TAX TOPIC

Income From S Corporations

Bulletin GIT-9S

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

New Jersey Treatment of Federal S Corporation Income

S corporation shareholders are subject to income tax on their pro rata share of an S corporation's income, whether or not such income was actually distributed. "Net pro rata share of S corporation income" is calculated on a limited flow-through basis. The income, gain, or loss earned by an S corporation does not maintain its character when passed through to the individual shareholders. For example, capital gains earned by an S corporation are not passed through as capital gains to the individual. These gains/losses would be reported by an individual as Pro rata share of S Corporation Income/Loss on Schedule NJ-BUS-1. An S corporation shareholder reports the income from the S corporation in the category of net pro rata share of S corporation income.

Reconciliation Worksheet B takes the information from your Schedule K-1, federal Form 1120S and converts it into your pro rata share of S corporation income as defined by the New Jersey Gross Income Tax Act. Because of the significant differences between the federal income tax treatment and the New Jersey income tax treatment of federal S corporations, you **must** complete Reconciliation Worksheet B every year, as well as Worksheets C and E, for each nonelecting S corporation in which you are a shareholder, **whether you are a resident or a nonresident.**

Do not submit any of the completed worksheets with Form NJ-1040, NJ-1040NR, or NJ-1041. Keep your completed worksheets along with copies of your completed income tax forms and

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schedules for as long as you own the S corporation shares.

The forms, worksheets, and examples in this publication are for Tax Year 2016 and are provided for illustration only. They may not reflect current information for other tax years.

Shareholder Reporting Requirements

New Jersey Electing S Corporation

If a federal S corporation makes the election to be treated as an S corporation for New Jersey purposes, the pro rata share of a New Jersey resident shareholder is his/her pro rata share of the S corporation's income, regardless of where the income is allocated. The New Jersey source pro rata share of a nonresident shareholder is his/her share of the S corporation's income that is allocated to New Jersey.

Nonelecting Federal S Corporation

If a federal S corporation does not make the New Jersey election (i.e., nonelecting S corporation), the resident shareholder's pro rata share only includes his/her pro rata share of the S corporation's income that is **not** allocated to New Jersey. A nonresident shareholder is not subject to tax on any portion of the nonelecting S corporation's income, even if the income is allocated to New Jersey. However, a nonresident shareholder must include the income or loss allocated outside New Jersey in Column A, Form NJ-1040NR or on Form NJ-1041 in the same manner as if a resident.

New Jersey "Hybrid" Corporation

A New Jersey "hybrid" corporation is a federal S corporation that has not made the New Jersey S election and the corporation conducts business both within and outside New Jersey. For Corporation Business Tax purposes, the corporation files as a C corporation on Form CBT-100 and calculates its New Jersey allocation factor to determine its net income or loss allocated to New Jersey.

For income tax purposes, the portion of the income or loss allocated to New Jersey is considered C corporation income or loss and is not reportable by the shareholder. The portion of the income or loss allocated outside New Jersey is considered S corporation income and is reported as net pro rata share of S corporation income by the resident shareholder. A nonresident shareholder is not subject to tax on any portion of a "hybrid" corporation's income but includes the income or loss allocated outside New Jersey in Column A, Form NJ-1040NR or on Form NJ-1041 in the same manner as if a resident.

See **Calculating NJ AAA**, **Calculating NJ E&P**, and **Reporting Distributions** for additional information.

Electing Small Business Trust (ESBT)

A federal Electing Small Business Trust makes an election to be taxed as a New Jersey Electing Small Business Trust by filing Form NJ-1041SB and signing the election statement at the bottom of the return. See **Form NJ-1041SB** for filing qualifications and requirements.

