

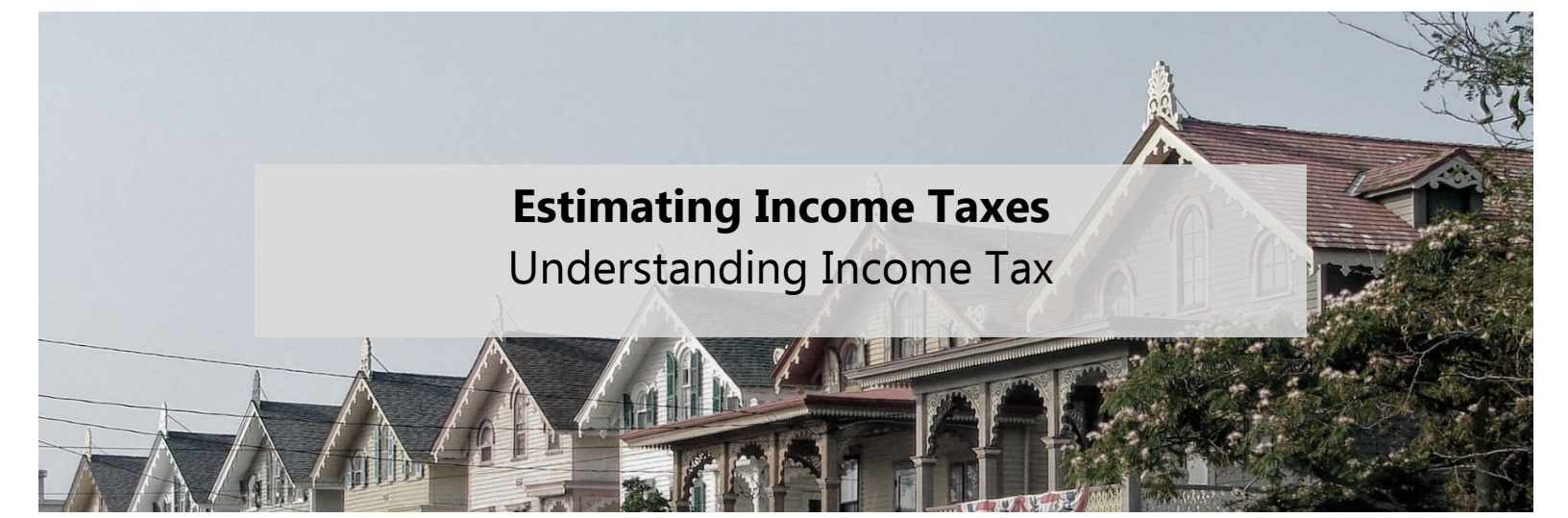
# Estimating Income Taxes

## Understanding Income Tax



Victorian homes in Cape May.

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# Estimating Income Taxes

## Understanding Income Tax

This bulletin describes:

- The estimated tax requirements;
- Ways to make the payments;
- How interest is charged if you fail to make required payments; and
- How to complete [Form NJ-2210](#), Underpayment of Estimated Tax by Individuals, Estates or Trusts. The forms and worksheets here are for illustration only.

## Estimated Tax Requirements

New Jersey is a pay-as-you-go state, meaning you are required to pay tax on your income *as you receive it* throughout the year, whether you are a resident or nonresident. If you can reasonably expect your New Jersey Income Tax obligation to be more than \$400 after subtracting withholdings and other credits, you must make estimated tax payments to New Jersey. This includes estates and trusts other than those meeting the two-year limitation and other criteria under Internal Revenue Code Section 6654(l) (2). You may be required to make estimated tax payments to New Jersey even if you are not required to file federal estimates.

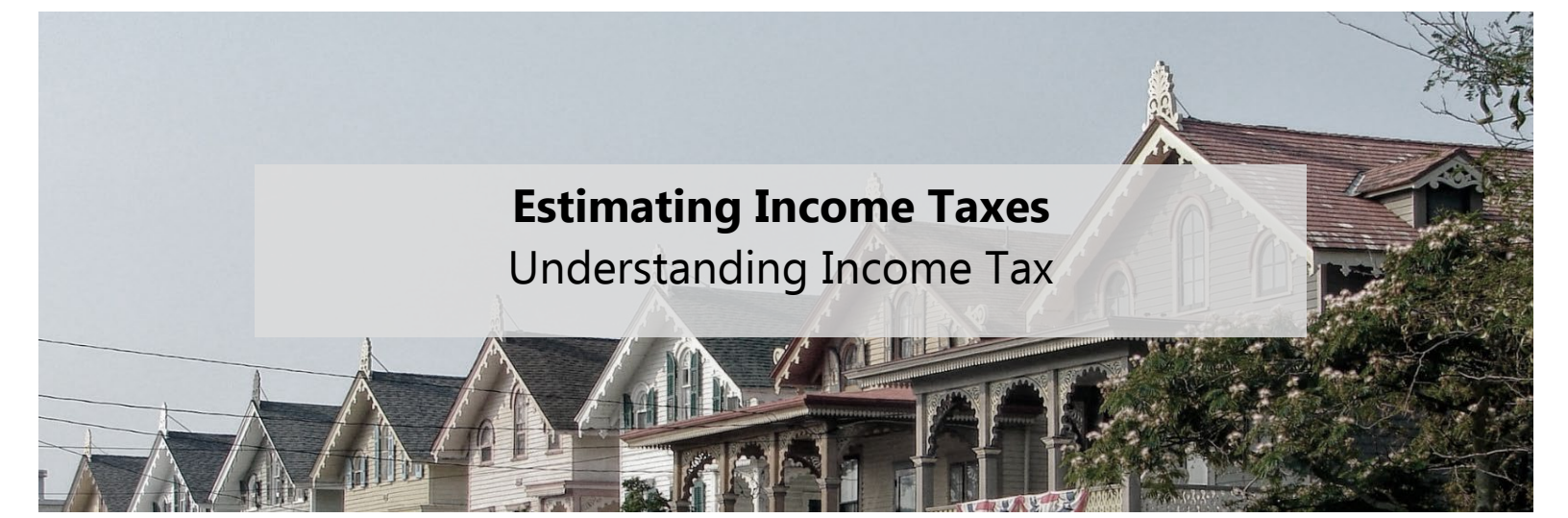
If you **no longer need to make estimated payments**, you do not have to notify us even if you received a packet of [NJ-1040-ES](#) estimated payment vouchers in the mail.

## Due Dates

For estimated tax purposes, the year is divided into four payment periods with specific payment due dates. If a due date falls on a weekend or legal holiday, that payment is due the following business day.

For calendar year taxpayers making estimated payments for the 2023 tax year, the periods and due dates are:

<b>Payment Period:</b>	<b>Due Date:</b>
January 1 – April 1	April 18
April 2 – June 1	June 15
June 2 – September 1	September 15
September 2 – December 31	January 16 (the following year)



## Estimating Income Taxes

### Understanding Income Tax

If you were required to make estimated payments and you did not make a payment until the second, third, or fourth quarter, you must *pay all past due payments with the first payment* you make for that calendar year. You must pay the remaining payments on time.

