

Credit for Income Tax Paid to Other Jurisdictions

(Business/Nonwage Income) Understanding Income Tax

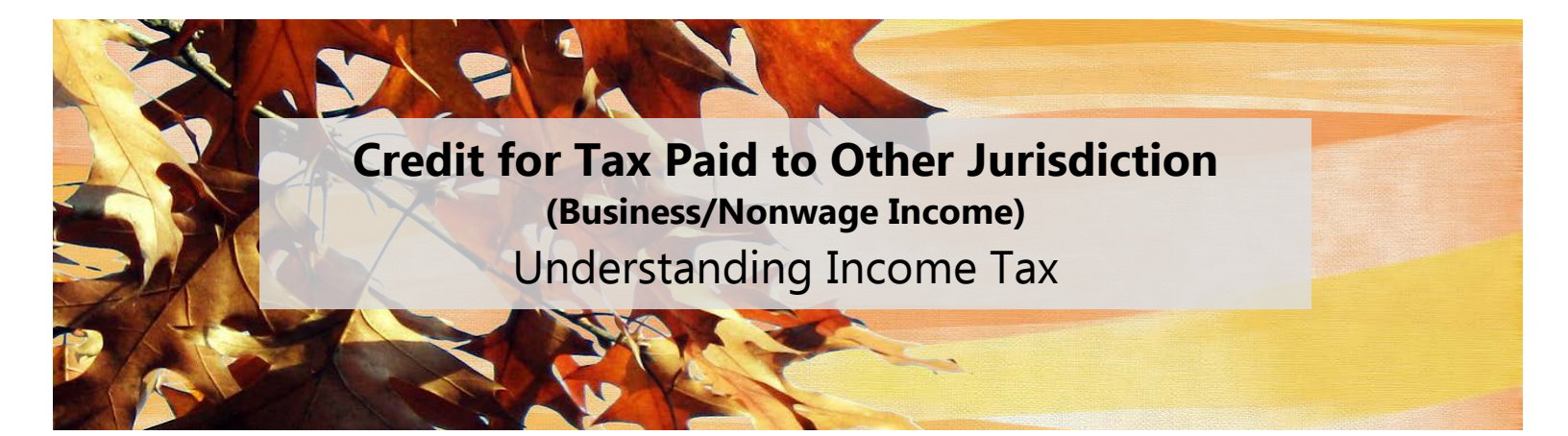


New Jersey's State tree is the Northern Red Oak.

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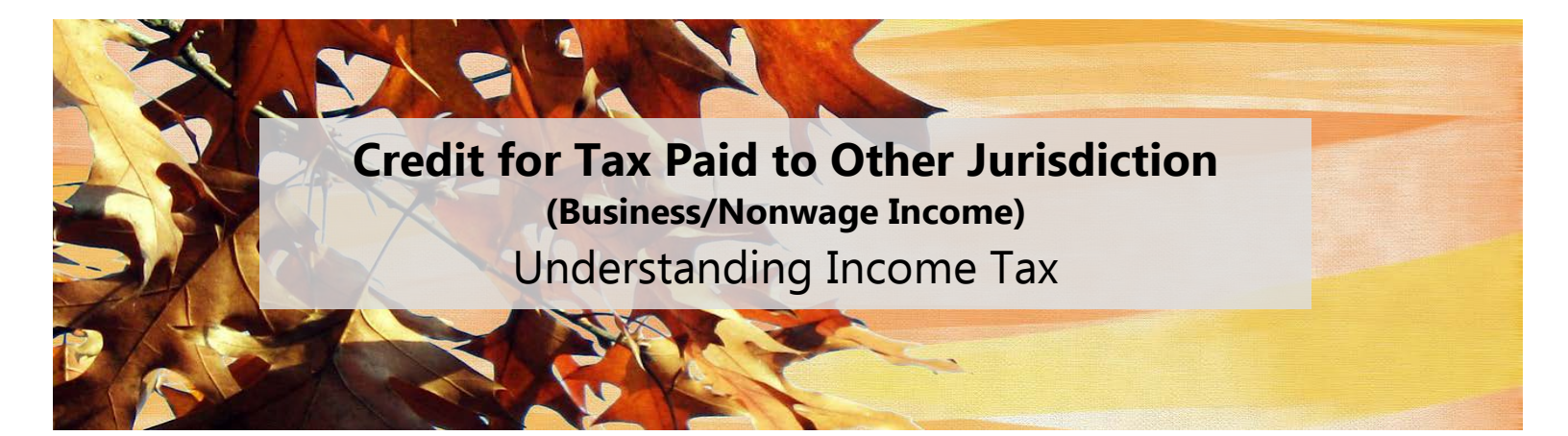
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Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Purpose of This Publication

Resident taxpayers who paid Income Tax both to New Jersey and to an out-of-state [jurisdiction](#) in the same tax year may be eligible for a credit against the tax they owe to New Jersey. A taxpayer can be an individual, an estate, or a trust that pays Income Tax to another jurisdiction. The income can be earned from a business, an S corporation, or through self-employment.

This publication explains:

- How to determine what income you can include in the credit calculation;
- When you are eligible to claim a credit for taxes paid to another jurisdiction;
- How to calculate the credit amount you are eligible to claim.

The [examples](#) provided illustrate how to determine the tax credit in both simple and complex situations.

Our companion publication, [Credit for Taxes Paid to Other Jurisdictions \(Wage Income\)](#), shows examples of how to calculate the tax credit on wage income.

Purpose of the Credit

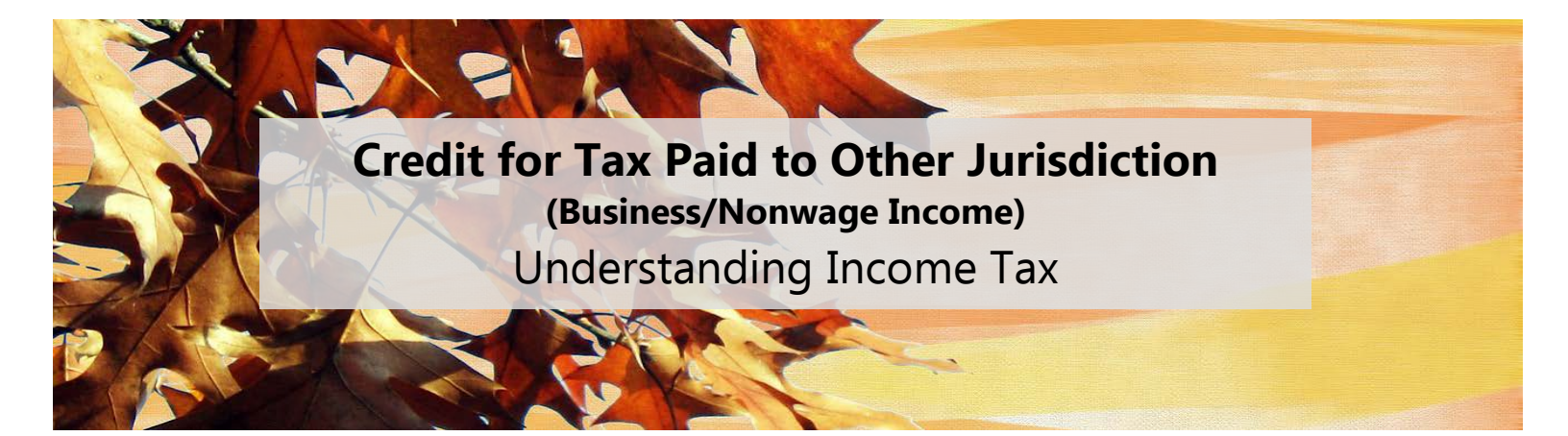
This credit minimizes double taxation of income that is already taxed by other jurisdictions. Your credit will either be the amount of New Jersey Income Tax that you would have paid had the income been earned in New Jersey, or the amount of tax actually paid to the other jurisdiction, *whichever is less*.

These are the statutory (legal) limitations:

1. The income must have been taxed, in the same tax year, by *both* New Jersey and another qualified jurisdiction (see [Jurisdiction](#)); *and*
2. The credit cannot exceed the proportional credit limitation. (See [Proportional Credit Limitation Formula](#).)

Components of the Credit Calculation

Before you can calculate any credit for taxes paid to another jurisdiction(s), you must understand the components of the credit calculation. You must also know how to determine each of those components for each jurisdiction and each tax for which a credit is being claimed. You must determine:



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

- What constitutes a *jurisdiction*;
- Income *actually taxed* by the other jurisdiction;
- Income *properly taxed* by another jurisdiction;
- Income actually taxed by both New Jersey and the other jurisdiction;
- Income taxed by New Jersey;
- *Actual tax paid* to the other jurisdiction.

Jurisdiction

This is any state of the United States other than New Jersey, a political subdivision (e.g., county or municipality) of any state other than New Jersey, or the District of Columbia. You are not allowed to claim a credit for taxes paid to the U.S. government, Canada, Puerto Rico, or to any foreign country or territory.

Income Actually Taxed by Another Jurisdiction

Generally, this is the income sourced to the other jurisdiction, after any adjustments allowed by the other jurisdiction but before deducting personal exemptions and standard or itemized deductions.

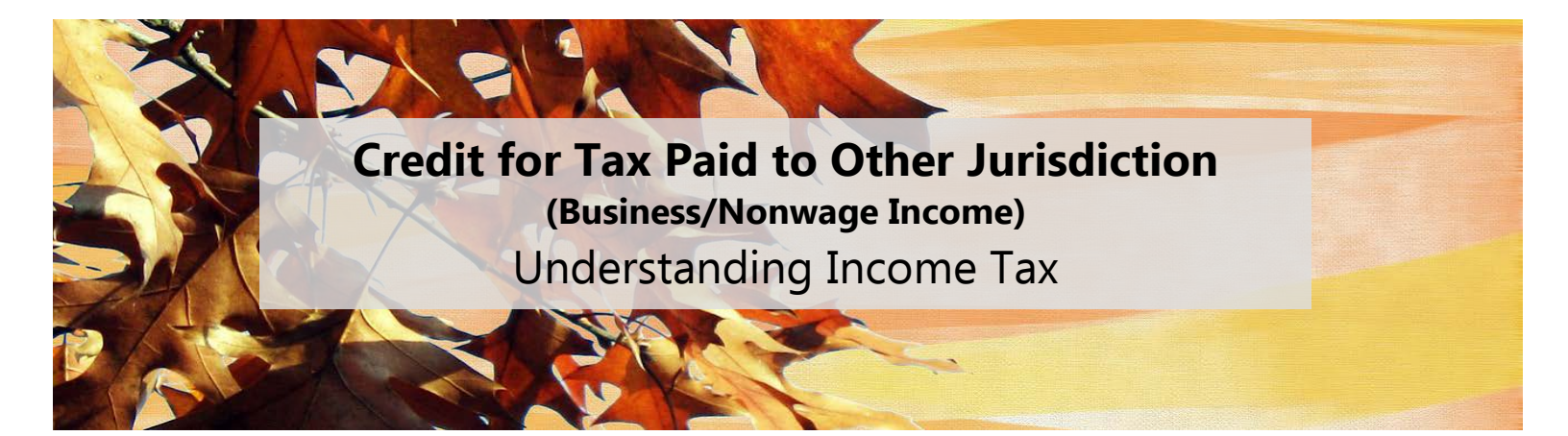
Income Sourced to Another Jurisdiction vs. Worldwide Income

Some jurisdictions require you to determine the actual amount of tax due. First, you calculate a base tax on your total income from all sources (worldwide income) as if you were a resident of that state. Second, divide the amount of income sourced to the other state by worldwide income, which gives you a percentage. Then, multiply the base tax by the percentage you calculated.

This method of tax calculation may result in you having higher tax liability in the other jurisdiction. However, it does not increase the amount of income subject to tax by the other jurisdiction. The other jurisdiction actually taxes only the income sourced to that state, and not worldwide income. (See [example 5](#).)

As the New Jersey Tax Court stated in *Chin v. Director*, 14 NJ Tax 304 (Tax Ct. 1994): "It is clear that the use of the plaintiff's non-New York income in determining the tax rate to be imposed on his spouse's New York source income did not constitute taxation of that non-New York income. Accordingly, the Director properly excluded the non-New York income from the numerator of the resident credit fraction because it was not subject to tax in New York...."

The worldwide income is used to determine the tax rate to be imposed on the income sourced to the jurisdiction, but is not actually taxed. Thus, only income actually sourced to the other state can be included on line 1, Schedule NJ-COJ. (See *Chin v. Director*.)



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Income Allocations Allowed by the Other Jurisdiction

A jurisdiction may allow income to be allocated when it is earned partly inside and partly outside the state. For example, wages may be allocated using a ratio of days worked in the state over days worked everywhere. Since the allocation of time worked in the state reduces the wages taxed by the other jurisdiction, you must take that into consideration when determining the income actually taxed by the other jurisdiction.

Adjustments (Deductions) Allowed by the Other Jurisdiction

A jurisdiction may allow subtractions or deductions from income to determine the income actually taxed by that jurisdiction. For example, IRA contributions, employee business expenses, and moving expenses may be allowed as deductions from wages. Because those deductions reduce the wages taxed by the other jurisdiction, they must be taken into consideration when determining the income actually taxed by the other jurisdiction. (See examples [6](#), [7](#), [8](#), [9](#), and [10](#).)

