



TAM 2010-4 – Issued November 1, 2010

Tax: Gross Income Tax

The New York Metropolitan Commuter Transportation Mobility Tax (“MCTMT”) is a tax imposed on certain employees and self-employed individuals engaging in business within the metropolitan commuter transportation district.

For New Jersey Gross Income Tax purposes, the New York MCTMT is an income tax and is available for credit for taxes paid to other jurisdictions, as the self-employment part is considered a tax based on income. (For wage earners, however, it is a payroll tax and is not available for credit).

Therefore, the self-employment income taxed under the New York MCTMT that is also taxed by New Jersey can be included in the New Jersey credit calculation. If the MCTMT amount exceeds the New York State tax and New York City Unincorporated Business Tax (UBT), taxpayers may do three calculations if they need additional credit.

Example:

Joe and Sally Smith are full-year New Jersey residents. The couple is married and filed a joint return on which they reported total income for the year of \$175,000. The income consisted of Sally’s wages, earned in New Jersey \$25,000, interest \$15,000, dividends \$10,000, capital gains \$25,000, and Joe’s net profits from the business he owns in New York City, \$100,000.

New York State imposed \$6,000 in tax based on taxable income of \$75,000. In addition, New York City imposed \$4,000 in UBT on the full \$100,000. The New York Metropolitan Transportation Mobility Tax (MCTMT) imposed \$340 on the full \$100,000.

The Smiths must complete two Schedule As; one for the \$75,000 taxed by both New York State, the New York City UBT and the MCTMT and another for the \$25,000 “excess income” taxed only under the New York City UBT and the MCTMT. The results of the two separate credit calculations are then added to determine the total credits for taxes paid to other jurisdictions. There is no separate Schedule A for the MCTMT in this example since there is no excess of the New York UBT.

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