

From: [NJ Division of Taxation](#)

Subject: Reminders on Preparing 2011 NJ Returns

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The Division of Taxation has identified a number of areas on the New Jersey resident and nonresident income tax returns where errors or omissions are often made. To avoid mistakes that can delay the processing of a return or the receipt of a refund, or that can result in the issuance of an erroneous bill, please review the points on the following list. These principles apply to returns filed electronically or on traditional paper forms. Taxpayers should retain copies of the return and all supporting schedules or forms that document their income, exemptions, deductions or credits. They may be asked to provide that information to the Division of Taxation.

1. Taxpayer Identification Numbers (SSN/ITIN/ATIN)

—Taxpayer and Spouse/Civil Union Partner. A valid social security number (SSN) or individual taxpayer identification number (ITIN) must be entered on the return. Use the same number(s) entered on the Federal return. For a joint return, the numbers must be entered in the same order as the names. Taxpayers who do not have an SSN must file Form SS-5 with the Social Security Administration to apply for one. Taxpayers who are not eligible for a social security number must file Form W-7 with the IRS to obtain an ITIN. If a taxpayer (or spouse/civil union partner) applied for but did not receive an ITIN by the return due date, a paper New Jersey return must be filed and a copy of the Form W-7 application must be enclosed.

—Dependents. Dependents listed must be the same persons who qualified as the taxpayer's dependents for Federal purposes. The same SSN, ITIN, or adoption taxpayer identification number (ATIN) used for Federal purposes must be entered. If a valid identification number is not entered for a dependent, the exemption for the dependent will be disallowed.

2. Filing Status

In general, taxpayers must use the same filing status on the New Jersey return as they do for Federal income tax purposes, unless they are partners in a civil union.

For example, married/civil union couples who maintain the same principal residence and file separate New Jersey tax returns must use the filing status "Married/CU Partner, filing separate return." These spouses/civil union partners may not use the filing status "Head of Household" for New Jersey purposes. See more information on Filing Status at:

<http://www.state.nj.us/treasury/taxation/njit1.shtml>

3. Additional Exemption for Dependents Attending Colleges

All the requirements for the exemption must be met.

(1) Student must be claimed as a dependent child or "other" dependent. (Exemption is not available for taxpayer or spouse/civil union partner or

domestic partner.)

(2) Student must be under 22 years of age for the entire tax year. (Student's 22nd birthday will not occur until 2012 or later.)

(3) Student must attend school full-time (as determined by the institution).

(4) Student must spend at least some part of each of five calendar months of the tax year at school.

(5) Educational institution must be an accredited college or postsecondary institution.

(6) Taxpayer must have paid one-half or more of the tuition and maintenance costs for the student.

4. Military Personnel: Resident or Nonresident

A member of the Armed Forces whose home of record (and domicile) is New Jersey must file a New Jersey resident return, Form NJ-1040, unless he or she meets the conditions for nonresident status. See Income Tax Filing Requirements for Military Personnel at:

<http://www.state.nj.us/treasury/taxation/military/requirements.shtml>

5. Reporting Wages Earned by Pennsylvania Residents on Nonresident Return (Form NJ-1040NR)

Pennsylvania residents who earn wages in New Jersey must complete the wages line (Line 14) of the nonresident return, Form NJ-1040NR, as follows: In the section for Amount of Gross Income Everywhere (Column A), enter on the wages line (Line 14) the total amount of wages from everywhere, including wages earned in New Jersey. In the section for Amount From New Jersey Sources (Column B), enter zero ("0") on the wages line (Line 14).

6. Reporting Pensions, Annuities, and IRA Withdrawals (Line 19)

The taxable amount of income received from pensions, annuities, and IRAs (individual retirement arrangements) must be reported on the line for "Pensions, Annuities, and IRA Withdrawals" (Line 19) of the New Jersey return. Remember the following when completing Line 19:

—The amount that is taxable for New Jersey purposes may differ from the amount that is taxable for Federal purposes.

—For New Jersey purposes, taxpayers will use either the Three-Year Rule Method or the General Rule Method to determine the taxable and nontaxable portions of their pension or annuity payments.