Adjustments (Deductions) Not Allowed by the Other Jurisdiction But Allowed by New Jersey

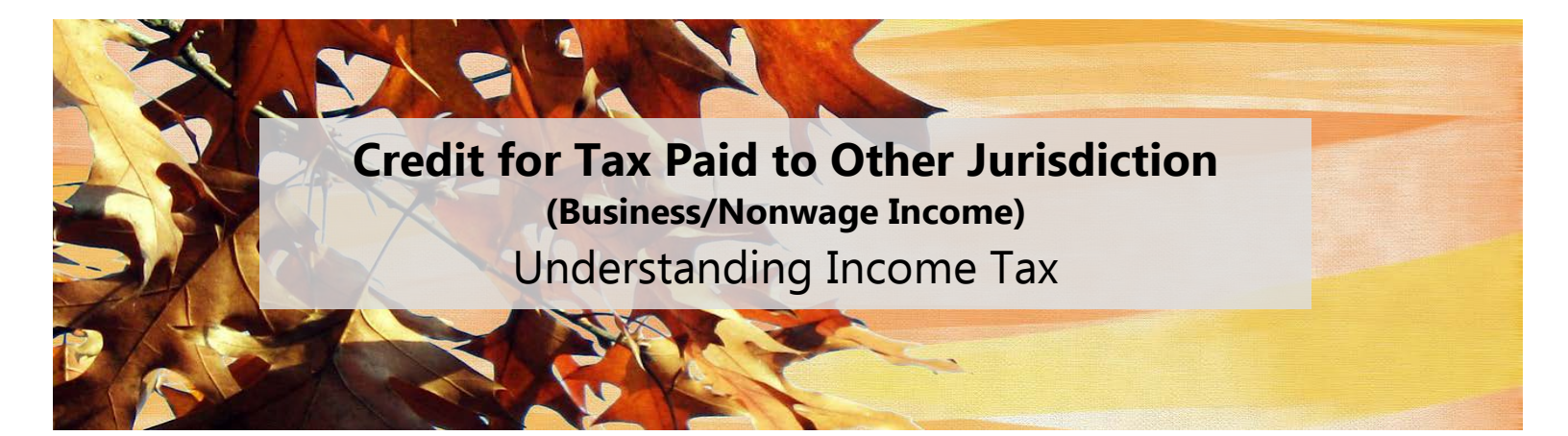
In some cases, a jurisdiction does not allow subtractions or deductions from income. Do not include on line 1, Schedule NJ-COJ any expenses allocated to the other jurisdiction that were used to reduce the income on line 2 but were not allowed in the other jurisdiction. Examples can include interest paid to finance the purchase of an interest in the partnership and expenses paid by the partner that were not reimbursed by the partnership. They are not permitted as deductions in some states, but can be used to reduce taxable income in New Jersey. (See [example 11](#).)

Income Subject to Tax by More Than One Jurisdiction Within One State

You can report income only once on the Schedule NJ-COJ. You can make only one credit calculation on Schedule NJ-COJ when the same income is taxed by one or more jurisdictions within the same state, and the amount of income taxed by each jurisdiction is the same.

When the same income is taxed by one or more jurisdictions within the same state and the amount of income taxed by each jurisdiction is different, you must make separate Schedule NJ-COJ calculations. One credit is based on the amount of income taxed by all the jurisdictions. The other credit is based on the difference between the amounts taxed by each jurisdiction (excess income).

For example, you earned wages of \$15,000 in a city in another state. After adjustments, \$9,000 of that income was taxed by the other state. However, the entire \$15,000 was taxed by the city. The amount of excess income is \$6,000. In this case, you must make two credit calculations. The first calculation determines the credit allowed on the \$9,000 taxed by all the jurisdictions; the second calculation determines the credit allowed on the \$6,000 of excess income. (See [example 12](#).)



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Income Properly Taxed by Another Jurisdiction

You can include only income properly taxed by another jurisdiction in the credit calculation.

Income Properly Taxed

In general, another jurisdiction may properly tax a nonresident's income from:

- Services rendered within that jurisdiction;
- Net profits from a business, trade, or profession carried on within that jurisdiction, including interest earned by the business, etc.;
- A partnership or S corporation as allocated to that jurisdiction;
- Real property (such as real estate) or tangible personal property (such as furniture, jewelry and art) located in that jurisdiction;
- Gambling in that jurisdiction;
- Estate or trust distributions that were derived from any of the above types of income located, allocated, or rendered within that jurisdiction.

Income Not Properly Taxed

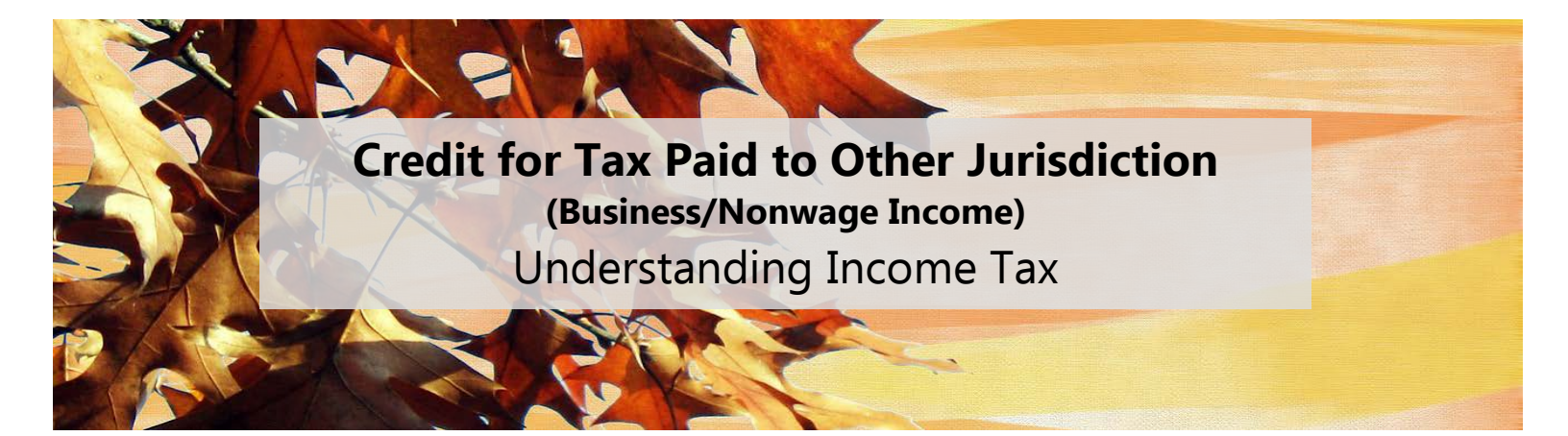
A nonresident's personal income from interest, dividends, or gains from intangible personal property *is not* properly taxable by another jurisdiction. If you are a nonresident, income from interest, dividends, or gains from intangible personal property (such as life insurance or securities investments) that was derived from a business, trade, or profession carried on in the other jurisdiction *is* properly taxable by that jurisdiction. For example, interest on a personal savings account in a bank located in another jurisdiction is not properly taxable by that jurisdiction. In addition, other jurisdictions *cannot* tax you on most retirement benefits including distributions from deferred compensation plans, (e.g., 401(k) Plans, 457 Plans) and IRAs. (See [example 10.](#))

If you reported and paid tax to another jurisdiction in error on income not properly taxable by that jurisdiction, you must follow the other jurisdiction's procedures for requesting any refund due.

Dual State Residents

If you are considered to be a resident of both New Jersey and another state for the same period, you can claim a credit based on *all* income taxed on both the New Jersey and the other state's resident returns, *except* for any income allocated to New Jersey. For example, any S corporation or partnership income allocated to New Jersey cannot be included in the credit calculation.

When the same income is reported to two states, other than New Jersey, that income is included only once on Schedule NJ-COJ.



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example: An individual is a resident of both New York and New Jersey and has a business in Connecticut. They pay tax to Connecticut on their business income. They must also report that income on both the New Jersey and New York resident returns. They must claim a credit on the New York return for the tax paid to Connecticut. They also must claim a credit on the New Jersey return for the tax paid to Connecticut. They cannot claim a credit for New York tax because they did not pay tax to New York on this income.

Income Actually Taxed by Both NJ and Another Jurisdiction

Income Taxable in Another Jurisdiction Exempt From Tax in NJ

Income must be taxed by both New Jersey and the other jurisdiction to be included on Schedule NJ-COJ. For example, unemployment compensation may be taxed by another jurisdiction, but it is not taxable by New Jersey. Do not include this income on line 1 of Schedule NJ-COJ.

Other Jurisdiction's Additions to Income

The other jurisdiction may require additions to income that are not required by New Jersey and, therefore, are not reported on the New Jersey return. For example, a depreciation adjustment might be added to the business income taxed by the other jurisdiction. However, if the adjustment is not required or reported on the New Jersey return, it cannot be included in the credit calculation. (See [Adjustments \(Deductions\) Allowed by the Other Jurisdiction](#).)

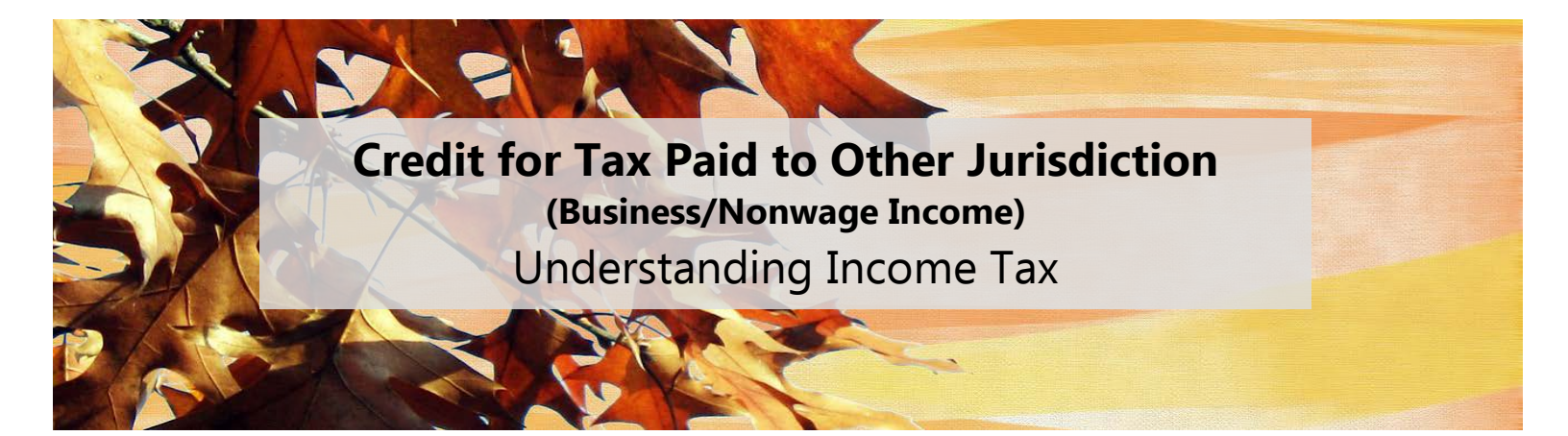
Income Taxed by New Jersey

Enter on Schedule NJ-COJ, line 2, the New Jersey Gross Income amount reported on Form NJ-1040, line 29. This is the total of all income reported on the New Jersey return after any pension or other retirement income exclusion but before exemptions and deductions. (See [example 1](#).)

Actual Tax Paid to the Other Jurisdiction

The actual tax paid to the other jurisdiction is the amount of tax that is due after deducting all tax credits allowed by that jurisdiction (e.g., Child and Dependent Care, New Job, Research and Development), but before the deduction of any payments made, such as withholdings, estimated payments, extension payments, or an overpayment from a prior year.

If the same income was taxed by both a state and a jurisdiction within that state, the actual tax paid is the total tax paid to the state plus the tax paid to the jurisdiction on that income.



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Actual Tax Paid on Income Taxed by More Than One Jurisdiction in a State Outside NJ

There may be situations in which a state and one or more jurisdictions within that state tax differing amounts of income. When calculating a credit in those instances, you must complete a separate Schedule NJ-COJ for each jurisdiction. You can report only the actual tax paid to the other jurisdiction(s) on the amount of income reported on line 1 of your Schedule NJ-COJ. To prorate the tax paid to the other jurisdiction, divide the amount of income on line 1 by the total amount of income taxed by that jurisdiction. Apply the resulting percentage to the total tax paid to the other jurisdiction. (See [example 12](#).)

How to Claim the Credit

You must do the following to claim a credit for taxes you paid to another jurisdiction:

1. Complete [Schedule NJ-COJ](#) in its entirety. You may have to [complete more than one Schedule NJ-COJ](#) in certain situations. Fiduciaries of a resident [estate](#) or trust must complete [Schedule C, Form NJ-1041](#);
2. Complete Worksheet I in the NJ-1040 Instructions if eligible to receive a property tax deduction or credit;
3. Enclose Schedule NJ-COJ(s) with the NJ-1040 Income Tax return.

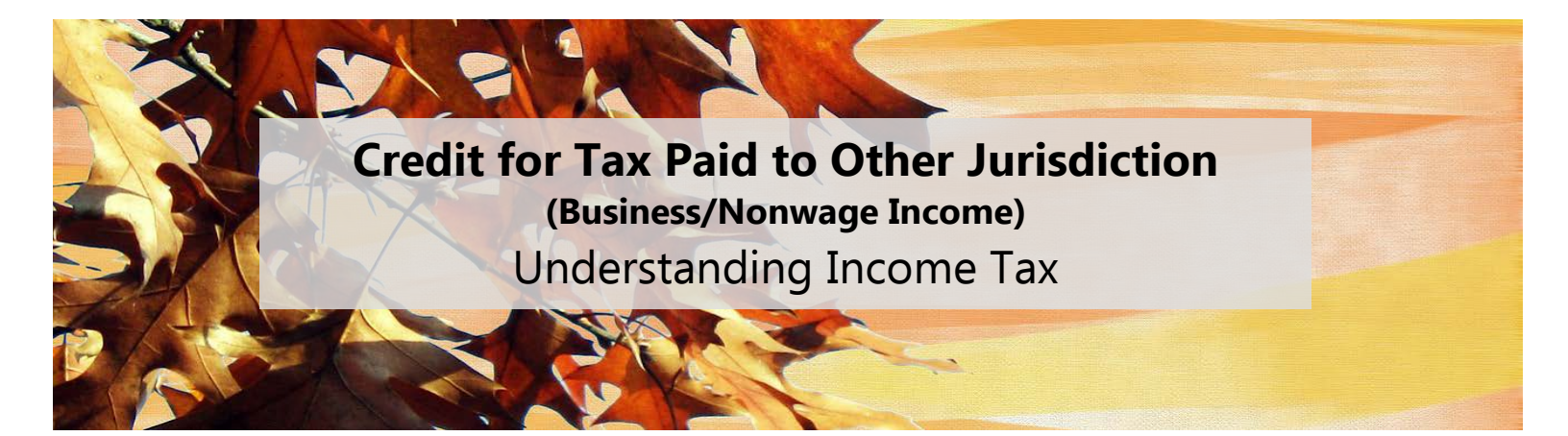
Proportional Credit Limitation Formula

The proportional credit limitation (PCL) amount represents the amount of Income Tax New Jersey would have imposed if the income you earned in the other jurisdiction had been earned in New Jersey.