Payment of Tax by Nonresident Shareholders

Estimated Tax Payments

An S corporation is not required to withhold income tax from a nonresident shareholder's pro rata share of S corporation income. You should

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consider making estimated income tax payments to cover the amount of your taxable S corporation income. If you do not make estimated payments, you may be subject to interest on underpayments. For more information regarding your estimated tax responsibilities and interest on underpayments, see Tax Topic Bulletin **GIT-8**, *Estimating Income Taxes.*

Nonconsenting Shareholders

If you are a nonresident of New Jersey and become a shareholder in an S corporation that has made the election to be treated as a New Jersey S corporation and you have failed to consent to that election, the S corporation is required to withhold income tax from your pro rata share of S corporation income. Payments made by the S corporation on your behalf are reported to you on Schedule NJ-K-1, Form CBT-100S and must be included as New Jersey estimated tax payments on your Form NJ-1040NR. To receive credit, you must enclose a copy of your Schedule NJ-K-1(s) with your nonresident income tax return.

Composite Returns for Nonresidents

New Jersey electing S corporations may file a composite return on behalf of qualified nonresident individual shareholders. See **Form NJ-1080C** for filing qualifications and requirements.

QUESTION S-1. What do I do with the information on the Schedule NJ-K-1, Form CBT-100S that my S corporation gave me?

If an S corporation in which you are a shareholder has made the election to be treated as an S corporation in New Jersey, then the S corporation will provide you with a Schedule NJ-K-1, Form CBT-100S. This schedule contains the income information that you need to prepare your New Jersey income tax return.

NOTE: If you are a shareholder in two or more S corporations, one or more of which has a loss for the tax year, see Question S-5 on page 16 for rules regarding the priority and reporting of losses.

Resident Shareholders

The amount reported on Schedule NJ-K-1, Form CBT-100S as "Pro rata share of S Corporation Income/Loss" represents your share of the taxable income/loss from that entity. To report your income from the S corporation you must:

1. Enter the "Pro rata share of S Corporation Income/Loss" on Schedule NJ-BUS-1 of **Form NJ-1040** or **Form NJ-1041** in the "Net Pro Rata Share of S Corporation Income" section.
2. Enter the amount from Schedule NJ-BUS-1 on Form NJ-1040 or Form NJ-1041 on the line for "Net pro rata share of S Corporation Income." If zero or less, make no entry on Form NJ-1040, or enter zero on Form NJ-1041.

The amount reported on Schedule NJ-K-1 as "Total Gain/Loss from disposition of assets" represents the total amount of taxable gain/loss from that entity. Enter this amount on Form NJ-1040 or Form NJ-1041 as "Net gains or income from disposition of property."

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Nonresident Shareholders

The amount reported on Schedule NJ-K-1, Form CBT-100S as "Pro rata share of S Corporation Income/Loss" represents your share of the S corporation's income/loss from both inside and outside New Jersey. This amount must be used to determine your income from all sources as if you were a New Jersey resident. The amount reported on your NJ-K-1 as "S Income/Loss allocated to NJ" is the amount on which you will actually be taxed. To report your income from the S corporation you must:

1. Enter the "Pro rata share of S Corporation Income/Loss" on Schedule NJ-BUS-1 of **Form NJ-1040NR** or **Form NJ-1041** in the "Net Pro Rata Share of S Corporation Income" section.
2. Enter the amount from Schedule NJ-BUS-1 in Column A, Form NJ-1040NR or on Form NJ-1041 on the line for "Net pro rata share of S Corporation Income." If zero or less, enter zero.
3. Enter the "S Income/Loss allocated to NJ" in Column B, Form NJ-1040NR or on Schedule E, Form NJ-1041 on the line for "Net pro rata share of S corporation income." If zero or less, enter zero.

The amount reported on Schedule NJ-K-1 as "Total Gain/Loss from disposition of assets" represents your share of the S corporation's gain/loss from both inside and outside New Jersey and must be used to determine your income from all sources as if you were a New Jersey resident. Enter this amount in Column A, Form NJ-1040NR or on Form NJ-1041 as "Net gains or income from disposition of property." Enter the amount reported as "Gain/Loss on disposition of assets allocated to NJ" in Column B, Form NJ-1040NR or on Schedule E, Form NJ-1041. This is the amount on which you will actually be taxed.

Include as *estimated payments* on your Form NJ-1040NR or Form NJ-1041 any amount reported in Part II of your Schedule NJ-K-1 as "Total payments made on behalf of shareholder."