—The taxable amount of an IRA withdrawal must be determined by completing a New Jersey Worksheet C, which is contained in both the resident and nonresident return instructions. Taxpayers cannot use the Three-Year Rule Method or General Rule Method to determine the taxable amount of an IRA withdrawal.

—Do not report interest earned on an IRA on either the Taxable Interest Income line (Line 15, Form NJ-1040 or Form NJ-1040NR) or the Tax-Exempt Interest Income line (Line 15b, Form NJ-1040). The taxable portion of an IRA withdrawal must be reported on Line 19.

—Military pension or survivor's benefit payments are not taxable for New Jersey income tax purposes and should not be reported on either the resident or nonresident return.

—Pension, annuity, and IRA withdrawal income is not taxable to nonresidents. However, taxable amounts must be reported in the section for Amount of Gross Income Everywhere (Column A) on Form NJ-1040NR.

For detailed information on reporting income from pensions, annuities, and IRAs on the New Jersey return see:

Tax Topic Bulletin GIT-1, Pensions and Annuities

<http://www.state.nj.us/treasury/taxation/pdf/pubs/tqi-ee/git1.pdf>

Tax Topic Bulletin GIT-2, IRA Withdrawals

<http://www.state.nj.us/treasury/taxation/pdf/pubs/tqi-ee/git2.pdf>

7. Medical Expenses

For Federal purposes a taxpayer may be able to deduct amounts paid for health insurance for their child who was under age 27 at the end of 2011. However, for New Jersey purposes such amounts paid for health insurance can be deducted only if the child was listed as a dependent on the New Jersey tax return. For more information see Technical Advisory Memorandum TAM 2011-14 at:

<http://www.state.nj.us/treasury/taxation/pdf/pubs/tams/tam14.pdf>

8. Reporting Total Property Taxes Paid on Form NJ-1040 (Line 36a)

Since most eligible homeowners and tenants use the amount on Line 36a to calculate their property tax deduction (Line 36c) or property tax credit (Line 48) it is important to enter the correct amount based on the resident's circumstances. NOTE: Residents who are filing Property Tax Reimbursement (Senior Freeze) applications complete Line 36a in the same manner as other residents. However, they do not use the total property taxes paid amount entered on Line 36a to calculate the amount of their property tax deduction or credit. Instead, these filers must use the amount of base year property taxes (mobile home owners use 18% of base year mobile home park site fees) they reported on Form PTR-1 or PTR-2.

Homeowners

—The amount of any Homestead Benefit received by a homeowner must be taken into account when completing Line 36a. If the homeowner received a credit on their property tax bill during 2011, the amount of the credit adjustment must be added to the amount of property taxes paid to the municipality. Otherwise, the homeowner uses the amount of property taxes paid to the municipality. For further details, see the instructions for completing Line 36a at:

<http://www.state.nj.us/treasury/taxation/pdf/current/lines36and48.pdf>

—Schedule F-1 must be completed before an amount is entered on Line 36a if a homeowner:

- (1) Had more than one qualifying New Jersey residence during the year or
- (2) Shared ownership of their principal residence with anyone other than a spouse/civil union partner or
- (3) Owned a principal residence that contained multiple units or
- (4) Was both a homeowner and a tenant during the year.

—Spouses/civil union partners who file separate returns but maintain the same principal residence each report one-half of the property taxes paid when completing Line 36a.

Tenants

—18% of the rent paid during the year is considered property taxes paid.

—Schedule F-1 must be completed before an amount is entered on Line 36a if a tenant:

- (1) Had more than one New Jersey residence during the year or
- (2) Occupied and shared rent with someone other than a spouse/civil union partner or
- (3) Was both a tenant and a homeowner during the year.

—Spouses/civil union partners who file separate returns but maintain the same principal residence each report one-half of the rent constituting property taxes paid when completing Line 36a.

View more information on calculating the amount of the property tax deduction/credit at:

<http://www.state.nj.us/treasury/taxation/njit35.shtml>

9. Reporting Payments/Credits on Form NJ-1040NR

—Total New Jersey Income Tax Withheld (Line 44). Report on this line only amounts of New Jersey income tax withheld as shown on supporting W-2, W-2G, or 1099 statement(s). Other amounts reported on this line will be disallowed.