For example, if you should have made four quarterly payments of \$250 each for tax year 2023, but did not make any payments until the third quarter, you must pay \$750 on or before September 15. This represents the \$250 payments for the first, second, and third quarters. The remaining \$250 is due on or before January 16 of the following year.

See [COVID-19 relief](#) for information about changes to estimated payment due dates for Tax Year 2021.

**Interest charges.** You may be charged interest if you do not pay enough tax on the income you receive for a quarterly time period by the payment due date. (See [Interest on Underpayment](#).)

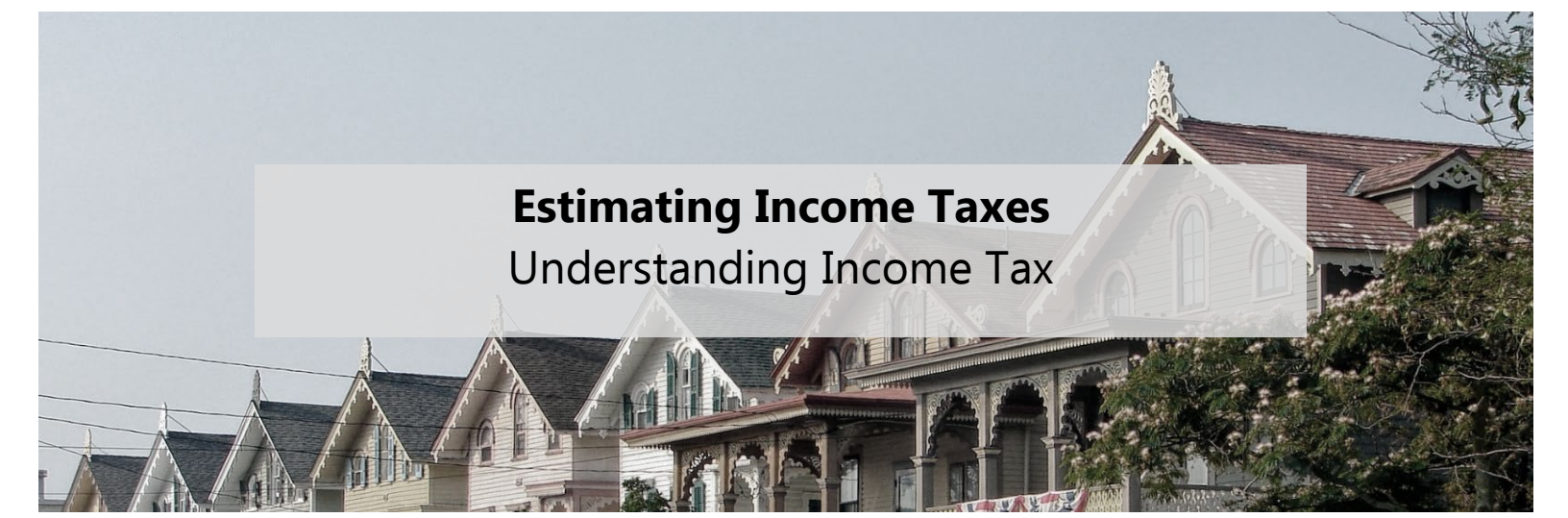
**Fiscal year** taxpayers must estimate their tax for the period covered by their fiscal year, and change the payment due dates to correspond with the 15<sup>th</sup> day of the fourth, sixth, and ninth month of their fiscal year, and the first month after the end of their fiscal year.

**Income Changes.** If your income increases or decreases at any point in the year, you can adjust your estimated payments accordingly. The instructions for the payment vouchers we send you contain an Estimated Tax Worksheet and an Amended Computation Schedule that will assist you in calculating the amended payments to make.

If you were not originally required to make estimated payments and your income unexpectedly increases – requiring you to make an estimated payment – you must make the payment by the next due date. You can pay the estimated tax in full on the next due date, or in equal installments on the remaining [payment due dates](#).

**January Payment.** You do not have to file your fourth-quarter Income Tax estimate on January 16 if you decide to pay your balance from the previous calendar year in full by February 15. This also applies to original estimated payments due because unanticipated income was received after September 1.

**Farmers.** If your estimated New Jersey farming income (including oyster farming) for the tax year is at least two-thirds (66 2/3%) of your total estimated income for the tax year, you can file [Form NJ-1040-ES](#) and pay your estimated tax in full at any time on or before January 16 of the following year without penalty. Fiscal year filers can file on the 15<sup>th</sup> day of the first month of the following tax year.



# Estimating Income Taxes

## Understanding Income Tax

### Estimating Income

Use the Estimated Tax Worksheet in the [instructions](#) for [Form NJ-1040-ES](#) to determine your estimated income for the year. An example of a completed worksheet follows.

A taxpayer completes the worksheet before April 18 and makes four estimated payments of \$105 each. When paying by check or money order, they should write on each voucher the payment amount of \$105 enclosed with each quarterly estimate. They do not need to send in the vouchers if they pay by e-check or credit card. (See [How to Pay Your Estimated Tax](#).)

You can use a blank Income Tax return ([Form NJ-1040](#), [Form NJ-1040NR](#), or [Form NJ-1041](#)) to estimate income and tax. We recommend using a blank tax return to calculate estimated tax since this form has all the income, credit, and deductions that you should take into consideration when calculating estimated tax payments. If you cannot readily project your income for the current year, you should use your last year's income as a basis for estimating your current year's income. Or, you can use the [Estimated Tax Worksheet for Individuals](#) to calculate your estimated tax.

If you expect an increase (or decrease) in any category of income, increase or decrease your income figures accordingly.

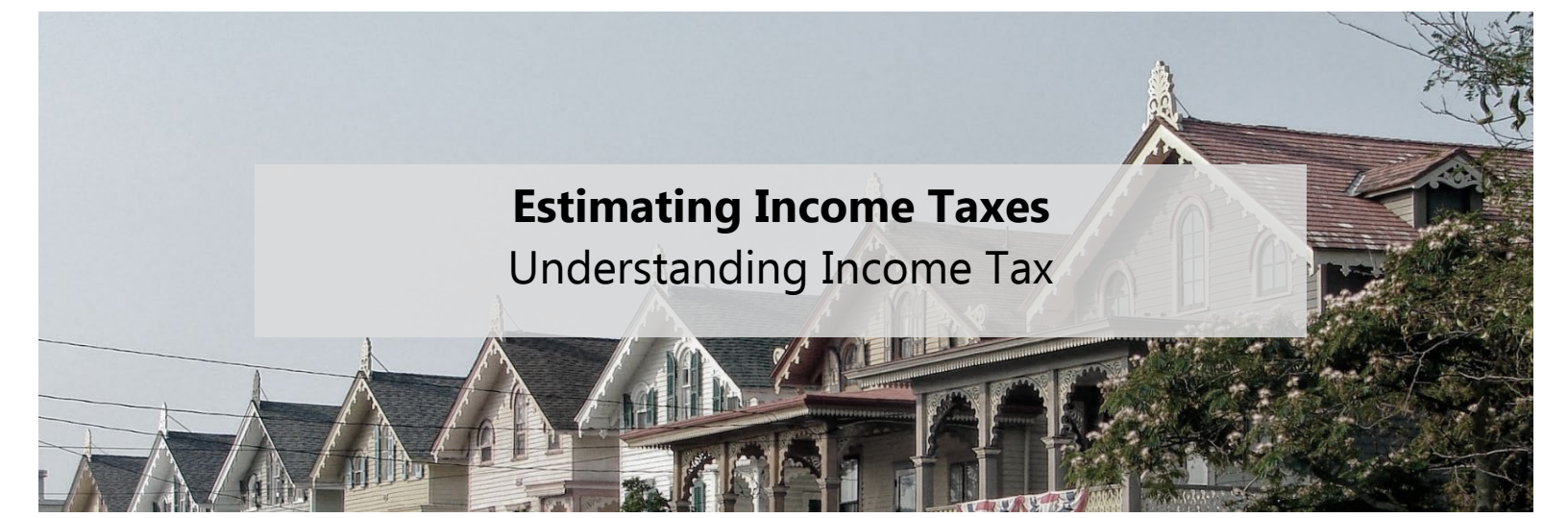
### How to Pay Your Estimated Tax

You can make estimated payments by electronic check, credit card, check, or money order. You can pay estimated tax in full by the first due date of April 18, or in four equal installments.