The PCL is calculated by dividing the income actually taxed by both New Jersey and the other jurisdiction (a) by the income subject to New Jersey tax (b). Multiply the resulting percentage by the tax calculated on the total New Jersey taxable income (c). The formula is:

$$\frac{a}{b} \times c = \text{PCL}$$

You then must compare the PCL amount to the actual tax paid to the other jurisdiction. You can claim a credit of the lesser of the two amounts. (See examples [2](#) and [3](#).)



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Completing More Than One Schedule NJ-COJ

Complete a separate Schedule NJ-COJ for each jurisdiction for which you are claiming a credit, or for each tax imposed by a jurisdiction. You must file separate schedules when:

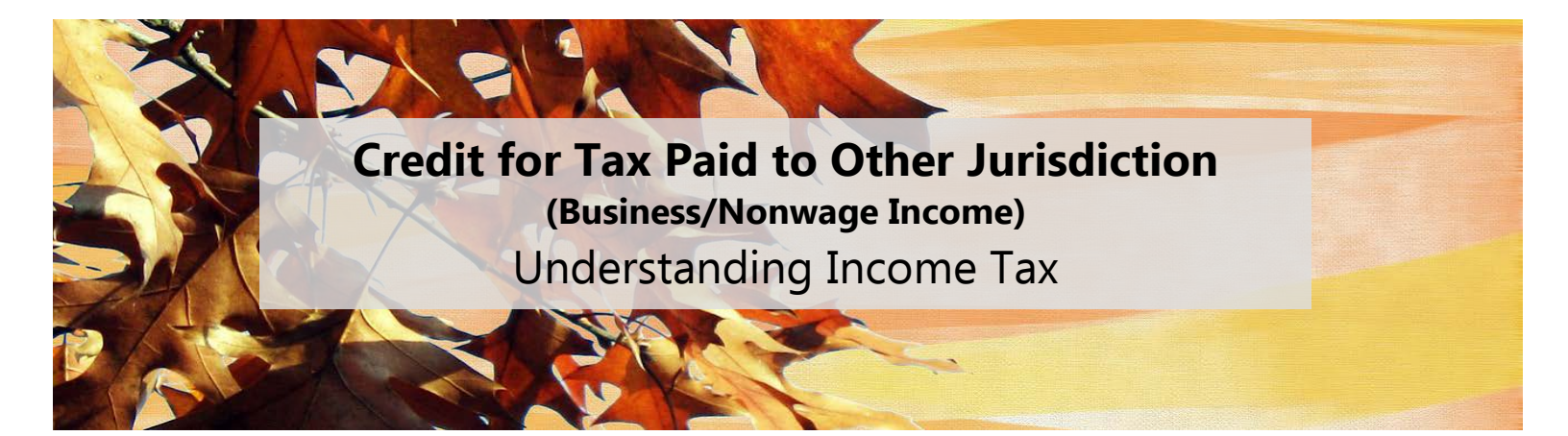
- *Two or more jurisdictions (i.e., a state and political subdivision(s) therein – such as counties or municipalities) tax the same income.* For example, when both a state and a city within that state tax the same income, you may have to complete and enclose a separate Schedule NJ-COJ for each jurisdiction. (See [example 4](#));
- *Different jurisdictions tax different income.* For example, if you had wages from State A and a gain from the sale of property from State B, you must complete a separate Schedule NJ-COJ for each state;
- *The same jurisdiction imposes more than one type of tax.* For example, if you had wages and business income from a city that imposes both a wage tax and a different tax on business income, you must complete one Schedule NJ-COJ for the wage tax and a separate Schedule NJ-COJ for the tax on business income.

Part-Year Residents

A part-year resident is a New Jersey resident for only part of the tax year. If you are a part-year resident who is required to file a New Jersey Resident Income Tax return, you must report on that return all the income received during the period of New Jersey residency, whether the income was from inside or outside New Jersey. If you received income from New Jersey sources during your period of nonresidency, you also may be required to file a part-year nonresident return with New Jersey. (See [Part-Year Residents and Nonresidents](#) to determine if you need to file a return.)

Part-year residents may be able to claim a credit for taxes paid to other jurisdictions. You must have been a part-year resident who paid Income Tax both to New Jersey and to an out-of-state jurisdiction on income that is reported on the part-year resident return. You may be eligible to claim a credit as long as the income was derived from the other jurisdiction during the period of time you were a New Jersey resident, and is actually and properly subject to tax in both the other jurisdiction and New Jersey. As a part-year resident, you should use the same criteria as full-year residents to determine the components of the credit calculation and the credit amount.

For more information on the filing responsibilities of part-year residents and part-year nonresidents, see the instructions for the New Jersey resident return ([Form NJ-1040](#)) and nonresident return ([Form NJ-1040NR](#)), or see [Part-Year Residents and Nonresidents](#).



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Estates and Trusts

A resident estate or trust with taxable income from sources outside New Jersey may be eligible to claim a credit against its New Jersey Income Tax. To determine eligibility and calculate the credit, the fiduciary of the estate must use the same criteria the State imposes for resident individuals, and must complete Schedule C of Form NJ-1041. Keep a copy of the fiduciary income tax return(s) filed with the other jurisdiction(s) in case we request it. (See examples [13](#) and [14](#).) Consult the [Tax Guide for being an Executor](#) for more details.

S Corporation Income

If you paid a tax to New Jersey and another jurisdiction based on S corporation income, you may be eligible for a credit for taxes paid to the other jurisdiction(s). If the other jurisdiction requires you to report S corporation income (loss) in separate categories (e.g., as S corporation income, interest, gains), you must net (total) the separate amounts derived from the S corporation to determine the amount of income eligible for the credit. However, the income must actually be taxed by both New Jersey and the other jurisdiction. (See [example 15](#).)

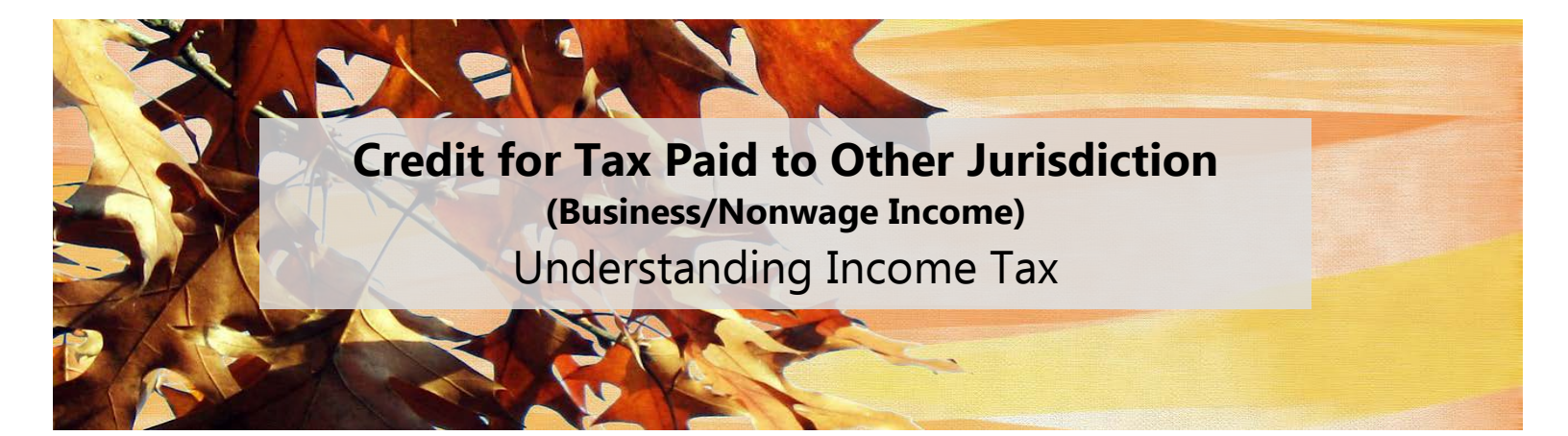
Income Not Eligible for a Credit

New Jersey does not allow a credit:

- For tax imposed by another jurisdiction on S corporation income that is allocated to New Jersey;
- For taxes paid or accrued on or measured by profits or income imposed on or paid on behalf of a person other than you, whether or not you can be held liable for the tax;
- If the New Jersey tax is attributable to distributions received, and those distributions are taxable to you as dividends or as gains from the disposition of property.

S corporation income allocated to New Jersey is the portion of S corporation income that is allocated (attributed) to New Jersey by the allocation factor of the S corporation. S corporation income not allocated (attributed) to New Jersey is equal to total S corporation income minus S corporation income allocated (attributed) to New Jersey by the allocation factor.

To properly determine the New Jersey allocation factor, the S corporation must complete Schedule J, [Form CBT-100S](#) in its entirety. The allocation factor is applied to the shareholder's net pro rata share of S corporation income to determine the amount of income allocated inside and outside New Jersey. You can use only the income allocated outside New Jersey to calculate a credit for taxes paid to other jurisdictions. If the S corporation does not complete Schedule J, we will deny the credit for taxes paid to other jurisdictions on the S corporation income.



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Income Reported on a Composite Return

If you are a shareholder of an S corporation who participates in one or more nonresident composite returns, you should keep a certified schedule from the S corporation specifying your share of S corporation income allocated to each state using the New Jersey allocation factor from Schedule J, [Form CBT-100S](#), and your share of the tax paid to that state to submit to us upon request.

Income From a Partnership/Sole Proprietorship

Some taxpayers may be eligible for a credit for the taxes paid to the other jurisdiction if they have paid tax to another jurisdiction on the income derived from a partnership or business.

Since New Jersey does not tax partnerships directly, any taxes that the partnership pays to another jurisdiction are considered paid by the individual partner based on that partner's ownership percentage, and are eligible for a credit. A sole proprietor also pays any taxes on profits or income made by the sole proprietorship. Examples of such taxes are the New York City Unincorporated Business Tax, Philadelphia Business Income and Receipts Tax, and Net Profits Tax. (See examples [4](#), [16](#), [17](#), [18](#), [19](#), and [21](#).)

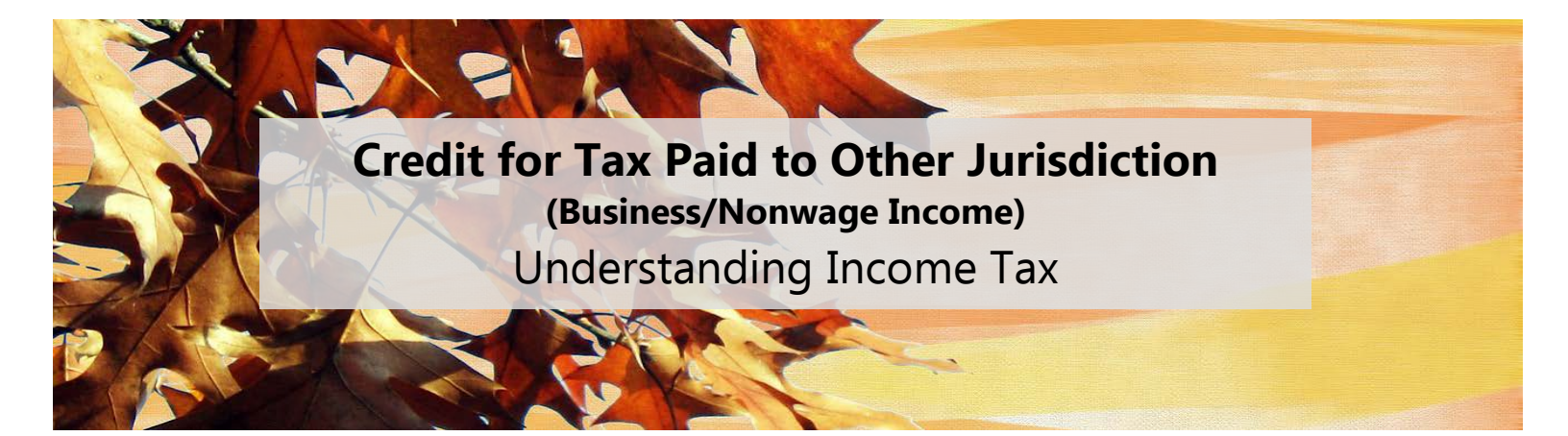
If you are a sole proprietor or partner, you should keep copies of the documents listed below for each business entity:

1. A copy of the tax return the sole proprietorship or partnership filed in the other jurisdiction; or
2. A statement on the partnership's letterhead listing the taxing jurisdiction, the name of the tax, your share of the income taxed by the other jurisdiction, and your share of the tax paid.

If the other jurisdiction imposes more than one tax on the business entity, you must keep a copy of each tax return or statement from the partnership for each tax imposed.

Income Not Eligible for a Credit

We *do not allow* a credit for any tax imposed by another jurisdiction on partnership income that is allocated to New Jersey.



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Income From New York

If you are a New Jersey resident who works in New York or earns other taxable income there, you are often taxed on an amount less than your actual New York source income as a result of the deductions allowed by New York. When calculating a credit for taxes paid to New York, you should only use the income actually taxed by New York in the calculation. Because of New York's method of calculating a nonresident taxpayer's tax, it is not possible to identify one particular line on the New York tax return that represents the income subject to tax in New York. Do not use the worldwide income column in the credit calculation. (See [Income Sourced to Another Jurisdiction v. Worldwide Income](#).)

Follow the New York State Nonresident Return (Form IT-203) instructions carefully to ensure that you include the correct items and amounts of income in the New York State Amount column. If you complete the New York IT-203 correctly, the income (or loss) reported in the New York State Amount column will only include income earned from sources in that state and properly taxable to that state.