If the S corporation in which you are a shareholder has no income allocated to New Jersey but you have income from other New Jersey sources, report the amount of pro rata share of S corporation income from Schedule NJ-K-1 on Schedule NJ-BUS-1 of Form NJ-1040NR or on Form NJ-1041.

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QUESTION S-2. What do I report if my nonelecting S corporation did not give me a Schedule NJ-K-1, Form CBT-100S?

A federal S corporation that has not made the election to be a New Jersey S corporation is not likely to provide you with a completed Schedule NJ-K-1, Form CBT-100S. Without that schedule, you will need to complete Reconciliation Worksheet B to determine the income information necessary to prepare your New Jersey income tax return.

Whether you are a resident or a nonresident, you *must* complete Reconciliation Worksheet B to determine the correct amount of your net pro rata share of S corporation income, dividends, and gains, as well as the balances of your New Jersey Earning & Profits Account (Worksheet D), New Jersey Accumulated Adjustments Account (Worksheet C), and the New Jersey adjusted basis of your stock. You will have to obtain certain information, such as the amount of taxes based on income and interest attributable to exempt obligations, from the S corporation in order to complete the worksheet.

You must complete a separate Reconciliation Worksheet B for each S corporation from which you received a federal Schedule K-1, Form 1120S, but not a corresponding Schedule NJ-K-1, Form CBT-100S.

NOTE: If you are a shareholder in two or more S corporations, one or more of which has a loss for the tax year, see Question S-5 on page 16 for rules regarding the priority and reporting of losses.

After completing Reconciliation Worksheet B, report your net pro rata share of S corporation income as follows:

S Corporations With *No* Income From New Jersey Sources

Enter the amount of New Jersey S corporation income from Line 8 of Reconciliation Worksheet B on Schedule NJ-BUS-1. Add the income/loss from all S corporations listed on the Schedule NJ-BUS-1, netting gains with losses, and enter the total on the "Net pro rata share of S corporation income" line of Form NJ-1040, Column A of Form NJ-1040NR, or Form NJ-1041. If you are a nonresident and have income from other New Jersey sources, this amount is used to determine your income from all sources as if you were a New Jersey resident.

S Corporations With Income From New Jersey Sources

Enter the amount of income not allocated to New Jersey from Part II, Line 4 of Reconciliation Worksheet B on Schedule NJ-BUS-1. Add the income/loss from all S corporations listed on the Schedule NJ-BUS-1, netting gains with losses. Enter the total on the "Net pro rata share of S corporation income" line of Form NJ-1040, Column A of Form NJ-1040NR, or Form NJ-1041. If you are a nonresident and have income from other New Jersey sources, this amount is used to determine your income from all sources as if you were a New Jersey resident. **Do not** include this amount in Column B, Form NJ-1040NR or on Schedule E, Form NJ-1041.

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WORKSHEET B

RECONCILIATION SCHEDULE K-1, FEDERAL FORM 1120S

S Corporation Name _____ **Employer ID Number** _____

Tax Year _____

PART I—Determining New Jersey S Corporation Income

1. Ordinary Income (Loss) ..... 1. _____
2a. Net Income (Loss) from Rental Real Estate Activities ..... 2a. _____
2b. Net Income (Loss) from Other Rental Activities ..... 2b. _____
2c. Interest Income ..... 2c. _____
2d. Dividends ..... 2d. _____
2e. Royalties ..... 2e. _____
2f. Net Short-Term Gain (Loss) ..... 2f. _____
2g. Net Long-Term Gain (Loss) ..... 2g. _____
2h. Other Portfolio Income (Loss) ..... 2h. _____
2i. Net Gain (Loss) from IRC Section 1231 and/or 179 ..... 2i. _____
2j. Other Income ..... 2j. _____
2k. Federally Exempt Interest Income ..... 2k. _____
2l. Other Tax-Exempt Income ..... 2l. _____
3. Income Subtotal (Add Lines 1 through 2l) ..... 3. _____
4. Subtractions:
4a. IRC Section 179 Expense ..... 4a. _____
4b. Excess Meal & Entertainment Deduction ..... 4b. _____
4c. Interest and Gains included in Line 3 from Obligations Exempt in New Jersey ..... 4c. _____
4d. Charitable Contributions from Federal Schedule K-1 ..... 4d. _____
4e. New Jersey Allowable IRC Section 199 Deduction from New Jersey Form 501-GIT ..... 4e. _____
4f. Other Subtractions–Specify ..... 4f. _____
4g. Total Subtractions (Add Lines 4a through 4f) ..... 4g. _____
5. Total (Line 3 minus Line 4g) ..... 5. _____
6. Additions:
6a. Interest Income from State and Municipal Bonds other than New Jersey ..... 6a. _____
6b. Taxes Based on Income, Business Presence, or Activity ..... 6b. _____
6c. Expenses Included on Line 3 and Incurred to Generate Tax-Exempt Income ..... 6c. _____
6d. Losses Included on Line 3 from Obligations Exempt from Tax Pursuant to N.J.S.A. 54A:6-14 and 6-14.1 ..... 6d. _____
6e. Total Additions (Add Lines 6a through 6d) ..... 6e. _____
7. Depreciation Adjustment from New Jersey Form GIT-DEP ..... 7. _____
8. New Jersey S Corporation Income (Line 5 + Line 6e ± Line 7) ..... 8. _____

