widow(er)/ surviving CU partner
   $30,000 Married/CU partner, filing separate return 6. 60,000
7. Enter the amount from Line 28a, NJ-1040 .... 7. 15,414
8. Unclaimed Pension Exclusion. Subtract line 7 from line 6. Include this amount on Line 28b, NJ-1040. .... 8. 44,586
   Joint filers: If only one spouse is 62 or older, only the income of that spouse can be excluded.

   Special Exclusion. If you (and your spouse if filing jointly) will never be eligible to receive Social Security or Railroad Retirement benefits because your employer did not participate in either program, see Tax Topic Bulletin GIT-1, *Pensions and Annuities*, before entering an amount on Line 28b.

(Keep for your records)

Because the Pells receive Social Security benefits, they are not eligible to claim the special exclusion. They complete the income section of their New Jersey resident return for Tax Year 2018 like this:

Form NJ-1040

15.	Wages, salaries, tips, and other employee compensation (State wages from Box 16 of enclosed W-2(s)) (See instructions) ... 15.	1,950.00
16a.	Taxable interest income (Enclose federal Schedule B if over $1,500) (See instructions) ... 16a.	11,800.00
16b.	Tax-exempt interest income (Enclose Schedule) (See instructions) Do not include on Line 16a ... 16b.	
17.	Dividends ... 17.	2,915.00
18.	Net profits from business (Schedule NJ-BUS-1, Part I, Line 4) (Enclose federal Schedule C) ... 18.	
19.	Net gains or income from disposition of property (Schedule NJ-DOP, Line 4) ... 19.	35,000.00
20a.	Pensions, Annuities, and IRA Withdrawals (See instructions) ... 20a.	15,414.00
20b.	Excludable Pensions, Annuities, and IRA Withdrawals ... 20b.	
21.	Distributive Share of Partnership Income (Schedule NJ-BUS-1, Part II, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1) ... 21.	
22.	Net pro rata share of S Corporation Income (Schedule NJ-BUS-1, Part III, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1) ... 22.	850.00
23.	Net gains or income from rents, royalties, patents, and copyrights (Schedule NJ-BUS-1, Part IV, Line 4) ... 23.	
24.	Net Gambling Winnings (See instructions) ... 24.	
25.	Alimony and Separate Maintenance Payments received ... 25.	
26.	Other (Enclose documents) (See instructions) ... 26.	
27.	Total Income (Add Lines 15, 16a, 17 through 20a, and 21 through 26) ... 27.	67,929.00
28a.	Retirement/Pension Exclusion (See instructions) ... 28a.	15,414.00
28b.	Other Retirement Income Exclusion (See Worksheet D and instructions page xx) ... 28b.	44,586.00
28c.	Total Exclusion Amount (Add Lines 28a and 28b) ... 28c.	60,000.00
29.	**New Jersey Gross Income** (Subtract Line 28c from Line 27) (See instructions) ... 29.	7,929.00

Example

Mary and Pete Corcoran are both 70 years old and file a joint return. Their combined income consists of $19,806 in Social Security benefits, $26,039 taxable interest, $5,000 tax-exempt interest, $20,987 taxable dividends, $5,600 in gambling winnings, $1,500 in partnership income, $1,000 in net pro rata share of S corporation income, and $8,607 of rental income. Neither spouse receives a pension. The Corcorans complete Worksheet D as follows:

Worksheet D
Unclaimed Pension Exclusion
Age Requirement: 62 or older
Part-year residents, do not complete this worksheet.

Is income on Line 27, NJ-1040 **MORE than $100,000?**

○ Yes. You are not eligible for the unclaimed pension exclusion.
● No. Continue with line 1.

1. Enter the amount from Line 15, NJ-1040 .... 1. 0
2. Enter the amount from Line 18, NJ-1040 .... 2. 0
3. Enter the amount from Line 21, NJ-1040 .... 3. 1,500
4. Enter the amount from Line 22, NJ-1040 .... 4. 1,000
5. Add lines 1, 2, 3, and 4 .... 5. 2,500
   Is the amount on line 4 MORE than $3,000?
   ○ Yes. You are not eligible for the unclaimed pension exclusion. See Special Exclusion below.
   ● No. Continue with line 6.
6. **Enter: if your filing status is:**
   $60,000 Married/CU couple, filing joint return
   $45,000 Single; Head of household; Qualifying widow(er)/ surviving CU partner
   $30,000 Married/CU partner, filing separate return 6. 60,000
7. Enter the amount from Line 28a, NJ-1040 .... 7. 0
8. Unclaimed Pension Exclusion. Subtract line 7 from line 6. Include this amount on Line 28b, NJ-1040. .... 8. 60,000
   Joint filers: If only one spouse is 62 or older, only the income of that spouse can be excluded.