—New Jersey Estimated Tax Payments/Credit From 2010 Tax Return (Line 45). Estimated payments made in connection with the sale or transfer of real property in New Jersey must be reported on Line 45. Also report on this line payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder as shown on Form NJ-1040-SC. Do not report these payments on Line 44 (Total New Jersey Income Tax Withheld).

—Tax Paid on Your Behalf by Partnerships (Line 46). Payments made by a partnership on behalf of a nonresident as shown on Schedule NJK-1 (Form NJ-1065) or Schedule NJK-1 (Form NJ-1041) must be reported on Line 46. Do not report these payments on Line 44 (Total New Jersey Income Tax Withheld).

10. Reporting Payments/Credits on Form NJ-1040

—Total New Jersey Income Tax Withheld (Line 47). Report on this line only amounts of New Jersey income tax withheld as shown on supporting W-2, W-2G, or 1099 statement(s). Other amounts reported on this line will be disallowed. For example, a New Jersey resident may not claim a credit on this line for tax paid on their behalf by a partnership. Any such payments entered on Line 47 will be disallowed.

11. New Jersey Earned Income Tax Credit (NJEITC)

When preparing returns that include a New Jersey Earned Income Tax Credit, be sure that all required information is correctly entered on the return. Failure to do so will result in the issuance of a notice and delay the processing of the claim.

—Income Information. List income amounts on the appropriate return line: Wages (Line 14), Net profits from business (Line 17), Net pro rata share of S corporation income (Line 21), etc.

—Dependent Information. The name, social security number (ITIN or ATIN), and year of birth for each dependent child or other dependent claimed on the return must be entered at the line for Dependents' Information (Line 13, Form NJ-1040).

—Qualifying Child Information. The name, social security number (ITIN or ATIN), and year of birth for any "qualifying child" listed on the taxpayer's Federal Schedule EIC who is not claimed as a dependent for New Jersey purposes must be provided at the line for Dependents' Information (Line 13, Form NJ-1040) if taxpayer qualifies for the NJEITC.

—Documentation. Be sure that the taxpayer has adequate documentation to support the NJEITC claim since they may be required to provide it to the Division of Taxation.

12. Credit for Excess Unemployment, Disability, Family Leave Insurance Contributions Withheld

Taxpayers who had two or more employers and contributed more than the maximum amount(s) may claim credit for the excess withheld on the resident or nonresident return. For 2011, the maximum amounts are:

Unemployment Insurance — \$125.80
Disability Insurance — \$148.00
Family Leave Insurance — \$17.76

If a single employer withheld more than the maximum contribution amount, the employee must contact the employer for a refund.

View more information on claiming credit for excess contributions at:

<http://www.state.nj.us/treasury/taxation/njit16.shtml>

13. Amended Resident Return (Form NJ-1040X)

—Complete Both Columns. Both the "As Originally Reported" and "Amended" columns must be fully completed, not just the items that are being amended.

—Enclosures. All necessary forms and schedules to support the item being amended must be enclosed. However, if the original return was filed electronically, all supporting documents that would have been enclosed if the original return had been filed on paper must be enclosed with the amended return.

14. Amended Nonresident Return (Form NJ-1040NR "Amended")

New Jersey does not have a special form for amending nonresident returns. A new, fully completed paper Form NJ 1040NR must be filed, with "Amended" written at the top. See "Enclosures" in the section on amending a resident return for information on documents to enclose with an amended nonresident return.

15. Verify Important Information

—Social security numbers (taxpayer, spouse/civil union partner, dependents)

—Name and address

- County Municipality Code
- Bank routing and account numbers for direct deposit of refund

According to IRS Best Practices, tax professionals should verify client identification/information through independent sources such as a driver's license or other official document(s).

16. Envelopes

Send only one return per envelope.

17. Return Preparation Software

Check for electronic updates to return preparation software before filing.

PLEASE DO NOT REPLY TO THIS MESSAGE.

If you have a question about any of the taxes and programs administered by the Division of Taxation, click on

https://www.state.nj.us/treas/taxation/contactus_tyttaxa.shtml to send an e-mail.

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