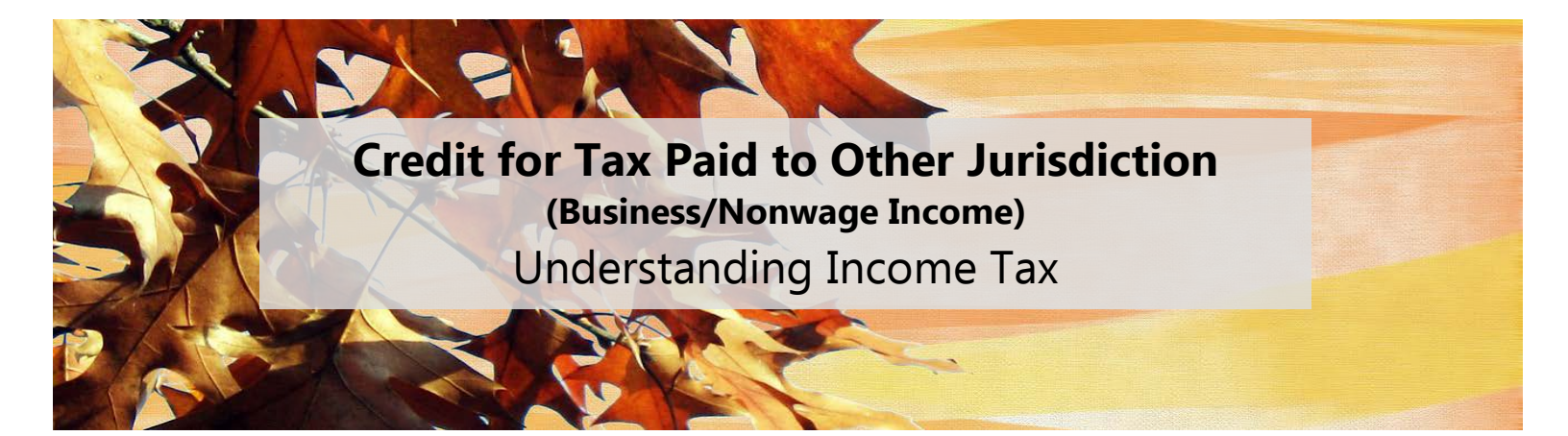
Items such as interest earned from a New York bank account or dividends paid by a New York corporation are not taxable in New York unless such income is from property used as part of trade, business, profession, or occupation carried on in that state.

The New York City Unincorporated Business Tax (UBT) and the New York Metropolitan Commuter Transportation Mobility Tax (MCTMT) are income taxes. They are imposed on the same income as the individual proprietor's business or the individual partner's distributive share of the partnership's business income. The income taxed under the New York City UBT and the MCTMT that also is taxed by New Jersey can be included in the credit calculation. (See [example 12](#).)

Income From Pennsylvania

Pennsylvania and New Jersey have a Reciprocal Personal Income Tax Agreement. That means wages, salaries, and other compensation paid to New Jersey residents employed in Pennsylvania are not subject to Pennsylvania income tax. Residents of each state pay taxes to their state of residency, not to the state where they work. Therefore, a New Jersey resident cannot claim a credit for taxes paid to Pennsylvania on employee compensation because the earnings are not subject to tax in Pennsylvania.

If you are a New Jersey resident, and Pennsylvania tax is withheld from your wages in error, you must file a Pennsylvania nonresident return to receive a refund. To stop the withholding of Pennsylvania income tax, you must complete a [Pennsylvania Employee's Nonwithholding Application Certificate](#) and give it to your employer. You can get this form from the [Pennsylvania Department of Revenue](#).



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

The Reciprocal Agreement covers *only* employee compensation (wages, tips, fees, commissions, etc.). If you are self-employed or receiving income other than wages (e.g., gain from the sale of property) that is taxable in both states, you can claim a credit for taxes paid to Pennsylvania on that income. In no case will we allow a credit for taxes paid in error to Pennsylvania on employee compensation. (See [example 20](#).)

Income From Pennsylvania Municipalities

The New Jersey/Pennsylvania Reciprocal Agreement does not apply to the income or wage tax imposed and collected by the City of Philadelphia or any other municipality in Pennsylvania. Therefore, you can include in the credit calculation income subject to both New Jersey Income Tax and the wage or income tax imposed by a Pennsylvania municipality.

Wages From Philadelphia

New Jersey residents earning wages in Philadelphia can determine the income to enter on line 1 of Schedule NJ-COJ by dividing the wage tax deducted (as reported in the "Local income tax" box on the W-2) by the Philadelphia nonresident tax rate as follows:

$$\frac{\text{Philadelphia Wage Tax Paid}^*}{\text{Philadelphia Wage Tax Rate}} = \text{Line 1, Schedule NJ-COJ}$$

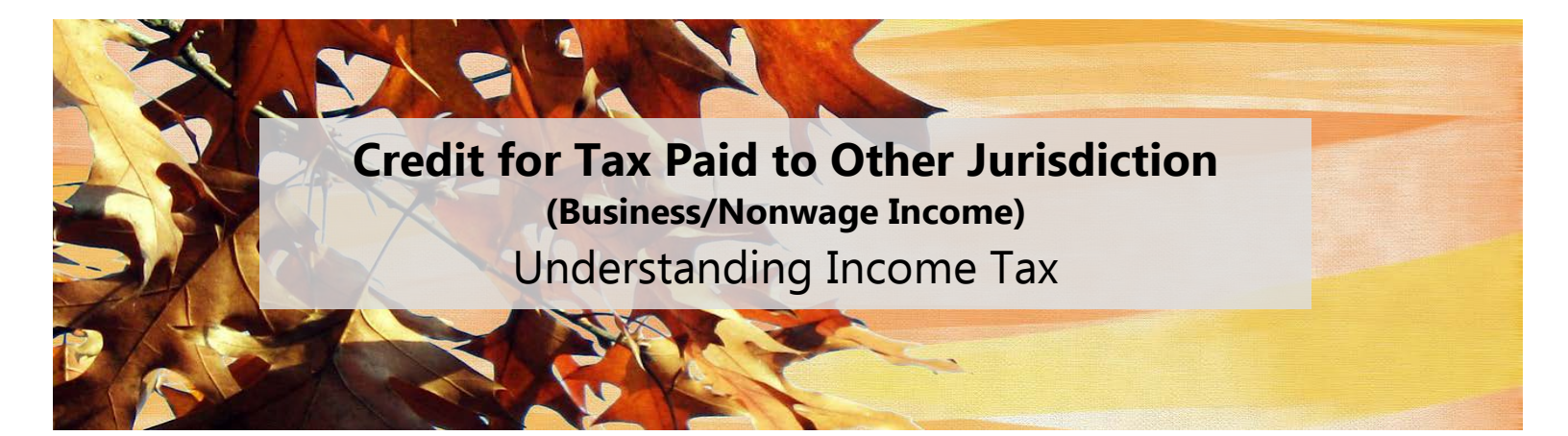
The amount reported on line 1 cannot be more than the amount of Philadelphia wages included on line 15, Form NJ-1040. You must use the exact amount of Philadelphia wage tax reported on the W-2 when doing this calculation. Do not round the figure either up or down.

Sole Proprietorship or Partnership Income From Philadelphia

A sole proprietor or partner in a partnership whose income is subject to tax by Pennsylvania, Philadelphia Business Income and Receipts Tax, and Net Profits Tax must consider the taxes paid based on income to all jurisdictions when calculating the credit. The Philadelphia Business Income and Receipts Tax imposes two taxes; one based on income and one based on gross receipts. Only the tax based on income qualifies for the credit.

Changes Due to Audit by Other Jurisdictions

When an audit by another jurisdiction changes the amount of previously reported tax paid, it will result in an adjustment to the credit claimed on your New Jersey return. You are required to file an amended New Jersey return, [Form NJ-1040X](#), for the year(s) affected by the audit and pay any amount due. You can request a refund of any overpayment resulting from the change "regardless of any otherwise applicable statute of limitations." [N.J.S.A. 54A:4-1\(e\)](#).



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

If You Are Audited By New Jersey

New Jersey does not require you to enclose a copy of the income tax return(s) filed with the other jurisdiction(s) if you file a paper return. However, you should keep complete copies of any returns filed with other jurisdiction(s). If we audit your return, you will be asked to provide:

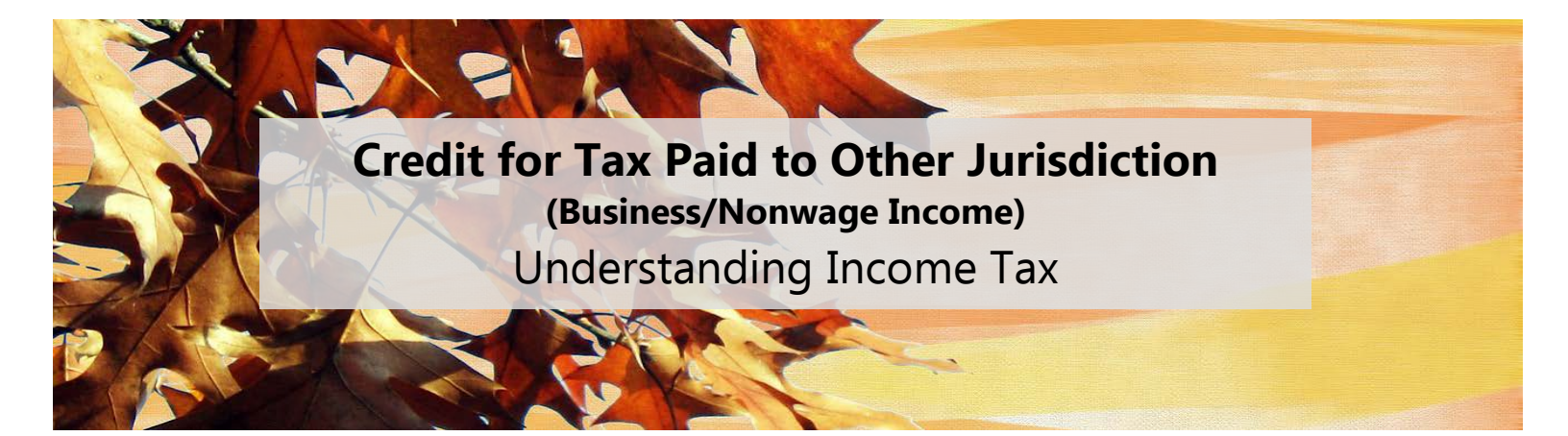
- (a) A complete copy of the income tax return(s) filed with the other jurisdiction(s), if one was filed or required to be filed, *along with* schedules, worksheets, etc., that show the nature and source of the income being taxed;
- (b) Documentation to prove you participated in a composite return filed in another jurisdiction. This can include a statement on the filing entity's letterhead that lists the jurisdiction, your share of the income taxed by the other jurisdiction, and your share of the tax paid;
- (c) The following if you were **not** required to file a return with the other jurisdiction:
 - A W-2 that lists the wage taxes paid and the name of the taxing jurisdiction;
 - A statement from the business entity that filed a tax return based on income that lists your share of the income taxed by the other jurisdiction. It should include the name of the tax, and your share of the tax paid (e.g., Philadelphia Net Profits Tax, New York City Unincorporated Business Tax).

Estimated Tax Payments

Individuals and certain estates and trusts who expect their New Jersey Income Tax liability to be more than \$400 are required to make quarterly estimated tax payments. Use [Form NJ-1040-ES](#) to file estimated tax payments when due. (For more information on estimated taxes, see [Estimating Income Taxes](#).)

Jurisdiction Code

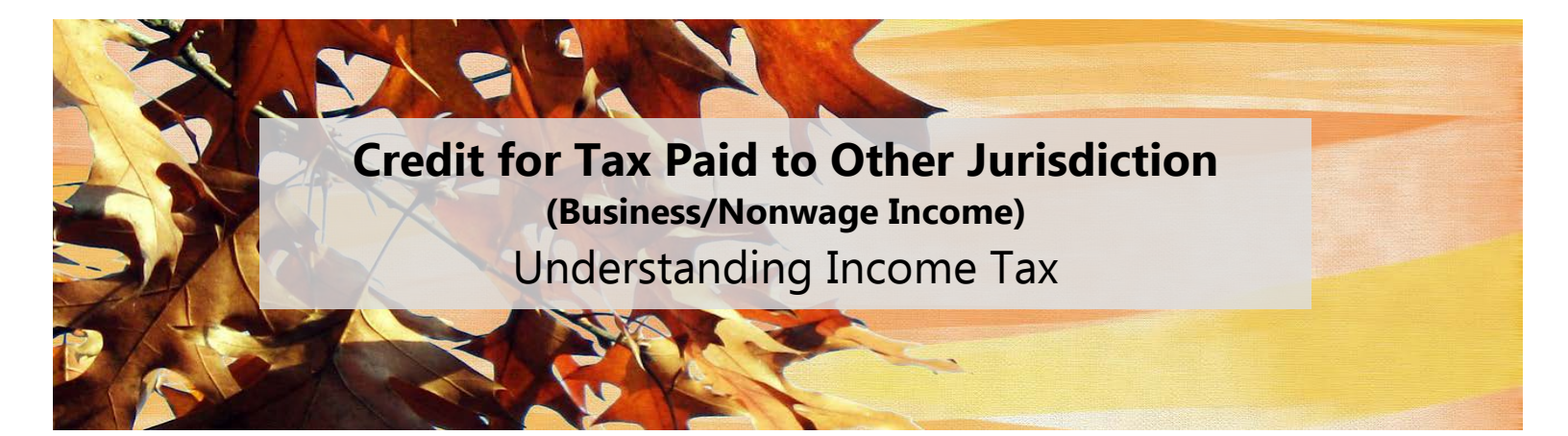
If you are a New Jersey resident claiming a credit, you are required to enter on line 43, Form NJ-1040, a two-digit code for the jurisdiction for which you are claiming a credit. (For more information, see the [NJ-1040 instructions](#).)