   Special Exclusion. If you (and your spouse if filing jointly) will never be eligible to receive Social Security or Railroad Retirement benefits because your employer did not participate in either program, see Tax Topic Bulletin GIT-1, *Pensions and Annuities*, before entering an amount on Line 28b.

(Keep for your records)

Because the Corcorans receive Social Security benefits, they are not eligible to claim the special exclusion. They complete the income section of their New Jersey resident return for Tax Year 2018 like this:

Form NJ-1040

15.	Wages, salaries, tips, and other employee compensation (State wages from Box 16 of enclosed W-2(s)) (See instructions)	
16a.	Taxable interest income (Enclose federal Schedule B if over $1,500) (See instructions)	26,039.00
16b.	Tax-exempt interest income (Enclose Schedule) (See instructions) Do not include on Line 16a	5,000.00
17.	Dividends	20,987.00
18.	Net profits from business (Schedule NJ-BUS-1, Part I, Line 4) (Enclose federal Schedule C)	
19.	Net gains or income from disposition of property (Schedule NJ-DOP, Line 4)	
20a.	Pensions, Annuities, and IRA Withdrawals (See instructions)	
20b.	Excludable Pensions, Annuities, and IRA Withdrawals	
21.	Distributive Share of Partnership Income (Schedule NJ-BUS-1, Part II, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1)	1,500.00
22.	Net pro rata share of S Corporation Income (Schedule NJ-BUS-1, Part III, Line 4) (Enclose Schedule NJK-1 or federal Schedule K-1)	1,000.00
23.	Net gains or income from rents, royalties, patents, and copyrights (Schedule NJ-BUS-1, Part IV, Line 4)	8,607.00
24.	Net Gambling Winnings (See instructions)	5,600.00
25.	Alimony and Separate Maintenance Payments received	
26.	Other (Enclose documents) (See instructions)	
27.	Total Income (Add Lines 15, 16a, 17 through 20a, and 21 through 26)	63,733.00
28a.	Retirement/Pension Exclusion (See instructions)	
28b.	Other Retirement Income Exclusion (See Worksheet D and instructions page xx)	60,000.00
28c.	Total Exclusion Amount (Add Lines 28a and 28b)	60,000.00
29.	**New Jersey Gross Income** (Subtract Line 28c from Line 27) (See instructions)	3,733.00

Example

Herbert (age 66) and Marion (age 63) Green live in Nyack, New York. They are married and file a joint return. Herbert is retired and received Social Security benefits of $12,478 and fully taxable annuity income of $13,624. They also received $4,600 taxable interest, $7,100 in dividends, and a $52,500 net gain from the sale of New Jersey real estate. Marion works in Englewood, New Jersey and earned wages of $2,836. The Greens complete the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (Tax Year 2018)

Age Requirement: 62 or older

Residents or part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is income on Line 27, Column A, Form NJ-1040NR
MORE than $100,000?

○ Yes. Do not complete Part I. Enter "0" on line 8 and continue with Part II.
● No. Continue with line 1.

1. **Wages.** Enter the amount from Line 15, Column A, Form NJ-1040-NR 1. 2,836
2. **Net Profits from Business.** Enter the amount from Line 18, Column A, Form NJ-1040NR 2. 0
3. **Distributive Share of Partnership Income.** Enter the amount from Line 23, Column A, Form NJ-1040NR 3. 0
4. **Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 24, Column A, Form NJ-1040NR 4. 0
5. Add lines 1, 2, 3, and 4 .... 5. 2,836

Is the amount on line 4 MORE than $3,000?

○ Yes. Enter "0" on line 8 and continue with Part II.
● No. Continue with line 6.