1. **Electronic Check (e-check).** If you make your estimated payments online by [e-check](#), you do not need to mail in the NJ-1040-ES voucher.

You will need your Social Security number and date of birth to make an e-check payment. Estates and trusts use their federal employer identification number (EIN) and the date of death or the date the trust was created. You also can schedule e-check payments of estimated tax in advance.

We will not accept e-check payments made using an account from a financial institution outside the United States.



## Estimating Income Taxes

### Understanding Income Tax

- Credit Card.** If you make your estimated payments online by [credit card](#), you do not need to mail in the NJ-1040-ES voucher. You can make your estimated payments using a Visa, American Express, MasterCard, or Discover card (a fee is charged for using those cards).

You will need your Social Security number and date of birth to make a credit card payment. Estates and trusts use their federal employer identification number (EIN) and the date of death or the date the trust was created.

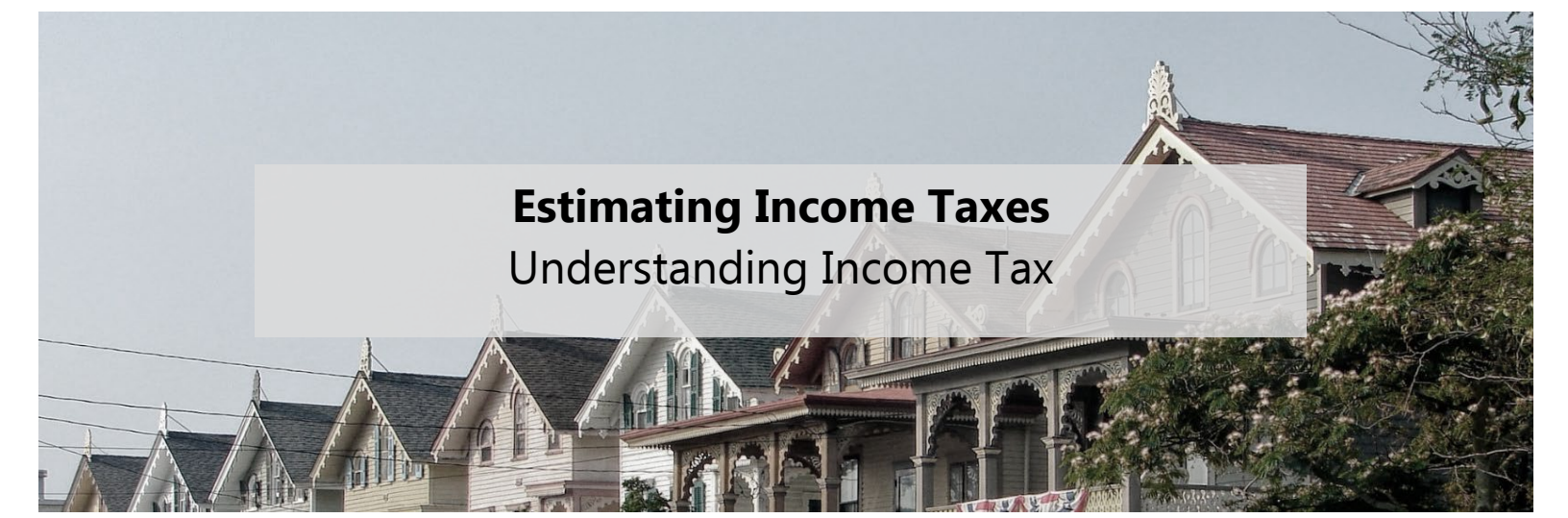
- Check or Money Order.** You must file a Declaration of Estimated Tax Voucher [Form NJ-1040-ES](#) with your payment. Enter your Social Security number(s) or EIN (estates and trusts) on the voucher and write the amount of the installment payment. Make your check or money order **payable to *State of New Jersey – TGI***. Mail each voucher along with your payment for the amount due.
  - If your filing status is married/CU couple, filing a joint return, list each spouse's Social Security number in the order these numbers appear on your Income Tax return.
  - If you filed a joint return last year and this year you are filing using only *your* Social Security number, or are filing jointly with a different person, do not use the preprinted payment vouchers you may have received by mail. Print a blank voucher, write the correct Social Security number(s) on it, and mail it in with your check or money order.

Whether you pay by e-check, credit card, check, or money order, you can view the amounts of your estimated payments [online](#).

## Overpayments Carried Forward From Previous Year

If you elected to credit all or part of last year's Income Tax overpayment to the current year's estimated taxes, include that credit when calculating this year's estimated payment(s).

When applying your credit, subtract the amount of the credit you are applying from the amount due for the period, then pay the balance. *If you are completing a voucher, indicate only the amount you are actually paying.*



## Estimating Income Taxes Understanding Income Tax

### Taking Credit for Estimated Tax Payments on Your Return

When you file your resident, nonresident, or fiduciary tax return, include the following on line 57, Form NJ-1040; line 51, Form NJ-1040NR; or line 34, Form NJ-1041:

- Estimated tax payments made for the current tax year, including any payments made by nonresident individuals, estates, and trusts in connection with the sale or transfer of real property in New Jersey;
- Any overpayment from last year's return that was credited to this year's estimated tax;
- Payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder (nonresident individuals, estates, and trusts only).

Do not include tax paid by a partnership on behalf of a nonresident individual, estate, or trust on the line for reporting estimated payments. Nonresident partners must report such payments on either line 52 of the NJ-1040NR or on line 35a of the NJ-1041.

#### Married/CU Couples

Spouses who intend to file a joint tax return can make joint estimated tax payments. If you make joint payments but file separate returns, you can apply the estimated tax paid by either spouse, or you can divide them between your spouse and yourself. If each spouse makes separate estimated payments and files separate returns, each spouse can take credit only for their own payments.

If you changed your name because of marriage/civil union, divorce/dissolution, etc., and you made estimated tax payments using your former name, send a statement to the PO Box 046 address below explaining all the payments you and/or your spouse made for the tax year and the name(s) and Social Security number(s) under which you made payments.