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

List of Examples

1. [Determining line 2, Schedule NJ-COJ.](#)
2. [Determining the credit when the amount of tax paid to the other jurisdiction exceeds the proportional credit limitation \(PCL\) amount.](#)
3. [Determining the credit when the amount of tax paid to the other jurisdiction is less than the proportional credit limitation \(PCL\) amount.](#)
4. [Determining the credit when there is partnership income earned in two different jurisdictions outside New Jersey and a separate New Jersey partnership that has a loss. \(Priority of tax rates\)](#)
5. [Determining line 1 of Schedule NJ-COJ when the other jurisdiction uses income from all sources to determine the tax due.](#)
6. [Determining line 1, Schedule NJ-COJ when an adjustment to income on the other jurisdiction's tax return reduces the amount of income subject to tax in the other jurisdiction.](#)
7. [Determining line 1, Schedule NJ-COJ when a loss used on the New Jersey return is not used on the other jurisdiction's return.](#)
8. [Determining line 1, Schedule NJ-COJ when there is a loss in the other jurisdiction that is not allowed in New Jersey.](#)
9. [Determining line 1, Schedule NJ-COJ when a loss allowed on the New Jersey return is larger than the loss allowed on the other jurisdiction's return.](#)
10. [Determining line 1, Schedule NJ-COJ when there is a larger loss used on the other jurisdiction's return than the loss on the New Jersey return.](#)
11. [Determining line 1, Schedule NJ-COJ when certain deductions are not allowed by the other jurisdiction but are allowed by New Jersey.](#)
12. [Determining the credit for income taxed under the New York State income tax, New York City Unincorporated Business Tax \(UBT\), and the New York Metropolitan Commuter Transportation Mobility Tax \(MCTMT\).](#)



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

13. [Determining the credit for a fiduciary with distributions.](#)
14. [Determining the credit for a fiduciary without distributions.](#)
15. [Determining the credit when S corporation income is reported on the other jurisdiction's return in separate categories.](#)
16. [Schedule C adjustments to income that also are taxable to New Jersey are included on line 1, Schedule NJ-COJ.](#)
17. [Determining line 1, Schedule NJ-COJ when New Jersey and the other jurisdiction tax partnership income differently.](#)
18. [Determining the credit when there is partnership income earned in New Jersey and in two different jurisdictions outside New Jersey.](#)
19. [Determining the credit for Philadelphia partnerships subject to the Philadelphia Business Income and Receipts Tax \(BIRT\), Philadelphia Net Profits Tax \(NPT\), and the Pennsylvania Income Tax.](#)
20. [Determining the credit for income, other than wages, earned in Pennsylvania. \(Includes the property tax deduction/credit calculation on Worksheet I.\)](#)
21. [Determining line 1, Schedule NJ-COJ when a portion of partnership income is allocated to New Jersey.](#)
22. [Determining line 1, Schedule NJ-COJ when a portion of S corporation income is allocated to New Jersey.](#)

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #1 – Determining line 2, Schedule NJ-COJ.

The amount from line 2, Schedule NJ-COJ is taken directly from line 29 of the New Jersey resident return (Form NJ-1040). This is your New Jersey gross income before personal exemptions and deductions. It includes the taxable portion of all pension or annuity payments, and/or IRA withdrawals, *after* you have subtracted any pension and/or other [retirement income exclusions](#) allowed by New Jersey.

Income Subject to Tax by New Jersey

	Taxpayer A Without Pension	Taxpayer B With Pension Less Exclusion(s)
Wages	70,000	0
Interest	250	4,000
Dividends	400	2,500
Gains	0	1,525
Pension/Annuity/IRA	0	60,000
Pension Exclusion	<u>0</u>	<u>(30,000)</u>
Taxable Pension	0	30,000
S Corporation	21,000	0
Income Subject to Tax Before Exemptions and Deductions	\$91,650	\$38,025

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #2 – Determining the credit when the amount of tax paid to the other jurisdiction exceeds the proportional credit limitation (PCL) amount.

A resident taxpayer lives in New Jersey but works primarily in another state. Their only income for the year consisted of \$115,000 in wages, \$105,000 of which was earned in, and taxed by, the other state. Their tax liability to the other state, \$4,900, exceeds the PCL amount from line 8, Schedule NJ-COJ. Therefore, their credit is \$4,689, the PCL amount.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	114,000		
Tax	5,136	4,900	
Line 1, Schedule NJ-COJ			105,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #2 – continued

They are not eligible for a property tax deduction/credit, so they completes only column B of Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>State X</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	105,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	91.3043%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	114,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	114,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	5,136
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	4,689
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #3 – Determining the credit when the amount of tax paid to the other jurisdiction is less than the proportional credit limitation (PCL) amount.

A resident taxpayer lives in New Jersey but works primarily in another state. Their only income for the year consisted of \$115,000 in wages, \$105,000 of which was earned in, and taxed by, the other state. Their tax liability to the other state, \$4,631, is less than the PCL amount from line 8, Schedule NJ-COJ. The credit is the lesser of the actual tax paid to the other jurisdiction or the PCL amount. Their credit will be \$4,631, the actual amount of tax paid to the other state on the income being taxed both by that state and New Jersey.

Income Subject to Tax

	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income (From Line 38, Form NJ-1040)	114,000		
Tax	5,136	4,631	
Line 1, Schedule NJ-COJ			105,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #3 – continued

They are not eligible for a property tax deduction/credit, so they complete only column B of Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>State X</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	105,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	91.3043%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	114,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	114,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	5,136
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	4,631
If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 56, Form NJ-1040.				
If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #4 – Determining the credit when there is partnership income earned in two different jurisdictions outside New Jersey and a separate New Jersey partnership that has a loss. (Priority of tax rates)

An individual is a partner in four partnerships. Partnerships ABC and XYZ conduct their business entirely outside New Jersey in two different states. Partnerships KLM and GSS are New Jersey partnerships. Their share of partnership income is \$10,000 from ABC, \$5,000 from XYZ, \$7,000 from KLM, and a loss from GSS of \$12,000. Although the other jurisdictions are taxing a total of \$15,000 in partnership income, the partner can include only the \$10,000 net partnership income taxed by New Jersey (income after the offsetting loss from GSS) on line 1 of Schedule NJ-COJ. The reason is that line 1 is limited to income taxed by both New Jersey and the other jurisdiction.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>State 1</u>	<u>State 2</u>
Wages	100,000		
Interest	200		
Partnership Income:			
Partnership ABC	10,000	10,000	
Partnership XYZ	5,000		5,000
Partnership KLM	7,000		
Partnership GSS	<u>(12,000)</u>	10,000	
Income Subject to Tax Before Exemptions and Deductions	110,200	10,000	5,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	109,200		
Tax	4,830	650	150
Effective Tax Rate <small>(Tax Liability ÷ Taxable Income)</small>		6.50%	3.00%
Line 1, Schedule NJ-COJ		10,000	0.00

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #4 – continued

When calculating the credit, they will complete the calculation for the state with the highest tax rate first. In this example, the full amount allowable on line 1 is exhausted in the first calculation, so there is no additional credit allowed for taxes paid to the second state. Consequently, they need to complete only one Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ State 1 _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	10,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	110,200
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	9.0744%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	109,200
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	109,200
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	4,830
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	438
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	438

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #5 – Determining line 1 of Schedule NJ-COJ when the other jurisdiction uses income from all sources to determine the tax due.

A resident New Jersey couple files a joint return. One individual works in New York; their salary is \$65,000. The other individual teaches at a school in New Jersey; their salary is \$35,000. They also have income from interest, dividends, and capital gains.

Although only one salary is subject to tax by New York, they must determine their New York tax liability as if they were New York residents. First, they must calculate the tax on their total income from all sources (federal amount). Then, they must multiply the resulting “base tax” by the proportion that their total New York source income (the New York salary) bears to their total income from all sources.

Determining the tax liability of a nonresident in this manner may result in an increase in the average rate at which the income derived from the other jurisdiction is taxed. However, it does not affect the amount of income actually being taxed by the other jurisdiction.

Income Subject to Tax

	<u>New Jersey</u>	<u>Federal Amount</u>	<u>New York</u>
Wages	100,000	100,000	65,000
Interest	100	100	0
Dividends	50	50	0
Gains	340	340	0
Income Subject to Tax Before Exemptions and Deductions	100,490	100,490	65,000
Less Exemptions	<u>(2,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	98,490		
Tax	2,666		3,900
Line 1, Schedule NJ-COJ			65,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #6 – Determining line 1, Schedule NJ-COJ when an adjustment to income on the other jurisdiction’s tax return reduces the amount of income subject to tax in the other jurisdiction.

A resident taxpayer works in another state where they earned wages of \$100,000. They also had income from a partnership of \$35,000, of which \$25,000 was earned in the other jurisdiction. Their partnership income taxable to New Jersey is \$32,500 (after New Jersey modifications of \$2,500). The other jurisdiction allows a \$1,750 adjustment to total income for self-employment taxes paid. This adjustment reduces line 1, Schedule NJ-COJ to \$123,250.

	Income Subject to Tax	
	<u>New Jersey</u>	<u>Other Jurisdiction</u>
Wages	100,000	100,000
Interest	200	
Partnership Income	35,000	25,000
Less: New Jersey Modifications	<u>(2,500)</u>	
Self-Employment Tax		(1,750)
Income Subject to Tax Before Exemptions and Deductions	132,700	123,250
Less Exemptions	<u>(1,000)</u>	
Taxable Income	131,700	
<small>(From Line 38, Form NJ-1040)</small>		
Tax	6,263	8,630
Line 1, Schedule NJ-COJ		123,250

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #6 – continued

They are not eligible for a property tax deduction/credit. Their Schedule NJ-COJ will look like this:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ <u>Name of Jurisdiction</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	123,250
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	132,700
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	92.8787%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	131,700
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	131,700
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	6,263
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	5,817
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	5,817
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 56, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #7 – Determining line 1, Schedule NJ-COJ when a loss used on the New Jersey return is not used on the other jurisdiction’s return.

A taxpayer who lived and worked in New Jersey earned wages of \$100,000. Their interest income was \$500. They sold land in another jurisdiction for a gain of \$35,000. They also sold stock for a net loss of \$7,000. Their total New Jersey Net Gains or Income From the Disposition of Property (line 19, Form NJ-1040) is \$28,000. Line 1, Schedule NJ-COJ is limited to income taxed by both jurisdictions; in this case \$28,000.

They paid \$3,850 in property taxes on the home they own. They did not receive a Homestead Benefit in 2021. The taxpayer completes lines 1 and 2 of Worksheet H, both columns A and B of Schedule NJ-COJ, and Worksheet I.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	100,000		
Interest	500		
Net Gains or Income From Disposition of Property:			
Sale of Land Outside NJ	35,000	35,000	
Sale of Stock Holdings	<u>(7,000)</u>		28,000
Income Subject to Tax Before Exemptions and Deductions	128,500	35,000	28,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income (From Line 38, Form NJ-1040)	127,500		
Tax	5,996	1,150	920
Line 1, Schedule NJ-COJ			28,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #7 – continued

The taxpayer will enter on line 1 their property taxes paid during 2021 on their qualified New Jersey residence (the amount from line 39a, Form NJ-1040). They will complete only lines 1 and 2. Then they will complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit			
Review the eligibility requirements on page 23 before completing Worksheet H. Part-year residents, see page 29.			
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>			
1. Property Taxes. Enter the property taxes from line 39a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. (See instructions on page 29.)	1. <u>3,850</u>		
2. Property Tax Deduction. Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same main home)? <input checked="" type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same main home). <input type="radio"/> No. Enter the amount from line 1.	2. <u>3,850</u>		
STOP — if you are claiming a credit for taxes paid to other jurisdictions. Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 30.)			
3. Taxable Income (From line 38 of Form NJ-1040).....	3.	3.	
4. Property Tax Deduction (From line 2 above).....	4.	4.	- 0 -
5. New Jersey Taxable Income (Subtract line 4 from line 3).....	5.	5.	
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules).....	6.	6.	
7. Subtract line 6, column A from line 6, column B.....	7.	7.	
8. Is the line 7 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same main home)? Part-year residents , see page 29 before answering "No." <input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return. <div style="display: flex; justify-content: space-between; margin-left: 40px;"> <div style="text-align: center;"> <i>Form NJ-1040</i> Line 40 Line 41 Line 42 Line 55 </div> <div style="text-align: center;"> <i>Enter amount from:</i> Line 4, column A Line 5, column A Line 6, column A Make no entry </div> </div> <input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return. <div style="display: flex; justify-content: space-between; margin-left: 40px;"> <div style="text-align: center;"> <i>Form NJ-1040</i> Line 40 Line 41 Line 42 Line 55 </div> <div style="text-align: center;"> <i>Enter amount from:</i> Make no entry Line 5, column B Line 6, column B \$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions on page 29.) </div> </div>			

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #7 – continued

The amount on line 1 is limited to the amount of income taxed by both New Jersey and the other jurisdiction (\$28,000). The amount in Box 9a is the tax actually paid to the other jurisdiction on \$28,000, which is calculated as follows: $\$1,150 \times (\$28,000 \div \$35,000) = \920 .

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ Name of Jurisdiction _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)	1.	28,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)	2.	128,500
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)	3.	21.7899%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.		Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	127,500
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	127,500
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	5,996
8.	Allowable Credit (Multiply line 7 by line 3)	8.	1,307
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9.	920

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #7 – continued

They receive a greater benefit from the property tax deduction. They enter the amounts from lines 5, 6, and 7, column A, Schedule NJ-COJ on lines 40, 41, and 42, Form NJ-1040 as indicated in the instructions on Worksheet I. Their credit for taxes paid to other jurisdictions for line 43, Form NJ-1040 is \$920, the amount on line 2, column A, Worksheet I. Their property tax deduction on line 40, Form NJ-1040 is \$3,850.

Worksheet I																							
Which Property Tax Benefit to Use																							
	COLUMN A			COLUMN B																			
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here.....	1.	5,750		1.	5,996																		
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all line 9 amounts (columns A and B) in the corresponding column.....	2.	920		2.	920																		
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....	3.	4,830		3.	5,076																		
4. Subtract line 3, column A from line 3, column B.....				4.	246																		
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same main home)?																							
Part-year residents , see instructions for line 9, Schedule NJ-COJ before answering "No."																							
<input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 5, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 6, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 7, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 43</td> <td>Line 2, Column A, Worksheet I</td> <td></td> </tr> <tr> <td>Line 55</td> <td>Make no entry</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 40	Line 5, Column A, Schedule NJ-COJ		Line 41	Line 6, Column A, Schedule NJ-COJ		Line 42	Line 7, Column A, Schedule NJ-COJ		Line 43	Line 2, Column A, Worksheet I		Line 55	Make no entry	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 40	Line 5, Column A, Schedule NJ-COJ																						
Line 41	Line 6, Column A, Schedule NJ-COJ																						
Line 42	Line 7, Column A, Schedule NJ-COJ																						
Line 43	Line 2, Column A, Worksheet I																						
Line 55	Make no entry																						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 40</td> <td>Make no entry</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 6, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 7, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 43</td> <td>Line 2, Column B, Worksheet I</td> <td></td> </tr> <tr> <td>Line 55</td> <td>\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ)</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 40	Make no entry		Line 41	Line 6, Column B, Schedule NJ-COJ		Line 42	Line 7, Column B, Schedule NJ-COJ		Line 43	Line 2, Column B, Worksheet I		Line 55	\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ)	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 40	Make no entry																						
Line 41	Line 6, Column B, Schedule NJ-COJ																						
Line 42	Line 7, Column B, Schedule NJ-COJ																						
Line 43	Line 2, Column B, Worksheet I																						
Line 55	\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ)																						
(Keep for your records)																							

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #8 – Determining line 1, Schedule NJ-COJ when there is a loss in the other jurisdiction that is not allowed in New Jersey.