6. **Enter:** **if filing status is:**

Enter:	if filing status is:	
$60,000	Married/CU couple, filing joint return	
$45,000	Single; Head of Household; Qualifying widow(er)/surviving CU partner	
$30,000	Married/CU partner, filing separate return	6. 60,000

7. **Pension Exclusion Claimed.** Enter the amount from Line 28a, Column A, Form NJ-1040NR 7. 13,624
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter "0." Continue with Part II. 8. 46,376

Part II - Special Exclusion

9a. Are you (and/or your spouse if filing jointly) now receiving, or will you (and/or your spouse if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

○ No — Continue with item 9b
● Yes — Enter "0" on line 9 and continue with line 10

9b. Would you (and your spouse if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

○ No — Enter "0" on line 9 and continue with line 10
○ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter:	if filing status is:	
$6,000	Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner	
$3,000	Single; Married/CU partner, filing separate return	9. 0

10. Other Retirement Income Exclusion. Add lines 8 and 9. Enter here and on Line 28b, Column A and Column B, Form NJ-1040NR. If the amount here is zero, make no entry on Line 28b, Column A and B, Form NJ-1040NR. 10. 46,376

The Greens did not claim the maximum pension exclusion amount for their filing status ($60,000). They used only $13,624 as pension exclusion. However, they can use the unclaimed $46,376 other retirement income exclusion because their earned income (line 5 of worksheet) is less than $3,000.

The Greens complete Lines 15-29 on page 1 and Part I on page 3 of their New Jersey nonresident return for Tax Year 2018 as follows:

FORM NJ-1040NR (Page 1)

Driver's License # ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ State ☐☐ (Voluntary)		(Column A) AMOUNT OF GROSS INCOME (EVERYWHERE)		(Column B) AMOUNT FROM NEW JERSEY SOURCES
15. Wages, salaries, tips, and other employee compensation Check box if you completed lines 64 through 70 ☐	15	2,836	15	2,836
16. Interest	16	4,600	16	0
17. Dividends	17	7,100	17	0
18. Net profits from business (Schedule NJ-BUS-1, Part I, Line 4)	18		18	
19. Net gains or income from disposition of property (From Line 63)	19	52,500	19	52,500
20. Net gains or income from rents, royalties, patents, and copyrights (Schedule NJ-BUS-1, Part II, Line 4)	20		20	
21. Net gambling winnings (See Instructions page 19)	21		21	
22. Pensions, Annuities, and IRA Withdrawals	22	13,624		
23. Distributive Share of Partnership Income (Schedule NJ-BUS-1, Part III, Line 4)	23		23	
24. Net pro rata share of S Corporation Income (Schedule NJ-BUS-1, Part IV, Line 4)	24		24	
25. Alimony and separate maintenance payments received	25			
26. Other - State Nature and Source ____________________	26		26	
27. TOTAL INCOME (Add Lines 15 through 26)	27	80,660	27	55,336
28a. Pension Exclusion (See Instructions page 24)	28a	13,624		
28b. Other Retirement Income Exclusion (See Worksheet and Instructions page 24)	28b	46,376	28b	46,376
28c. Total Exclusion Amount (Add Line 28a and Line 28b)	28c	60,000	28c	46,376
29. Gross Income (Subtract Line 28c from Line 27)	29	20,660	29	8,960

(Page 3)

PART I	**NET GAINS OR INCOME FROM DISPOSITION OF PROPERTY**	List the net gains or income, less net loss, derived from the sale, exchange, or other disposition of property including real or personal whether tangible or intangible.					
(a) Kind of property and description	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis as adjusted (see instructions) and expense of sale		(f) Gain or (loss) (d less e)	
60. Six-acre lot in Park Ridge, NJ	3/11/18	11/18/18	97,500	60,000		37,500	
61. Capital Gains Distribution					61		
62. Other Net Gains					62		
63. Net Gains (Add Lines 48, 49, and 50) (Enter here and on Line 39) (If Loss, enter ZERO)					63	37,500	

For More Information

Online

- Division of Taxation **website**;
- **Email** general State tax questions.
  Do not include confidential information such as Social Security or federal tax identification numbers, liability or payment amounts, dates of birth, or bank account numbers in your email;
- Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service.

By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**;
- Text Telephone Service (TTY/TDD) for Hearing-Impaired Users: **1-800-286-6613** (toll-free within NJ, NY, PA, DE, and MD) or **609-984-7300.** These numbers are accessible *only* from TTY devices. Submit a text message on any New Jersey tax matter and receive a reply through NJ Relay Services (711).

In Person

Visit a New Jersey Division of Taxation Regional Information Center. For the address of the center nearest you, visit our **website** or call the Automated Tax Information System at 1-800-323-4400.

Forms and Publications

- See our **forms** and **publications** pages;
- Call the Forms Request System at **1-800-323-4400** (within NJ, NY, PA, DE, and MD) or **609-826-4400** (touch-tone phones only) to have printed forms or publications mailed to you. **Note:** Due to budgetary constraints, supplies are limited and only certain forms and publications can be ordered through this system.