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PART II—Determining New Jersey Allocated Income

1. New Jersey S Corporation Income from Line 8, Part I .....1. _____
2. Allocation Factor _____ %
3. New Jersey Allocated Income (Line 1 multiplied by Line 2).....3. _____
4. Income Not Allocated to New Jersey (Line 1 minus Line 3) .....4. _____

INSTRUCTIONS FOR SHAREHOLDER'S RECONCILIATION WORKSHEET B

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S Corporation Information

Enter the name and federal identification number of the S corporation that issued the Schedule K-1, federal Form 1120S that is being reconciled. Enter your tax year.

Part I—Determining New Jersey S Corporation Income

Line 1 - Ordinary Income (Loss)
Enter on Line 1 the amount of ordinary income (loss) reported on Line 1 of Schedule K-1, federal Form 1120S.

Lines 2a through 2l - Other Income
Enter the amounts of income (loss) as reported on the corresponding lines of Schedule K-1, federal Form 1120S.

Enter on Line 2d the amount of dividend income reported on Line 5a, Schedule K-1, federal Form 1120S.

Enter on Line 2i any gain (loss) from the disposition of property if a Section 179 expense was claimed and passed through to you.

Line 3 - Income Subtotal
Add the amounts on Line 1 and Lines 2a through 2l and enter the result on Line 3.

Line 4a - IRC Section 179 Expense
Enter on Line 4a any IRC Section 179 expense deduction reported on Schedule K-1, federal Form 1120S.

Line 4b - Excess Meal and Entertainment Expense
Enter on Line 4b the balance of your meal and entertainment expenses that was not deductible for federal income tax purposes. If this information has not already been provided, you must obtain it from the S corporation.

Line 4c - Interest Income and Gains From Exempt Obligations
Enter on Line 4c any interest income or gain that is excludable from income pursuant to N.J.S.A. 54A:6-14, 6-14.1, and 5-1c *that is already included in the amount reported on Line 3.* Amounts to be reported on this line include interest income derived from and gains attributable to the disposition of obligations of the State of New Jersey or any of its political subdivisions and obligations of the federal government or any of its territories or instrumentalities. If this information has not been already provided, you must obtain it from the S corporation.

Line 4d - Charitable Contributions
Enter on Line 4d any charitable contributions reported on Schedule K-1, federal Form 1120S.

Line 4e - New Jersey Allowable IRC Section 199 Deduction
Pursuant to N.J.S.A. 54A:5-15, New Jersey has uncoupled from many provisions of IRC

Section 199. For tax years beginning after December 31, 2004, the New Jersey Domestic Production Activities Deduction is based on domestic production gross receipts derived exclusively from a lease, rental, sale, exchange, or other disposition of qualified production property that was manufactured or produced, as defined under N.J.S.A. 54A:5-15, by the taxpayer in whole or in significant part within the United States.

The New Jersey deduction is **not** allowed for activities such as:

- Qualified production property grown or extracted by the taxpayer;
- Films, electricity, natural gas, potable water, computer software, or sound recordings produced by the taxpayer;
- Construction activities;
- Engineering or architectural services.