A resident taxpayer who earned wages of \$115,000 in another state was also a partner in a partnership in the other state. The partnership had a loss for the year, and the taxpayer's share of that loss is \$10,000. The other state allows them to apply their partnership loss against their wage income, thereby reducing the amount of income subject to tax by that state by the amount of the loss.

In New Jersey, a loss in one category of income cannot be used to offset gains in another category on Form NJ-1040. Also, a net loss cannot be reported as such on Form NJ-1040. The schedule below shows how they will determine the credit for taxes paid to the other jurisdiction.

	Income Subject to Tax	
	<u>New Jersey</u>	<u>Other Jurisdiction</u>
Wages	115,000	115,000
Partnership Loss	0	(10,000)
<hr/>		
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000
<hr/>		
Less Exemptions	<u>(1,000)</u>	
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	114,000	
Tax	5,136	5,022
Line 1, Schedule NJ-COJ		105,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #8 – continued

They will complete their Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ <u>Name of Jurisdiction</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	105,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	91.3043%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	114,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	114,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	5,136
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	4,689
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #9 – Determining line 1, Schedule NJ-COJ when a loss allowed on the New Jersey return is larger than the loss allowed on the other jurisdiction’s return.

Two individuals are married and live in New Jersey. One earns wages of \$55,800 in another state. The couple also had income from interest (\$3,800) and dividends (\$3,450). During the year, they sold two properties. The sale of the first property, located in the state where one taxpayer is employed, yielded a gain of \$91,500, which must be reported on both the New Jersey resident return and the nonresident return of the other state. The sale of the second property, located in New Jersey, resulted in a \$21,237 loss.

The couple also incurred a \$5,700 loss on a rental property they own in the other jurisdiction. The rental loss may be used to reduce the wage and gain income taxed by the other jurisdiction; however, it cannot be used to offset income in other categories on the New Jersey return. Thus, the loss incurred on the sale of the New Jersey property can be used on the New Jersey return to reduce the gain realized from the sale of the property located in the other state. However, only the jointly taxed income can be used on line 1, Schedule NJ-COJ.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	55,800	55,800	55,800
Interest	3,800		
Dividends	3,450		
Net Gains or Income From Disposition of Property:			
Sale of Property Outside of NJ	91,500	91,500	
Sale of New Jersey Property	<u>(21,237)</u>		70,263
Net Gains or Income From Rents, etc.	0	(5,700)	
Income Subject to Tax Before Exemptions and Deductions	133,313	141,600	126,063
Less Exemptions	<u>(2,000)</u>		
Taxable Income (From Line 38, Form NJ-1040)	131,313		
Tax	4,480	5,500	4,897
Line 1, Schedule NJ-COJ			126,063

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #9 – continued

The amount in Box 9a is the tax actually paid to the other jurisdiction on \$126,063, which they calculate as follows: $\$5,500 \times (\$126,063 \div \$141,600) = \$4,897$.

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ <u>Name of Jurisdiction</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	126,063
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	133,313
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	94.5617%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	131,313
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	131,313
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	4,480
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	4,236
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	4,236
		4,897		

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #10 – Determining line 1, Schedule NJ-COJ when there is a larger loss used on the other jurisdiction’s return than the loss on the New Jersey return.

Assume the same facts as in [Example 9](#), except that the rental loss was \$30,000 instead of \$5,700.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	55,800	55,800	55,800
Interest	3,800		
Dividends	3,450		
Net Gains or Income From Disposition of Property:			
Sale of Property Outside of NJ	91,500	91,500	
Sale of New Jersey Property	<u>(21,237)</u>	70,263	70,263
Net Gains or Income From Rents, etc.	0	(30,000)	
Income Subject to Tax Before Exemptions and Deductions	133,313	117,300	126,063
Less Exemptions	<u>(2,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	131,313		
Tax	4,480	4,557	4,897
Line 1, Schedule NJ-COJ		117,300	

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #10 – continued

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid
to Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ Name of Jurisdiction _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	117,300
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	133,313
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	87.9884%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	131,313
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	131,313
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	4,480
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	3,942
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	3,942
		4,557		

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #11 – Determining line 1, Schedule NJ-COJ when certain deductions are not allowed by the other jurisdiction but are allowed by New Jersey.

An individual is a partner in New Jersey Partnership A. Their share of partnership income is \$50,000, for which they receive a NJK-1 with 50% allocated to New York and 50% allocated to New Jersey. Their expenses include \$2,000 in interest paid to finance the purchase of their partnership interest and \$8,000 in other miscellaneous expenses, for which they were not reimbursed by the partnership. Their New York partnership income is \$25,000 (or 50% of \$50,000).

	Income Subject to Tax		
	<u>New Jersey</u>	<u>New York State</u>	<u>Both</u>
Partnership Income (Federal Schedule K-1 Items):			
Ordinary Income	50,000		
Less New Jersey Expenses	<u>(10,000)</u>		
Income Subject to Tax Before <u>Exemptions and Deductions</u>	40,000	25,000	20,000*
Less Exemptions	<u>(1,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	39,000		
Tax	683	1,600	1,280
Line 1, Schedule NJ-COJ			20,000

* The income allocated to New York must be reduced by 50% of the \$10,000 of expenses that are allowed by New Jersey, but are not allowed by New York (\$25,000 – \$5,000 = \$20,000).

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #11 – continued

The tax on New York taxable income of \$25,000 is \$1,600. The amount in Box 9a is the tax paid to New York on \$20,000, which they calculate as follows: $\$1,600 \times (\$20,000 \div \$25,000) = \$1,280$.

They will complete their Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>New York State</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	20,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	40,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	50%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	39,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	39,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	683
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	342
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	1,280 342

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #12 – Determining the credit for income taxed under the New York State income tax, New York City Unincorporated Business Tax (UBT), and the New York Metropolitan Commuter Transportation Mobility Tax (MCTMT).

Two New Jersey resident taxpayers are married. They filed a joint return on which they reported total income for the year of \$450,000. The income consisted of New Jersey wages (\$115,000), interest (\$25,000), dividends (\$10,000), and net profits from the business one of them owns in New York City (\$300,000). New York State imposed \$15,000 in tax based on taxable income of \$175,000. In addition, \$4,000 in New York City Unincorporated Business Tax (UBT) was imposed on \$100,000 of income, and \$425 in New York Metropolitan Commuter Transportation Mobility Tax (MCTMT) was imposed on \$125,000.

They must complete three separate Schedule NJ-COJs: One for the \$100,000 of income taxed under the New York State income tax, the UBT, and the MCTMT; one for the \$25,000 excess income subject only to the New York State income tax and the MCTMT; and one for the \$50,000 excess income subject only to the New York State income tax. The results of the three separate credit calculations are then added to determine the total credit for taxes paid to other jurisdictions.

Income Subject to Tax

	<u>New Jersey</u>	<u>New York State</u>	<u>UBT</u>	<u>MCTMT</u>
Wages	115,000			
Interest	25,000			
Dividends	10,000			
Net Profits From Business	300,000	175,000	100,000	125,000
Income Subject to Tax Before Exemptions and Deductions	450,000	175,000	100,000	125,000
Less Exemptions	<u>(2,000)</u>			
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	448,000			
Tax	24,495	15,000	4,000	425
Line 1, Schedule NJ-COJ		(a) 100,000	(b) 25,000	(c) 50,000

- (a) Schedule NJ-COJ for income taxed by New York State, UBT, and MCTMT
- (b) Schedule NJ-COJ for "excess income" taxed by New York State and MCTMT
- (c) Schedule NJ-COJ for "excess income" taxed by New York State

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #12 – continued

(a) Credit for taxes paid on the income taxed under the New York State income tax, the UBT, and the MCTMT.

They enter \$100,000 on line 1 of the first Schedule NJ-COJ. This is the amount of income taxed under the New York State income tax, the UBT, and the MCTMT. The entry on line 9 of this schedule is the lesser of the amount on line 8 or the amount in Box 9a (the total tax actually paid on the \$100,000 of jointly taxed income). They paid total tax of \$12,911 on this \$100,000 (or \$8,571 in New York State income tax, \$4,000 in UBT, and \$340 in MCTMT). They calculate the amount of New York State income tax paid on \$100,000 as follows: $\$15,000 \times (\$100,000 \div \$175,000) = \$8,571$. They calculate the amount of MCTMT paid on \$100,000 as follows: $\$425 \times (\$100,000 \div \$125,000) = \340 .

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>NY State, UBT, & MCTMT</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	100,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	450,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	22.2222%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)		4.	448,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29)	5a.		
	Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.	448,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.	24,495
8.	Allowable Credit (Multiply line 7 by line 3)		8.	5,443
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33)	9a.		
	Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	12,911	9.	5,443

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #12 – continued

(b) Credit for taxes paid on the excess income taxed under only the New York State income tax and the MCTMT.

Income can only be reported once on Schedule NJ-COJ. They enter \$25,000 on line 1 of the second Schedule NJ-COJ. This is the income subject only to the New York State income tax and the MCTMT. The entry on line 9 of this schedule will be the lesser of the amount on line 8 or the amount in Box 9a (the New York State income tax and the MCTMT actually paid on \$25,000). The total tax actually paid on this \$25,000 is \$2,228 (\$2,143 in New York State income tax and \$85 in MCTMT). They calculate the amount of New York State income tax paid on \$25,000 as follows: $\$15,000 \times (\$25,000 \div \$175,000) = \$2,143$. They calculate the amount of MCTMT paid on \$25,000 as follows: $\$425 \times (\$25,000 \div \$125,000) = \85 .

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ NY State & MCTMT Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)	1.		25,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)	2.		450,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)	3.		5.5556%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.		448,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5.	5a.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		448,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		24,495
8.	Allowable Credit (Multiply line 7 by line 3)	8.		1,361
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9.	9a.	2,228
		9.		1,361

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #12 – continued

(c) Credit for taxes paid on the excess income taxed under only New York State income tax.

They enter \$50,000 on line 1 of the third Schedule NJ-COJ. This is the income subject only to New York State income tax. The entry on line 9 of this schedule will be the lesser of the amount on line 8 or the amount in Box 9a (the New York State income tax actually paid on \$50,000). They calculate the amount of New York State income tax paid on \$50,000 as follows: $\$15,000 \times (\$50,000 \div \$175,000) = \$4,286$.

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>NY State & MCTMT</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	50,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	450,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	11.1111%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	448,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29)	5a.		
	Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	448,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	24,495
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	2,722
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33)	9a.	4,286	
	Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9.	9.	2,722

They report a total credit for income taxes paid to other jurisdictions on line 43, Form NJ-1040, of \$9,526 (\$5,443 + \$1,361 + \$2,722 from line 9 of the first, second, and third Schedule NJ-COJ, respectively).

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #13 – Determining the credit for a fiduciary with distributions.

A fiduciary return filed for the estate of a taxpayer reports that the estate earned \$4,000 in interest income and \$25,000 on a gain realized from the sale of property. The gain from the property sale also was taxed by another jurisdiction. However, the estate distributed \$12,000, which reduced the jointly taxed income to \$13,000.

	Income Subject to Tax		
	New <u>Jersey</u>	Other <u>Jurisdiction</u>	<u>Both</u>
Interest	4,000		
Net Gains or Income from Disposition (sale) of Property	25,000	25,000	25,000
Distributions	(12,000)	(12,000)	(12,000)
Income Subject to Tax Before Exemptions and Deductions	17,000	13,000	13,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income (From Line 38, Form NJ-1040)	16,000		
Tax	224	435	
Line 47, Schedule C			13,000

They complete Schedule C of the New Jersey fiduciary return (Form NJ-1041) as follows:

Schedule C	CREDIT FOR INCOME OR WAGE TAXES PAID TO OTHER JURISDICTION	A copy of other state or political subdivision tax return must be retained with your records.		
48.	Income properly taxed by both New Jersey and other jurisdiction during tax year. See instructions. (Indicate jurisdiction name <u>State X</u>) <i>(Do not combine the same income taxed by more than one jurisdiction.) Amount on line 48 cannot exceed amount on line 49.</i>	48	13,000	
49.	Income Subject to tax by New Jersey. (From line 16)	49	17,000	
50.	Maximum Allowable Credit (48) $\frac{13,000}{17,000}$ × $\frac{224}{(New\ Jersey\ Tax,\ line\ 26)}$ = (Divide line 49 into line 48) (49) $\frac{17,000}{17,000}$	50	171	
51.	Income tax paid to other jurisdiction	51	435	
52.	Credit Allowed. (Enter lesser of line 50 or line 51 here and on line 27)	52	171	

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #14 – Determining the credit for a fiduciary without distributions.

A fiduciary return filed for the estate of a taxpayer reports that the estate earned \$4,000 in interest income and \$25,000 on a gain realized from the sale of property. The gain from the property sale also was taxed by another jurisdiction. There were no distributions made by the estate. A credit for taxes paid to the other jurisdiction is claimed on \$25,000 of jointly taxed income.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Interest	4,000		
Net Gains or Income from Disposition of Property	25,000	25,000	25,000
Income Subject to Tax Before Exemptions and Deductions	29,000	25,000	25,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income (From Line 38, Form NJ-1040)	28,000		
Tax	420	837	
Line 47, Schedule C			25,000

They complete Schedule C of the New Jersey Fiduciary Return (Form NJ-1041) as follows:

Schedule C	CREDIT FOR INCOME OR WAGE TAXES PAID TO OTHER JURSDICTION	A copy of other state or political subdivision tax return must be retained with your records.		
48.	Income properly taxed by both New Jersey and other jurisdiction during tax year. See instructions page 10. (Indicate jurisdiction name <u>State X</u>)..... <i>(Do not combine the same income taxed by more than one jurisdiction.) Amount on line 48 cannot exceed amount on line 49.</i>	48	25,000	
49.	Income Subject to tax by New Jersey. (From line 16)	49	29,000	
50.	Maximum Allowable Credit (48) $\frac{25,000}{29,000}$ × $\frac{420}{837}$ = (Divide line 49 into line 48) (49) 29,000 (New Jersey Tax, line 26)	50	362	
51.	Income tax paid to other jurisdiction	51	837	
52.	Credit Allowed. (Enter lesser of line 50 or line 51 here and on line 27)	52	362	

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #15 – Determining the credit when S corporation income is reported on the other jurisdiction’s return in separate categories.