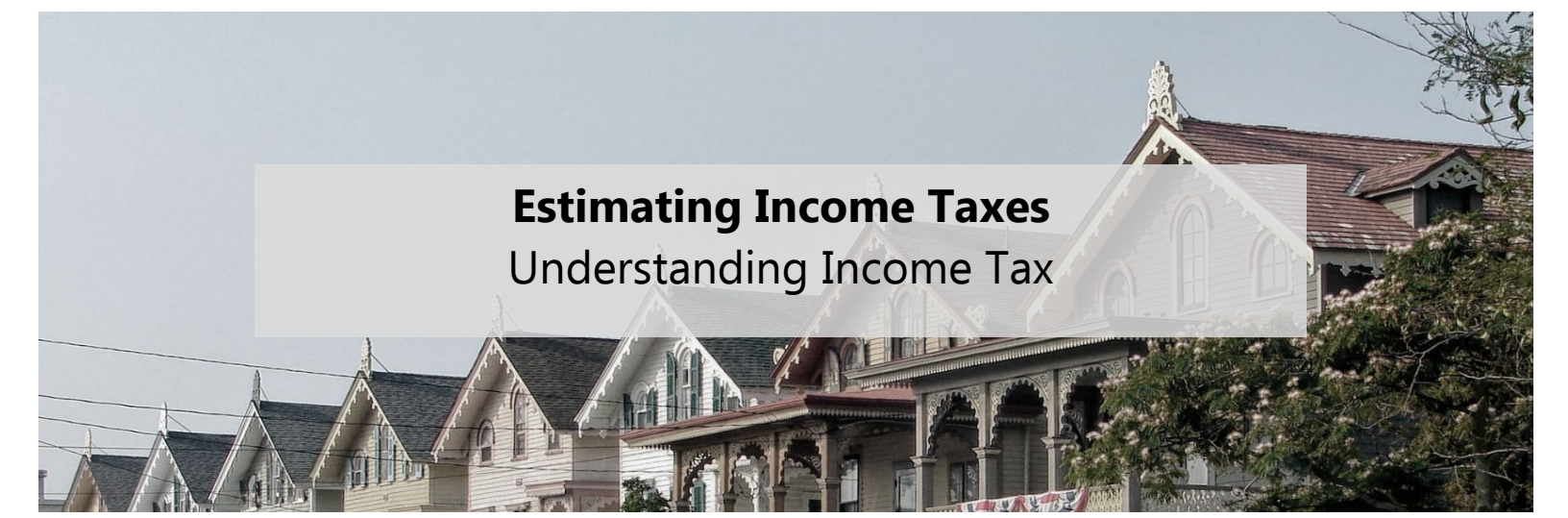
If your spouse died during the year and estimated payment(s) were made under both of your Social Security numbers, send a statement to the PO Box 046 address below listing the Social Security numbers and the amounts submitted under each number.

You can send us your documents [online](#) (select PO Box 046) or by mail to:

NJ Division of Taxation  
PO Box 046  
Trenton NJ, 08646-0046

**GIT-8**

January 2023



# Estimating Income Taxes

## Understanding Income Tax

### Interest on Underpayment of Tax

You must pay Income Tax throughout the year in the form of withholdings or estimated payments. You will be charged interest on the underpayments if:

- **You do not pay at least 80%** of your tax obligation during the year (66 2/3% for farmers); and
- **Your total tax is more than \$400** after subtracting allowable credits.

This is true even if you pay all the taxes due by the filing deadline (April 18) for your tax return unless you meet one of the exceptions on [Form NJ-2210](#) or [Form NJ-2210NR](#).

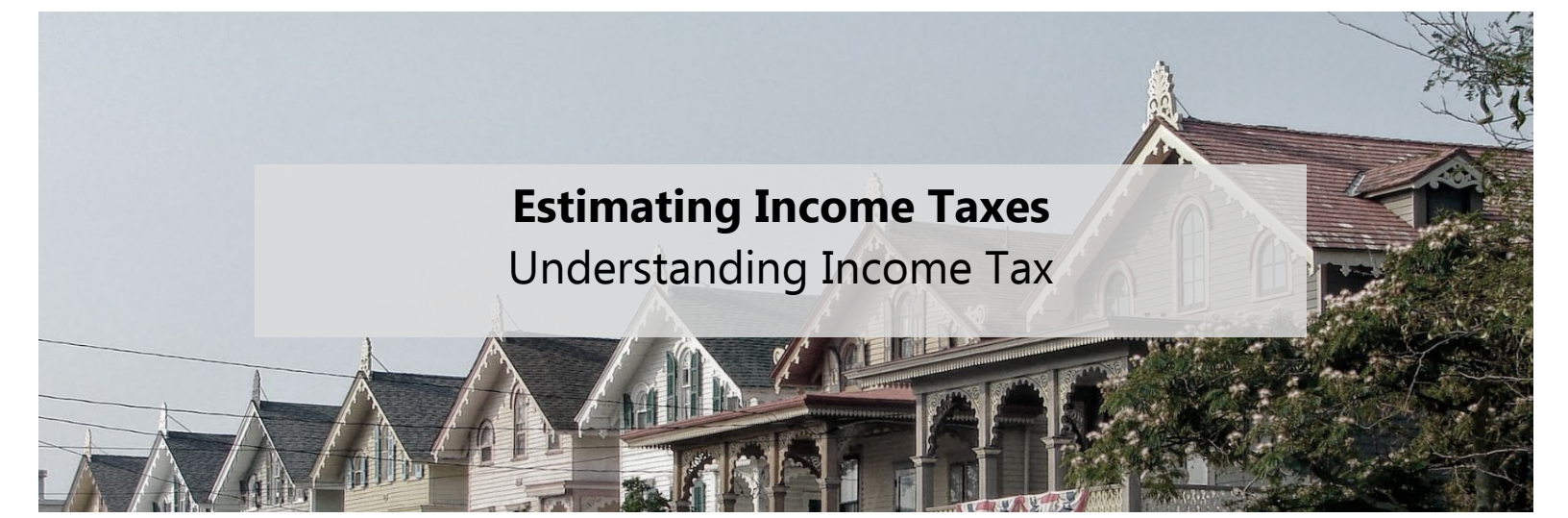
The amount of your underpayment is the difference between what you actually paid and the lesser of 80% of this year's total tax (66 2/3% for farmers) or 100% of last year's total tax. However, we will not assess interest if you meet one of the exceptions, or you had no tax obligation on your previous year's tax return.

#### Example

A taxpayer has a total tax obligation of \$1,000 on line 54 of Form NJ-1040. They had \$500 in New Jersey withholdings, made timely estimated payments totaling \$200, and paid the remaining \$300 of tax due when they filed their return on April 18. They underpaid their estimated tax even though they paid all taxes due by the return filing deadline. This is because the taxpayer paid only \$700 in the form of withholdings, timely estimated payments, or other credits. Those payments are less than the required 80% (\$800) of their total tax obligation. We will assess interest unless they meet one of the exceptions on Form NJ-2210.

If your estimated payments are late, we will **assess interest** on the underpayment from the payment(s) due date to the date you actually paid.

We assess interest at **3% above the prime rate** from the estimated payment due date to the date you paid the underpayment, but only up to April 18. See [Interest Rates Assessed](#) for more information about the current interest rate.