Complete **Form 501-GIT** to calculate the New Jersey Domestic Production Activities Deduction to enter on Line 4e when determining the net pro rata share of S corporation income.

Line 4f - Other Subtractions - Specify
Enter on Line 4f any other items that are excludable or deductible from S corporation income under the New Jersey Gross Income Tax Act. Include on this line any expenses incurred to generate interest income that is excludable for federal income tax purposes but that is includable in New Jersey income, i.e., interest income from the obligations of states other than New Jersey. Do not include unreimbursed business expenses or interest you paid on indebtedness incurred to purchase your shares of S corporation stock. They are not deductible in determining net pro rata share of S corporation income.

Line 4g - Total Subtractions
Add the amounts on Lines 4a through 4f and enter the result on Line 4g.

Line 5 - Total
Subtract the amount on Line 4g from the amount on Line 3 and enter the result on Line 5.

Line 6a - Interest Income From Other State and Municipal Bonds
Enter on Line 6a the amount of any interest income derived from the obligations of states, **other than New Jersey,** and their municipalities and political subdivisions *that is **not** already included in the amount reported on Line 3*. If this information has not been already provided, you must obtain it from the S corporation.

Line 6b - Taxes Based on Income
Enter on Line 6b your share of the amount of taxes based on income that were taken as a deduction by the S corporation on federal Form 1120S in determining the ordinary income (loss) that you reported on Line 1. If this information has not been already provided, you must obtain it from the S corporation.

Line 6c - Expenses to Generate Exempt Income
Enter on Line 6c any interest on indebtedness incurred or continued; expenses paid and incurred to purchase, carry, manage, or conserve; and expenses of collection of the income or gain from tax-exempt obligations of the federal government or any of its territories or instrumentalities and obligations of the State of New Jersey or its political subdivisions. *Any amount*

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reported on this line must already be included in the amount reported on Line 3. If this information has not already been provided, you must obtain it from the S corporation.

Line 6d - Losses From Exempt Obligations
Enter on Line 6d any losses attributable to tax-exempt obligations of the federal government or any of its territories or instrumentalities and obligations of the State of New Jersey or its political subdivisions. *Any amount reported on this line must already be included in the amount reported on Line 3.* If this information has not already been provided, you must obtain it from the S corporation.

Line 6e - Total Additions
Add the amounts on Lines 6a through 6d and enter the result on Line 6e.

Line 7 - Depreciation Adjustment From New Jersey Form GIT-DEP
For tax years beginning on or after January 1, 2004, a New Jersey depreciation adjustment is required if the 50% federal special depreciation allowance or IRC Section 179 expense was deducted for assets placed in service on or after January 1, 2004. Use Gross Income Tax Depreciation Adjustment Worksheet **GIT-DEP** to calculate the depreciation adjustment for the assets' initial year and for subsequent years until the property is fully depreciated or disposed of; for adjustments to IRC Section 179 recapture income; and for adjustments to the gain or loss from the disposition of such assets. Enter the result on this line.

For New Jersey income tax purposes, the maximum IRC Section 179 expense the S corporation can deduct is $25,000 ($60,000 if New York Liberty Zone property is included). To determine the total amount deducted federally by the S corporation, divide the IRC Section 179 expense listed on your federal K-1 by your ownership percentage. If the total federal deduction exceeded $25,000 ($60,000 if New York Liberty Zone property is included), you must use Worksheet **GIT-DEP** to calculate your New Jersey depreciation adjustment. To complete the form, you will need to obtain the necessary information from the S corporation, including the federal special depreciation allowance.

Line 8 - New Jersey S Corporation Income
Add the amounts on Lines 5 and 6e, plus or minus Line 7, and enter the result on Line 8. If the S corporation had income from New Jersey sources, go to Part II.

If the S corporation did *not* have any income from New Jersey sources, this is the amount to enter on Schedule NJ-BUS-1. Combine this amount with the income/loss from any other S corporations, and enter the total on Form NJ-1040, in Column A of Form NJ-1040NR, or on Form NJ-1041.