A resident taxpayer is a shareholder in a federal S corporation that does business outside New Jersey. The S corporation has ordinary income of \$35,000 and interest income of \$2,500. In addition, they have wages of \$100,000 and personal interest of \$200, all earned in New Jersey. The other jurisdiction requires that the S corporation income be reported in separate categories, and New Jersey requires that the income be netted (totaled) into one category. All of the S corporation income is taxed by both jurisdictions and is, therefore, included on line 1, Schedule NJ-COJ.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	100,000		
Interest:			
Personal Interest	200		
S Corporation Interest		2,500	2,500
S Corporation Income:			
Ordinary	35,000	35,000	35,000
Interest	<u>2,500</u>		
	37,500		
Income Subject to Tax Before Exemptions and Deductions	137,700	37,500	37,500
Less Exemptions	<u>(1,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	136,700		
Tax	6,582	2,625	
Line 1, Schedule NJ-COJ			37,500

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #15 – continued

The taxpayer completes their Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ Name of Jurisdiction _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	37,500
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	137,700
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	27.2331%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	136,700
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	136,700
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	6,582
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	1,792
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	1,792
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #16 – Schedule C adjustments to income that also are taxable to New Jersey are included on line 1, Schedule NJ-COJ.

A taxpayer earned wages of \$100,000, and also has a business in another jurisdiction. For New Jersey tax purposes, the business had a net profit of \$36,000 after adding back \$1,000 deducted on the federal return for taxes based on income. Of the total business income, \$25,000 was derived from the other jurisdiction. When they completed the other jurisdiction’s nonresident return, they were required to add back the \$1,000 in taxes based on income. Therefore, the \$1,000 is correctly included on line 1, Schedule NJ-COJ.

		Income Subject to Tax		
		<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages		100,000	100,000	100,000
Interest		200		
Net Profits From Business	35,000		25,000	25,000
Taxes Based on Income	<u>1,000</u>	36,000	1,000	1,000
Income Subject to Tax Before Exemptions and Deductions		136,200	126,000	126,000
Less Exemptions		<u>(1,000)</u>		
Taxable Income		135,200		
(From Line 38, Form NJ-1040)				
Tax		6,486	8,820	
Line 1, Schedule NJ-COJ				126,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #16 – continued

The taxpayer completes their Schedule NJ-COJ as follows:

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ Name of Jurisdiction _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	126,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	136,200
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	92.5110%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	135,200
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	135,200
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	6,486
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	6,000
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	6,000
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #17 – Determining line 1, Schedule NJ-COJ when New Jersey and the other jurisdiction tax partnership income differently.

A taxpayer is a partner in New York Partnership ABC. Their share of the partnership's income consisted of ordinary income of \$34,000, ordinary interest of \$1,000, interest from New York debt obligations of \$7,500 and interest from New Jersey debt obligations of \$5,000. Line 1, Schedule NJ-COJ is limited to income that also is included on line 2 (income subject to tax by New Jersey). New Jersey allowed the deduction for expenses related to exempt interest in determining partnership ordinary income. Interest from New Jersey debt obligations is not taxed by New Jersey. These amounts cannot be included on line 1, Schedule NJ-COJ.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>New York</u>	<u>Both</u>
Interest Income:			
From Personal Savings	200		
From Partnership ABC		1,000	1,000
Partnership Income (Federal Schedule K-1 items):			
Ordinary Income	34,000	34,000	34,000
Interest	1,000		
Interest From New York Obligations	<u>7,500</u>	42,500	
New York Additions:			
Expenses Related to Exempt Income		500	
Interest From Non-New York (NJ) Obligations		5,000	
Income Subject to Tax Before Exemptions and Deductions	42,700	40,500	35,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	41,700		
Tax	813	2,600	2,247
Line 1, Schedule NJ-COJ			35,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #18 – Determining the credit when there is partnership income earned in New Jersey and in two different jurisdictions outside New Jersey.

A full-year resident taxpayer of New Jersey who works in this State, is a partner in three separate partnerships: ABC, XYZ, and FGH. Partnerships ABC and XYZ conduct their business entirely outside New Jersey in two different states. FGH is a New Jersey partnership. Their share of partnership income from ABC is \$10,000; from XYZ, \$5,000; and from FGH, \$7,000. Their total partnership income for New Jersey tax purposes is \$22,000.

They must complete a separate Schedule NJ-COJ for each jurisdiction to determine the credit for taxes paid to that jurisdiction. The credit allowed in each case is the lesser of the proportional credit limitation amount or the actual tax paid to that state. The total credit for taxes paid to other jurisdictions is the sum of the two separate allowable credits.

	Income Subject to Tax		
	<u>New Jersey</u>	<u>State 1</u>	<u>State 2</u>
Wages	100,000		
Interest	200		
Partnership Income:			
Partnership ABC	10,000	10,000	
Partnership XYZ	5,000		5,000
Partnership FGH	<u>7,000</u>		
	22,000		
Income Subject to Tax Before Exemptions and Deductions	122,200	10,000	5,000
Less Exemptions	<u>(1,000)</u>		
Taxable Income	121,200		
(From Line 38, Form NJ-1040)			
Tax	5,594	650	150
Line 1, Schedule NJ-COJ		(a) 10,000	(b) 5,000

- (a) Schedule NJ-COJ income taxed by State 1
(b) Schedule NJ-COJ income taxed by State 2

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #18 – continued

(a) Credit for taxes paid on the income derived from State 1.

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ <u>State 1</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	10,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	122,200
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	8.1833%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	121,200
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	121,200
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	5,594
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	458
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	458
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

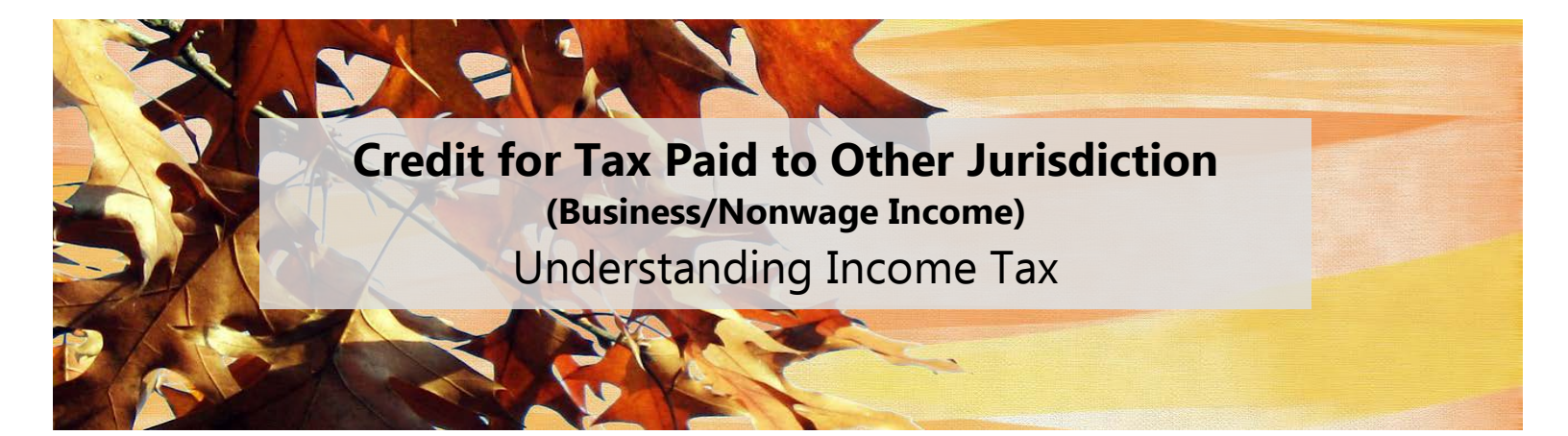
Example #18 – continued

(b) Credit for taxes paid on the income derived from State 2.

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ <u>State 2</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.		5,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.		122,200
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.		4.0917%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A		Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.		4.	121,200
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	121,200
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	5,594
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	229
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	150	9.	150
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>					



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

The taxpayer reports a total credit for income taxes paid to other jurisdictions of \$608 on line 43, Form NJ-1040 (\$458 + \$150 from the first and second Schedule NJ-COJ, respectively).

Example #19 – Determining the credit for Philadelphia partnerships subject to the Philadelphia Business Income and Receipts Tax (BIRT), Philadelphia Net Profits Tax (NPT), and the Pennsylvania income tax.

A full-year resident taxpayer has wages of \$45,000, interest income of \$1,000, and dividend income of \$4,000. In addition, they are a partner in a Philadelphia partnership. Their partnership income is subject to tax by Pennsylvania, and also by the City of Philadelphia: BIRT and NPT. They are entitled to a credit, if the tax is imposed on their income. The NPT is a tax on income and allows a credit for 60% of the BIRT paid. The BIRT imposes two taxes: one based on income and one based on gross receipts. Only taxes paid based on income qualify for the credit calculation. The income allowed for the credit calculation is limited to the income actually taxed by Philadelphia after all adjustments, including the Statutory Net Income Deduction and Loss Carry Forward Deduction.

Taxes paid based on gross receipts do not qualify for the credit. You must consider the taxes paid (based on income) to all jurisdictions when calculating the credit. They must complete three Schedule NJ-COJs: one for the \$200,000 of income taxed under the Pennsylvania income tax, the BIRT, and the NPT; one for the \$25,000 excess income subject only to the BIRT and NPT; and one for the \$35,000 excess income subject only to the NPT. The results of the credit calculations are then added to determine the total credit for taxes paid to other jurisdictions.

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

	<u>New Jersey</u>	<u>Income Subject to Tax</u>		
		<u>PA Income</u>	<u>BIRT</u>	<u>NPT</u>
Wages	45,000			
Interest	1,000			
Dividends	4,000			
Partnership ABC	450,000	200,000	225,000	260,000
Income Subject to Tax Before Exemptions and Deductions	500,000	200,000	225,000	260,000
Less Exemptions	<u>(1,000)</u>			
Taxable Income (From Line 38, Form NJ-1040)	499,000			
Tax Liability	29,660	6,140	14,513	9,055
Less BIRT Credit (\$14,513 × 60%)				(8,708)
Tax	29,660	6,140	14,513	347
Effective Tax Rate (Tax Liability ÷ Taxable Income)		3.07%	6.45%	0.13%
Line 1, Schedule NJ-COJ		(c) 200,000	(b) 25,000	(d) 35,000

- | |
|--|
| <p>(a) Schedule NJ-COJ income taxed by PA, Phila, BIRT, & NPT
 (b) Schedule NJ-COJ for "excess income" taxed by Phila, BIRT & NPT
 (c) Schedule NJ-COJ for "excess income" taxed by Phila, NPT</p> |
|--|

(a) Credit for taxes paid on the income taxed under the Pennsylvania income tax, the BIRT, and the NPT.

The taxpayer enters \$200,000 on line 1 of the first Schedule NJ-COJ. This is the amount of income taxed under the Pennsylvania income tax, the BIRT, and the NPT. The entry on line 9 of this schedule is the lesser of the amount on line 8 or the amount in Box 9a (the total tax actually paid under the three taxes on the \$200,000 of jointly taxed income). The total tax actually paid on \$200,000 is \$19,307 (\$6,140 in Pennsylvania income tax plus \$12,900 in BIRT plus \$267 in NPT). They calculate the amount of BIRT paid on \$200,000 as follows: $\$14,513 \times (\$200,000 \div \$225,000) = \$12,900$. They calculate the amount of NPT paid on \$200,000 as follows: $\$347 \times (\$200,000 \div \$260,000) = \267 .

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>PA, Phila. BIRT & NPT</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)	1.	200,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)	2.	500,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)	3.	40.0000%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.		Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	499,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	499,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	29,660
8.	Allowable Credit (Multiply line 7 by line 3)	8.	11,864
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9.	11,864
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>			

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #19 – continued

(b) Credit for taxes paid on the excess income taxed under only BIRT and NPT.

Income can only be reported once on Schedule NJ-COJ. The taxpayer enters \$25,000 on line 1 of the second Schedule NJ-COJ. This is the income subject only to the BIRT and NPT. The entry on line 9 of this schedule will be the lesser of the amount on line 8 or the amount in Box 9a (the BIRT & NPT actually paid on \$25,000). The total tax actually paid on this \$25,000 is \$1,646 (equal to \$1,613 in BIRT plus \$33 in NPT). They calculate the amount of BIRT paid on \$25,000 as follows: $\$14,513 \times (\$25,000 \div \$225,000) = \$1,613$. They calculate the amount of NPT paid on \$25,000 as follows: $\$347 \times (\$25,000 \div \$260,000) = \33 .

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>Phila. BIRT & NPT</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)			1.	25,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	500,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)			3.	5.0000%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A		Column B
4.	Taxable Income (From line 38, Form NJ-1040)			4.	499,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)			6.	499,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)			7.	29,660
8.	Allowable Credit (Multiply line 7 by line 3)			8.	1,483
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	1,646	9.	1,483

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #19 – continued

(c) Credit for taxes paid on the excess income taxed under only NPT.

The taxpayer enters \$35,000 on line 1 of the third Schedule NJ-COJ. This is the income subject only to the NPT. The entry on line 9 of this schedule will be the lesser of the amount on line 8 or the amount in Box 9a (the NPT actually paid on \$35,000). They calculate the amount of NPT paid on \$35,000 as follows: $\$347 \times (\$35,000 \div \$260,000) = \47 .

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: <u>Phila. NPT</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)		1.	35,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)		2.	500,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)		3.	7.0000%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.			Column A	Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	4.	499,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	6.	499,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	29,660
8.	Allowable Credit (Multiply line 7 by line 3)	8.	8.	2,076
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9a.	9.	47
<p>If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.</p> <p>If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

The taxpayer reports the total credit for income taxes paid to other jurisdictions of \$13,394 on line 43, Form NJ-1040 (\$11,864 + \$1,483 + \$47 from the first, second, and third Schedule NJ-COJ, respectively).

Example #20 – Determining the credit for income, other than wages, earned in Pennsylvania.