## Estimating Income Taxes Understanding Income Tax

### Calculating Interest on Your Underpayment: Form NJ-2210 & Form NJ-2210NR

Complete [Form NJ-2210](#) (residents) or [Form NJ-2210NR](#) (nonresidents) to determine your underpayments of estimated tax and to calculate the interest due on the underpayments. If you do not want to calculate the interest and report it when you file your tax return, we will calculate the amount due and send you a bill.

Residents who complete and enclose Form NJ-2210 must fill in the oval and enter the amount due on line 52, Form NJ-1040. Nonresidents who complete and enclose Form NJ-2210NR must check the box and enter the amount due on line 48, Form NJ-1040NR.

The following example illustrates how to complete Form NJ-2210, Part I, to determine the amount of underpayment for each quarter. The amounts shown in the examples may not reflect current tax and interest rates.

#### Example

For tax year 2022, a taxpayer has a tax obligation of \$800 on line 54 of their Form NJ-1040. They have \$360 in New Jersey Income Tax withholdings. They made one estimated payment of \$150 on January 16. The taxpayer completes Form NJ-2210, Part I, as follows:



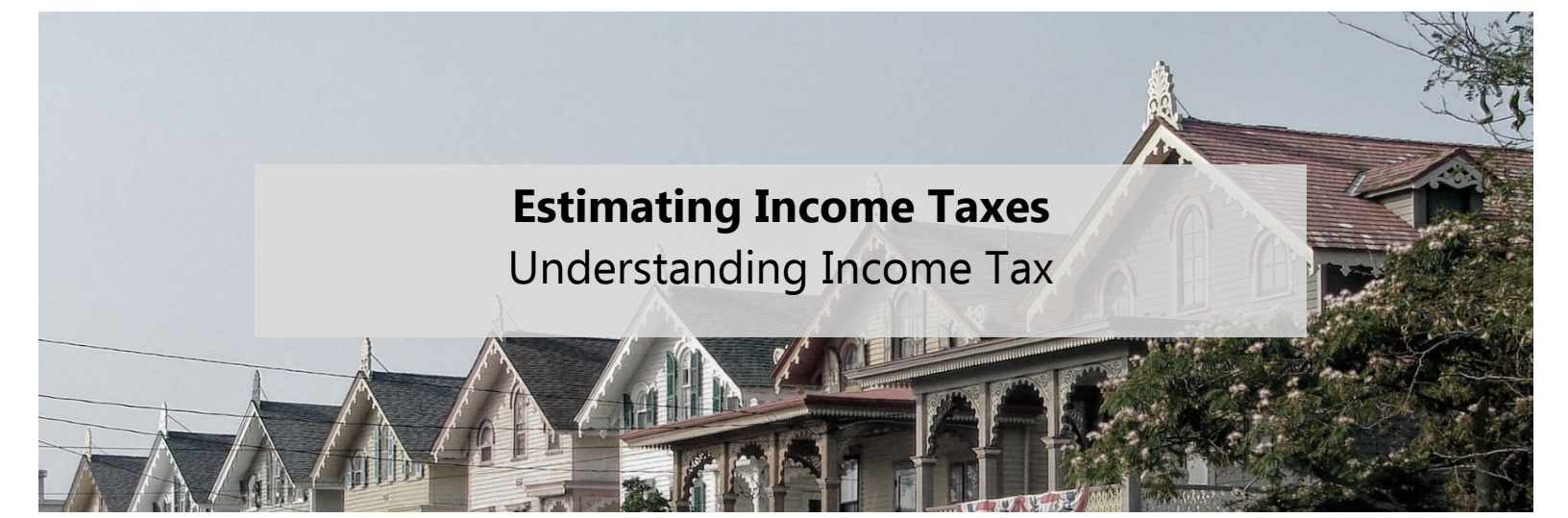
# Estimating Income Taxes

## Understanding Income Tax

### PART I FIGURING YOUR UNDERPAYMENT

1. 2022 Tax (line 50, Form NJ-1040).....	1.	800
2. Enter the total of lines <b>55, 56, 58, 59, 60, 61, 62, 63, 64, and 65, Form NJ-1040</b> .....	2.	360
3. Subtract line 2 from line 1 (If less than \$400, do <b>not</b> complete the rest of this form).....	3.	440
4a. Multiply the amount on line 1 by .80 (80%) (Two-thirds – 66 2/3% – for qualified farmers).....	4a.	640
4b. Enter 2021 tax ( <b>From Form NJ-1040, Line 49</b> ).....	4b.	600

	PAYMENT DUE DATES			
	(A) April 18	(B) June 15	(C) Sept 15	(D) Jan 17
5. Use the lesser amount on either line 4a or 4b and divide by four. Enter the result in each column.....	150	150	150	150
6. Estimated tax paid and tax withheld per period (see instructions). If each column on line 6 is greater than the corresponding column on line 5, do not complete the rest of this form.....	90	90	90	240
7. Enter the overpayment (line 13) from the previous column. (Complete lines 7 through 13 for one column before completing the next column.).....		0	0	0
8. Add line 6 and Line 7.....	90	90	90	240
9. Enter the total underpayment (line 11 plus line 12) from the previous column.....		60	120	180
10. Subtract line 9 from line 8. If zero or less, enter zero.....	90	30	0	60
11. Remaining underpayment from previous period. If line 10 is zero, subtract line 8 from line 9. Otherwise, enter zero.....		0	30	0
12. UNDERPAYMENT (If line 5 is greater than line 10, subtract line 10 from line 5).....	60	120	150	90
13. OVERPAYMENT (If line 10 is greater than line 5, subtract line 5 from line 10).....				



# Estimating Income Taxes

## Understanding Income Tax

When there is an underpayment in any column on line 12, complete Form NJ-2210, Part II, to determine if any of the four exceptions eliminate interest charges on the underpayment for the quarter. The taxpayer will complete Part II because they have an underpayment of estimated tax for all four quarters.

The following examples illustrate how to complete Form NJ-2210, Part II, and the worksheets for Exceptions 2, 3, and 4.

## Exceptions

The law allows certain exceptions that eliminate interest charges on underpayments of estimated tax. Complete [Form NJ-2210](#) (residents) or [Form NJ-2210NR](#) (nonresidents) and worksheets to determine if you meet any of the exceptions. If you meet any of the four exceptions **for any quarter**, it eliminates interest charges on the underpayment for that quarter. If necessary, you can meet different exceptions for each quarter, and use all four exceptions in one year. Once you have met an exception for each quarter, it is not necessary to complete the worksheets for any other exceptions. Here, the exceptions will be explained in numerical order and should be reviewed in the following order:

1. Exception 1;
2. Exception 4;
3. Exception 3;
4. Exception 2.

### Exception 1

To qualify for Exception 1:

- You must have filed a tax return and had a tax obligation with New Jersey for the prior year; and
- Your prior year return must have covered the full year (12 months).

If you meet these qualifications, and during the tax year you paid 100% of your prior year's tax obligation (in the form of timely estimated payments in four **equal** installments and/or withholdings), you meet Exception 1 for one or more quarters. *If you meet Exception 1 for all four quarters, you do not need to file Form NJ-2210. We will verify these amounts.*

# Estimating Income Taxes

## Understanding Income Tax

### Example

An individual's 2021 tax obligation was \$600. For 2022, their tax on line 50, Form NJ-1040, was \$800, their New Jersey withholdings were \$360, and they made one estimated payment of \$150 on January 15. This is how the taxpayer completes Form NJ-2210, Part II, for Exception 1.