A resident taxpayer earned \$50,000 in wages from their Pennsylvania employer. They are also a member of a Pennsylvania partnership. Their share of the partnership’s income for the tax year is \$30,000. They paid \$1,200 a month in rent for their apartment in New Jersey, and is eligible for a property tax deduction or credit.

Their partnership income is subject to tax by both New Jersey and Pennsylvania. Therefore, they can claim a credit on their New Jersey resident return for income tax paid to Pennsylvania on this income. However, under the provisions of the New Jersey/Pennsylvania Reciprocal Personal Income Tax Agreement, their wages are not subject to tax in Pennsylvania and cannot be included on line 1, Schedule NJ-COJ.

Income Subject to Tax

	<u>New Jersey</u>	<u>Pennsylvania</u>	<u>Both</u>
Wages	50,000		
Partnership Income (PA)	30,000	30,000	30,000
Income Subject to Tax Before Exemptions and Deductions	80,000	30,000	30,000
Less Exemptions	<u>(2,000)</u>		
Taxable Income <small>(From Line 38, Form NJ-1040)</small>	78,000		
Tax	2,844	840	
Line 1, Schedule NJ-COJ			30,000

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #20 – continued

The taxpayer paid \$14,400 in rent on their qualified New Jersey residence. They will enter 18% of their rent on line 1 (the amount from line 39a, Form NJ-1040). They will complete only lines 1 and 2. Then they will complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit																					
Review the eligibility requirements on page 23 before completing Worksheet H. Part-year residents, see page 29.																					
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>																					
<p>1. Property Taxes. Enter the property taxes from line 39a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. (See instructions on page 29.)</p>	1. <u>2,592</u>																				
<p>2. Property Tax Deduction. Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same main home)?</p> <p><input type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same main home).</p> <p><input checked="" type="radio"/> No. Enter the amount from line 1.</p>	2. <u>2,592</u>																				
<p>STOP — if you are claiming a credit for taxes paid to other jurisdictions. Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 30.)</p>																					
<p>3. Taxable Income (From line 38 of Form NJ-1040)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Column A</th> <th style="width: 50%; text-align: center;">Column B</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3.</td> <td style="text-align: center;">3.</td> </tr> <tr> <td style="text-align: center;">4.</td> <td style="text-align: center;">4. - 0 -</td> </tr> <tr> <td style="text-align: center;">5.</td> <td style="text-align: center;">5.</td> </tr> <tr> <td style="text-align: center;">6.</td> <td style="text-align: center;">6.</td> </tr> <tr> <td style="text-align: center;">7.</td> <td style="text-align: center;">7.</td> </tr> </tbody> </table>	Column A	Column B	3.	3.	4.	4. - 0 -	5.	5.	6.	6.	7.	7.								
Column A	Column B																				
3.	3.																				
4.	4. - 0 -																				
5.	5.																				
6.	6.																				
7.	7.																				
<p>4. Property Tax Deduction (From line 2 above)</p>																					
<p>5. New Jersey Taxable Income (Subtract line 4 from line 3)</p>																					
<p>6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules)</p>																					
<p>7. Subtract line 6, column A from line 6, column B</p>																					
<p>8. Is the line 7 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same main home)? Part-year residents, see page 29 before answering "No."</p> <p><input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;"><i>Form NJ-1040</i></td> <td><i>Enter amount from:</i></td> </tr> <tr> <td>Line 40</td> <td>Line 4, column A</td> </tr> <tr> <td>Line 41</td> <td>Line 5, column A</td> </tr> <tr> <td>Line 42</td> <td>Line 6, column A</td> </tr> <tr> <td>Line 55</td> <td>Make no entry</td> </tr> </table> <p><input checked="" type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.</p> <table style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;"><i>Form NJ-1040</i></td> <td><i>Enter amount from:</i></td> </tr> <tr> <td>Line 40</td> <td>Make no entry</td> </tr> <tr> <td>Line 41</td> <td>Line 5, column B</td> </tr> <tr> <td>Line 42</td> <td>Line 6, column B</td> </tr> <tr> <td>Line 55</td> <td>\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions on page 29.)</td> </tr> </table>	<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 40	Line 4, column A	Line 41	Line 5, column A	Line 42	Line 6, column A	Line 55	Make no entry	<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 40	Make no entry	Line 41	Line 5, column B	Line 42	Line 6, column B	Line 55	\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions on page 29.)	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																				
Line 40	Line 4, column A																				
Line 41	Line 5, column A																				
Line 42	Line 6, column A																				
Line 55	Make no entry																				
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																				
Line 40	Make no entry																				
Line 41	Line 5, column B																				
Line 42	Line 6, column B																				
Line 55	\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions on page 29.)																				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #20 – continued

The taxpayer completes their Schedule NJ-COJ and Worksheet I as follows.

Schedule NJ-COJ

Credit for Income or Wage Taxes Paid to
Other Jurisdiction

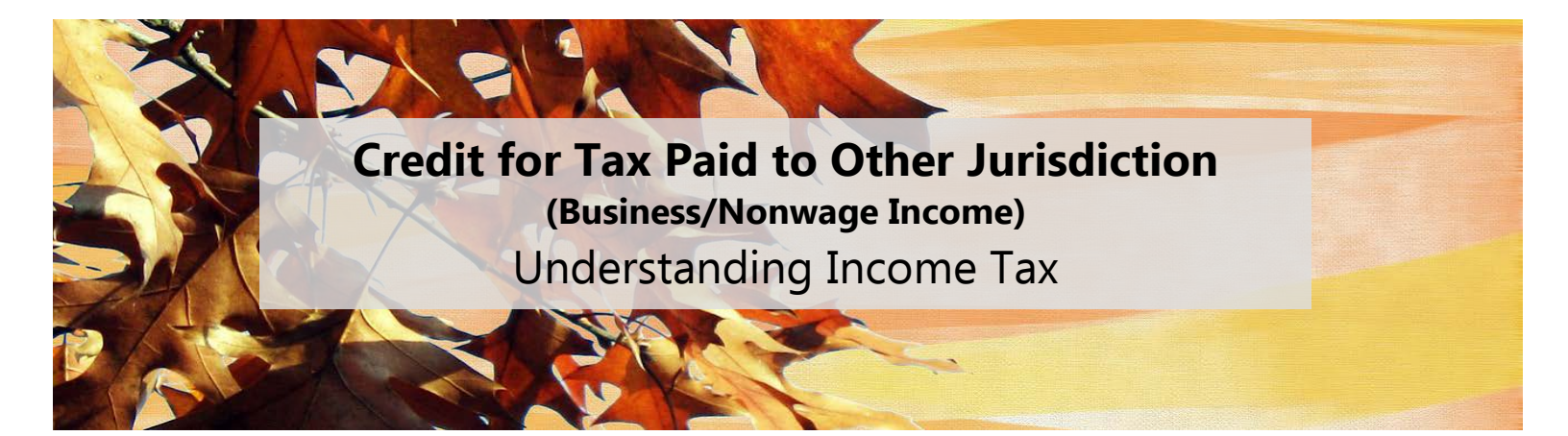
1.	Income properly taxed by both New Jersey and other jurisdiction. (Instructions page 31) Jurisdiction Name: _____ Pennsylvania _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 cannot exceed the amount on line 2.)	1.		30,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)	2.		80,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 32)	3.		37.5000%
See page 23 to determine if you are eligible for a property tax benefit. If you are not eligible, only complete column B.		Column A		Column B
4.	Taxable Income (From line 38, Form NJ-1040)	4.	78,000	4. 78,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 29) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 29)	5.	2,592	5. - 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.	75,408	6. 78,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	2,678	7. 2,844
8.	Allowable Credit (Multiply line 7 by line 3)	8.	1,004	8. 1,067
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 33) Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 42.	9.	840	9. 840
If you are not eligible for a property tax benefit, enter the amount from line 9, column B on line 43 Form NJ-1040. Make no entry on lines 40 or 55, Form NJ-1040.				
If you are eligible for a property tax benefit, you must complete Worksheet I on page 33 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.				

Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #20 – continued

The taxpayer receives a greater benefit from the property tax deduction. They enter the amounts from lines 5, 6, and 7, column A, Schedule NJ-COJ on lines 40, 41, and 42, Form NJ-1040 as indicated in the instructions on Worksheet I. Their credit for taxes paid to other jurisdictions for line 43, Form NJ-1040 is \$840, the amount on line 2, column A, Worksheet I. Their property tax deduction on line 40, Form NJ-1040 is \$2,592. Their Worksheet I looks like this:

Worksheet I Which Property Tax Benefit to Use							
			COLUMN A		COLUMN B		
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here.....			1.	2,678		1.	2,844
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all line 9 amounts (columns A and B) in the corresponding column			2.	840		2.	840
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....			3.	1,838		3.	2,004
4. Subtract line 3, column A from line 3, column B.....						4.	166
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same main home)?							
Part-year residents , see instructions for line 9, Schedule NJ-COJ before answering "No."							
<input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.							
<i>Form NJ-1040</i>		<i>Enter amount from:</i>					
Line 40	Line 5, Column A, Schedule NJ-COJ						
Line 41	Line 6, Column A, Schedule NJ-COJ						
Line 42	Line 7, Column A, Schedule NJ-COJ						
Line 43	Line 2, Column A, Worksheet I						
Line 55	Make no entry						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.							
<i>Form NJ-1040</i>		<i>Enter amount from:</i>					
Line 40	Make no entry						
Line 41	Line 6, Column B, Schedule NJ-COJ						
Line 42	Line 7, Column B, Schedule NJ-COJ						
Line 43	Line 2, Column B, Worksheet I						
Line 55	\$50 (\$25 if you and your spouse file separate returns but maintained the same main home). Part-year residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ)						
(Keep for your records)							



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

Example #21 – Determining line 1, Schedule NJ-COJ when a portion of partnership income is allocated to New Jersey.

A resident taxpayer is a partner in XYZ Company. The distributive share of partnership income on their Schedule NJK-1 is \$100,000, of which \$50,000 was taxed by State A. The partnership allocates 75% to New Jersey and 25% to State A. Since 75% of the income is allocated to New Jersey, they can use only \$25,000 to calculate a credit, even though State A taxed \$50,000, as shown below:

Total Income × Percent Allocated to New Jersey = Amount *not* eligible for credit

$$\$100,000 \times .75 = \$75,000$$

Total Income – Amount Allocated to New Jersey = Amount eligible for credit from State A

$$\$100,000 - \$75,000 = \$25,000 \text{ (Enter this amount on line 1, Schedule NJ-COJ)}$$

When you are calculating the credit, if the actual tax paid to the other jurisdiction is less than the allowable credit, **only** take credit for taxes paid on the actual amount of income taxed by the other jurisdiction.

If the amount of income taxed by the other jurisdiction is less than the amount earned there, you can use only the amount actually taxed to calculate the credit.

Example #22 – Determining line 1, Schedule NJ-COJ when a portion of S corporation income is allocated to New Jersey.

A resident taxpayer is a shareholder in an S corporation. The net pro rata share of S corporation income on their Schedule NJ-K-1 is \$100,000, of which \$50,000 was taxed by State A. The S corporation allocates 75% to New Jersey and 25% to State A. Since 75% of the income is allocated to New Jersey, they can use only \$25,000 to calculate a credit, even though State A taxed \$50,000, as shown below:

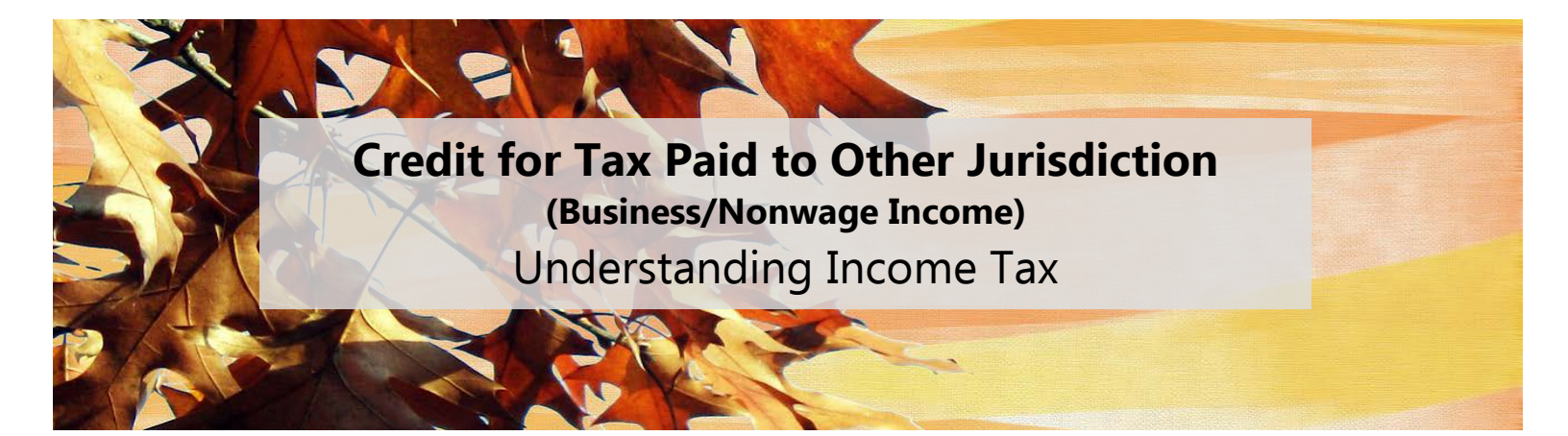
Total Income × Percent Allocated to New Jersey = Amount *not* eligible for credit

$$\$100,000 \times .75 = \$75,000$$

Total Income – Amount Allocated to New Jersey = Amount eligible for credit from State A

$$\$100,000 - \$75,000 = \$25,000 \text{ (Enter this amount on line 1, Schedule NJ-COJ)}$$

When you are calculating the credit, if the actual tax paid to the other jurisdiction is less than the allowable credit, **only** take credit for taxes paid on the actual amount of income taxed by the other jurisdiction. If the amount of income taxed by the other jurisdiction is less than the amount earned there, you can use only the amount actually taxed to calculate the credit.



Credit for Tax Paid to Other Jurisdiction (Business/Nonwage Income) Understanding Income Tax

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The forms and amounts referred to in this Bulletin are those for Tax Year 2021. This document is designed to provide guidance to taxpayers and is accurate as of the date issued.

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](#) recognized under New Jersey law.