<b>PART II EXCEPTIONS</b>						
(See instructions, complete worksheets for exceptions 2, 3, and 4 and enclose computations for each exception claimed.)						
<b>If you meet exception 1 at line 15, do not file this form.</b>						
<b>These amounts will be verified by the Division of Taxation.</b>						
14. Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31, 2022.) (See instructions).....		APRIL 18	JUNE 15	SEPT 15	JAN 17	
	14.	90	180	270	510	
		25% of Tax	50% of Tax	75% of Tax	100% of Tax	
15. Exception 1 – Enter 2021 tax (line 49).....	\$600	15.	150	300	450	600

**When you meet an exception,** you can eliminate the interest charge on the underpayment of estimated tax for a quarter. You can do so when the amount on line 14 (the amount paid to date) is equal to, or more than, the amount on the exception line (lines 15, 16, 17, or 18) in the same column. The taxpayer did not meet Exception 1 for any quarter.

### Exception 2

In Exception 2, you calculate what your tax would be using your prior year's income, with this year's exemptions and tax rates.

### Example

A taxpayer's gross income for 2021 was \$31,000. They claimed three exemptions (of \$1,000 each) on their 2022 return. They did not claim a credit for taxes paid to another jurisdiction. The taxpayer completes the Exception 2 Worksheet and Part II as follows:

# Estimating Income Taxes

## Understanding Income Tax

### EXCEPTION II

Tax on prior year's gross income using this year's exemptions and tax rates

1. Enter 2021 NJ Gross Income (line 29, 2021 NJ-1040) .....	1.	31,000
2. Enter 2022 Total Exemptions (line 30, 2022 NJ-1040) .....	2.	3,000
3. Subtract line 2 from line 1 .....	3.	28,000
4. Compute Tax on line 3 (2022 tax rates) .....	4.	420
5. Enter Credit for Income Taxes Paid to Other Jurisdictions (line 44, 2022 NJ-1040) .....	5.	0
6. Subtract line 5 from line 4. Enter the applicable percentage of this amount on line 16, Part II, of this form. ....	6.	420

### PART II EXCEPTIONS

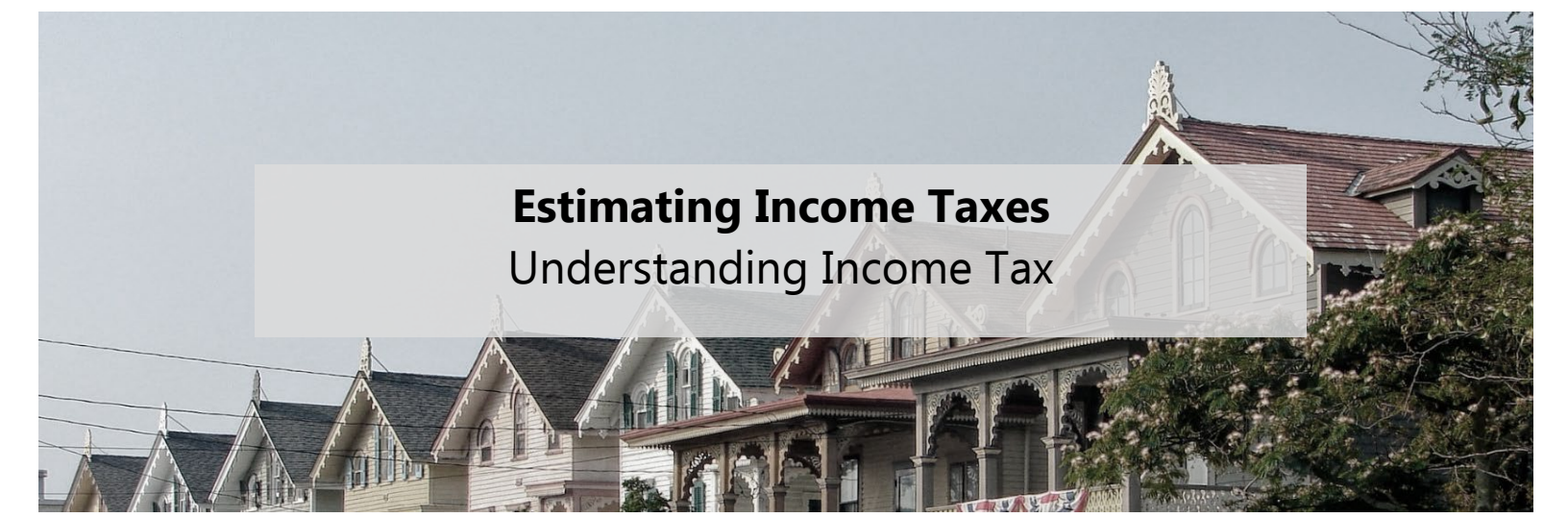
(See instructions, complete worksheets for exceptions 2, 3, and 4 and enclose computations for each exception claimed.)

**If you meet exception 1 at line 15, do not file this form.**

**These amounts will be verified by the Division of Taxation.**

			APRIL 18	JUNE 15	SEPT 15	JAN 17
14. Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31, 2022.) (See instructions).....	14.		90	180	270	510
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
15. Exception 1 – Enter 2021 tax (line 49).....	15.	\$600	150	300	450	600
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
16. Exception 2 – Tax on 2021 gross income using 2022 exemptions and tax rates.....	16.		105	210	315	420

The taxpayer **did not** meet Exception 2 for the first three quarters. But line 14 in the fourth quarter column (January 17) is equal to or more than line 16 in the same column. Therefore, they qualify under Exception 2 for the fourth quarter underpayment. When they submit Form NJ-2210 with their return, we will not assess interest on the fourth quarter underpayment. Drawing a single diagonal line across the column (as illustrated in the example) will remind you that you have met an exception for that period. When you meet an exception, you do not need to calculate interest for that period.



# Estimating Income Taxes

## Understanding Income Tax

### Exception 3

You calculate Exception 3 by annualizing your income. Calculate for *each* installment period as follows:

1. Determine the amount of your New Jersey Gross Income (line 29, Form NJ-1040 or line 29, column A, Form NJ-1040NR) that applies to the months in the tax year that occurred prior to the month in which the installment was due. (In other words, the actual income from January, February, and March for an installment due April 18; or the actual income from January, February, March, April, and May for an installment due June 15). These amounts are determined by reviewing income records (W-2s, pay stubs, bank and other statements, etc.).
2. Enclose a copy of your calculations with Form NJ-2210 or Form NJ-2210NR if you are using Exception 3 to eliminate interest on an underpayment. For calendar year individual taxpayers, the time period is indicated in each column of the Exception 3 Worksheet. However, to determine the amount of New Jersey Gross Income for an estate or trust, use period ending dates of February 28, April 30, and July 31.
3. Multiply the income for the period by the number of months in the entire tax year (a full year would be 12). Divide the result by the number of months that occurred in the tax year prior to the month in which the installment was due. For full-year calendar year taxpayers, the math was already done on the Exception 3 Worksheet. In this case, simply multiply the income for the period (line 1, Exception 3 Worksheet) by the multiplier on line 2 of the Exception 3 Worksheet. For an estate or trust, the multipliers are 6, 3, and 1.7143, respectively. This is your annualized income for each installment period.
4. Subtract the total amount claimed for personal exemptions (line 30, Form NJ-1040 or line 30, Form NJ-1040NR) from the annualized income in each column.
5. **Residents** must calculate the New Jersey tax on the annualized income. Then, if applicable, subtract any credit claimed for taxes you paid to other jurisdictions (line 44, Form NJ-1040) for each period.  
**Nonresidents** must calculate the New Jersey tax on the annualized income. Enter the portion of Gross Income from New Jersey sources (line 29, column B, Form NJ-1040NR), then apply the nonresident income percentage for each period.
6. Multiply the tax calculated for each period by the applicable percentage (20% for the first quarter, 40% for the second quarter, and 60% for the third quarter). **You can only calculate Exception 3 for the first three quarters of the year.**

# Estimating Income Taxes

## Understanding Income Tax

### Example

A taxpayer's gross income for each period:

January 1 – March 31	\$ 7,890
January 1 – May 31	\$13,500
January 1 – August 31	\$24,650

They claimed three exemptions (of \$1,000 each) on their return this year. They did not claim a credit for taxes paid to another jurisdiction. They complete the Exception 3 Worksheet and Part II as follows:

<b>EXCEPTION III</b>		<b>Tax on this year's Annualized Income (attach computations)</b>		
Estates and trusts, <b>do not</b> use the period ending dates shown. Instead, use the following ending dates: 2/28, 4/30, and 7/31. Also, estates and trusts cannot use the annualization amounts shown on line 2. They use 6, 3, and 1.7143, respectively.				
		1/1 - 3/31	1/1 - 5/31	1/1 - 8/31
1. Enter the portion of NJ Gross Income (line 29, NJ-1040) that is applicable to each period shown.....	1.	7,890	13,500	24,650
2. Annualization amounts .....	2.	<b>4</b>	<b>2.4</b>	<b>1.5</b>
3. Annualized Income (multiply line 1 by line 2) .....	3.	31,560	32,400	36,975
4. Enter Total Exemptions (line 30, NJ-1040) .....	4.	3,000	3,000	3,000
5. Subtract line 4 from line 3 .....	5.	28,560	29,400	33,975
6. Compute Tax on line 5 .....	6.	430	445	525
7. Enter the portion of the Credit for Income Taxes Paid to Other Jurisdictions (line 44, NJ-1040) that applies to each period .....	7.	0	0	0
8. Subtract line 7 from line 6. Enter the applicable percentage of this amount on line 17, Part II of this form .....	8.	430	445	525

# Estimating Income Taxes

## Understanding Income Tax

### PART II EXCEPTIONS

(See instructions. Complete worksheets for exceptions 2, 3, and 4, and enclose computations for each exception claimed.)

**If you meet exception 1 at line 15, do not file this form.**

**These amounts will be verified by the Division of Taxation.**

		14.	APRIL 18	JUNE 15	SEPT 15	JAN 17
14.	Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31, 2022.) (See instructions).....		90	180	270	510
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
15.	Exception 1 – Enter 2021 tax (line 49)..... <span style="border: 1px solid black; padding: 2px 10px;">\$600</span>	15.	150	300	450	600
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
16.	Exception 2 – Tax on 2021 gross income using 2022 exemptions and tax rates.....	16.	105	210	315	420
			20% of Tax	40% of Tax	60% of Tax	
17.	Exception 3 – Tax on annualized 2022 income.....	17.	86	178	315	

The taxpayer met Exception 3 for the first and second quarters. So, we will not assess interest for those two quarters.

### Exception 4

Here, you calculate the tax on your actual New Jersey taxable income for each installment period. To calculate:

- Determine the amount of your New Jersey taxable income (line 42, Form NJ-1040 or line 39, Form NJ-1040NR) that is applicable to the months in the year that occurred prior to the month in which the installment was due. Review your financial records (W-2s, pay stubs, bank statements, etc.) to determine these amounts. Enclose a copy of your calculations with Form NJ-2210 or Form NJ-2210NR if you are using Exception 4 to eliminate interest on an underpayment. The time period is indicated in each column of the Exception 4 Worksheet.

When calculating your actual taxable income for the period, subtract your exemptions and deductions (line 38, Form NJ-1040) and property tax deduction (line 41, Form NJ-1040) *that applies to the period*, from your actual New Jersey gross income. In other words, subtract prorated exemptions (3/12, 5/12, 8/12 of the total) plus the actual alimony paid during the period, the actual deduction for medical expenses, and the actual deduction for qualified conservation contributions, the actual Health Enterprise Zone deduction, the actual alternative business calculation adjustment, and actual property tax deduction allowed for the period.

# Estimating Income Taxes

## Understanding Income Tax

2. **Residents** calculate New Jersey tax on the actual taxable income and then subtract any credit claimed for taxes paid to other jurisdictions (line 44, Form NJ-1040) applicable to each period. **Do not** use your full credit for each period. You must prorate your credit for each period as appropriate.

**Nonresidents** calculate New Jersey tax on the actual taxable income and then apply the nonresident income percentage (line 41, Form NJ-1040NR) for each period.

3. Multiply the tax calculated for each period by 90%. Like Exception 3, Exception 4 can only be calculated for the first three quarters of the year.

### Example

A taxpayer's taxable income for each period was:

January 1 – March 31	\$ 7,140
January 1 – May 31	\$12,250
January 1 – August 31	\$22,650

They had no credit for taxes paid to another jurisdiction. They would complete the Exception 4 Worksheet and Part II as follows:

<b>EXCEPTION IV</b>		Tax on this year's Actual Taxable Income over 3-, 5, and 8-month periods. (attach computations)		
		1/1 - 3/31	1/1 - 5/31	1/1 - 8/31
1.	Enter the actual amount of NJ Taxable Income (line 42, NJ-1040) that applies to each period shown .....	7,140	12,250	22,650
2.	Compute Tax on line 1 .....	100	172	327
3.	Enter the portion of the Credit for Income Taxes Paid to Other Jurisdictions (line 44, NJ-1040) that applies to each period shown .....	0	0	0
4.	Subtract line 3 from line 2. Enter 90% of this amount on Line 18, Part II of this form .....	100	172	327



# Estimating Income Taxes

## Understanding Income Tax

### PART II EXCEPTIONS

(See instructions. Complete worksheets for exceptions 2, 3, and 4, and enclose computations for each exception claimed.)

**If you meet exception 1 at line 15, do not file this form.**

**These amounts will be verified by the Division of Taxation.**

		14.	APRIL 18	JUNE 15	SEPT 15	JAN 17
14.	Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31, 2022.) (See instructions).....		90	180	270	510
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
15.	Exception 1 – Enter 2021 tax (line 49) ..... <span style="border: 1px solid black; padding: 2px;">\$600</span>	15.	150	300	450	600
			25% of Tax	50% of Tax	75% of Tax	100% of Tax
16.	Exception 2 – Tax on 2021 gross income using 2022 exemptions and tax rates.....	16.	105	210	315	420
			20% of Tax	40% of Tax	60% of Tax	
17.	Exception 3 – Tax on annualized 2022 income.....	17.	86	178	315	
			90% of Tax	90% of Tax	90% of Tax	
18.	Exception 4 – Tax on 2022 income over 3, 5, and 8-month periods	18.	90	154.80	294.30	

After completing all four exceptions on Form NJ-2210, Part II, the taxpayer did not meet an exception for the third quarter. Therefore, they owe interest on the underpayment for that quarter.

## Calculating Interest Charges

If none of the exceptions eliminated interest charges on the underpayment for a period, calculate the interest due for the period(s) using the Option 1 Table or the Option 2 Interest Rate Schedule in the Form NJ-2210 instructions. You can use Option 1 only if:

- You are a calendar year taxpayer; and
- The estimated payments that you made during the year were paid by the appropriate due dates.

# Estimating Income Taxes

## Understanding Income Tax

### Example

The taxpayer met exceptions for all but the third quarter underpayment. The amount due on line 5 of Form NJ-2210 is \$150 for each quarter. Payments made for each quarter (line 6, NJ-2210) were: 1st quarter—\$90; 2<sup>nd</sup> quarter—\$90; 3rd quarter—\$90, and 4th quarter—\$240. Each installment was paid by the appropriate due date. They would complete Option 1 as follows:

#### OPTION 1\*

Q U A R T E R	PERIOD	A	B	C	D	E	F	G
		Amount Due (line 5, NJ-2210)	Balance Due Previous Qtr. (Col. E)	Total Due (Col A + B)	Total Paid (line 6, NJ-2210)	Balance (Col C - D)	Multiplier*	Interest (Col E × Col F)
1.	4/15 - 6/15						.010	
2.	6/16 - 9/15						.019	
3.	9/16 - 1/15	150.00	0	150.00	90.00	60.00	.031	1.86
4.	1/16 - 4/15						.025	
<b>TOTAL INTEREST</b>								1.86

The taxpayer enters the total interest amount on line 19, Form NJ-2210, and on line 52, Form NJ-1040.

19. TOTAL INTEREST ..... \$ 

1	86
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# Estimating Income Taxes

## Understanding Income Tax

### Example

If Peter had not met exceptions for any of the four quarters, he would have calculated the interest due as shown below:

Q U A R T E R	PERIOD	A	B	C	D	E	F	G
		Amount Due (line 5, NJ-2210)	Balance Due Previous Qtr. (Col. E)	Total Due (Col A + B)	Total Paid (line 6, NJ-2210)	Balance (Col C - D)	Multiplier*	Interest (Col E × Col F)
1.	4/15 - 6/15	150.00		150.00	90.00	60.00	.010	0.60
2.	6/16 - 9/15	150.00	60.00	210.00	90.00	120.00	.019	2.28
3.	9/16 - 1/15	150.00	120.00	270.00	90.00	180.00	.031	5.58
4.	1/16 - 4/15	150.00	180.00	330.00	240.00	90.00	.025	2.25
<b>TOTAL INTEREST</b>								10.71

The taxpayer enters the total interest amount on line 19, Form NJ-2210, and on line 52, Form NJ-1040.

19. TOTAL INTEREST ..... 

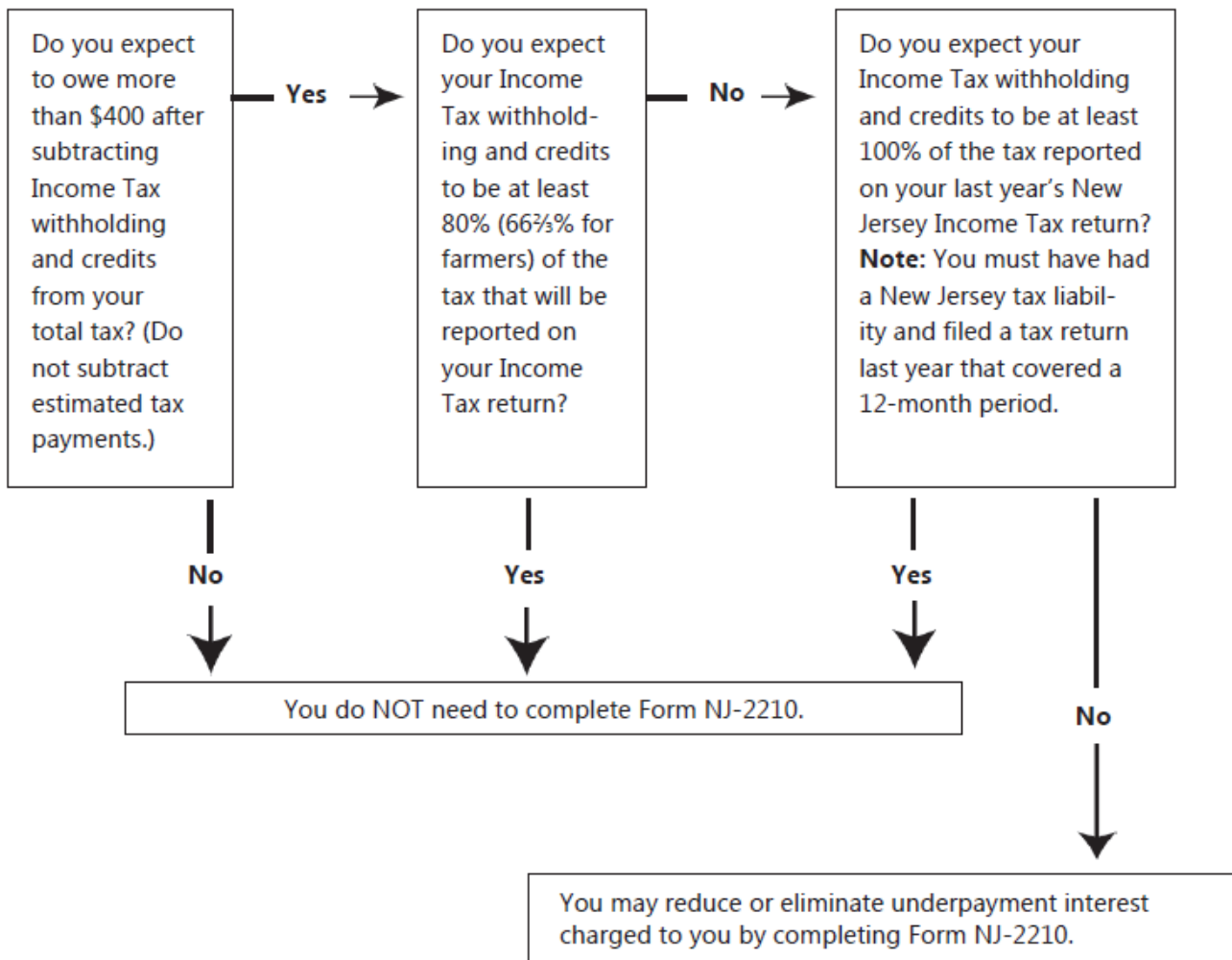
\$	10	71
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\* This worksheet may not reflect current interest rates. The figures shown are for illustration only.

# Estimating Income Taxes

## Understanding Income Tax

### Should You File Form NJ-2210?



# Estimating Income Taxes

## Understanding Income Tax

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*The forms and amounts referred to in this Bulletin are those for Tax Year 2022. This document is designed to provide guidance to taxpayers, and is accurate as of the date issued.*

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