Part II—Determining New Jersey Allocated Income
You do not need to complete Part II if the S corporation did not have any income from New Jersey sources.

Line 1 - New Jersey S Corporation Income
Enter on Line 1 the amount reported on Line 8, Part I of this worksheet.

Line 2 - Allocation Factor
Enter the allocation percentage from Schedule J, Part III, Form CBT-100. If this information has

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not already been provided, you must obtain it from the S corporation.

Line 3 - New Jersey Allocated Income
Multiply the amount on Line 2 by the amount on Line 1 and enter the result on Line 3.

Line 4 - Income not Allocated to New Jersey
Subtract the amount on Line 3 from the amount on Line 1 and enter the result on Line 4. This is the amount to enter on Schedule NJ-BUS-1. It is combined with the income/loss from any other S corporations, and the total should be entered on Form NJ-1040, in Column A of Form NJ-1040NR, or on Form NJ-1041. Nonresidents do not include this amount in Column B, Form NJ-1040NR or on Schedule E, Form NJ-1041.

QUESTION S-3. What do I report in the year my federal S corporation *and* my stock were completely liquidated?

New Jersey Treatment of Complete Liquidation of Federal S Corporation

Under New Jersey Gross Income Tax regulation 18:35-1.5(k)2, a complete liquidation of an S corporation is deemed to occur in the tax year when all of the S corporation's assets have been sold or deemed to have been sold, exchanged, disposed, or distributed and all of the S corporation's stock has been sold, exchanged, or disposed. If these criteria are met and the S corporation was completely liquidated during the tax year, then the income, gains, losses, and New Jersey adjustments from and applicable to the S corporation's operations, activities, and transactions prior to the complete sale, exchange, or other disposition of all the S corporation's assets is reportable in the category "Net pro rata share of S corporation income." The S corporation's income, gains, losses, and New Jersey adjustments derived from and applicable to the S corporation's complete sale, deemed sale, exchange, distribution, or other disposition of all of its assets is reportable in the category "Net gains or income from disposition of property."

Electing S Corporation. If a New Jersey electing S corporation was completely liquidated, the corporation will provide you with a Schedule NJ-K-1, Form CBT-100S that separately states your pro rata share of S corporation income/loss and your pro rata share of total gain/loss from disposition of assets.

Nonelecting S Corporation. If a federal S corporation that has not made the New Jersey S election was completely liquidated, you will have to complete Reconciliation Worksheet B – Liquidated to determine the correct amount of pro rata share of S corporation income/loss and pro rata share of total gain/loss from disposition of assets to report on your New Jersey income tax return. In order to complete Reconciliation Worksheet B – Liquidated you will need to obtain the necessary information from the corporation, including the corporation's income/loss prior to liquidation and the corporation's income, gain, or loss from liquidation of the corporation's assets.

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WORKSHEET B – LIQUIDATED

RECONCILIATION SCHEDULE K-1, FEDERAL FORM 1120S

S Corporation Name _____ **Employer ID Number** _____

Tax Year _____

Date corporation assets were fully disposed ..... _____/_____/_____

Date your stock was fully disposed ..... _____/_____/_____

PART I—Determining New Jersey S Corporation Income (Loss) Upon Complete Liquidation		Column A S Corporation Income Prior to Disposition of Assets		Column B Income, Gains/Losses From Disposition of Assets in Complete Liquidation	
1. Ordinary Income (Loss)	1				
2a. Net Income (Loss) from Rental Real Estate Activities	2a				
2b. Net Income (Loss) from Other Rental Activities	2b				
2c. Interest Income	2c				
2d. Dividends	2d				
2e. Royalties	2e				
2f. Net Short-Term Gain (Loss)	2f		2f		
2g. Net Long-Term Gain (Loss)	2g		2g		
2h. Other Portfolio Income (Loss)	2h				
2i. Net Gain (Loss) from IRC Section 1231 and/or 179	2i		2i		
2j. Other Income	2j		2j		
2k. Federally Exempt Interest Income	2k				
2l. Other Tax-Exempt Income	2l				
3. Income Subtotal (Add Lines 1 through 2l)	3		3		
4. Subtractions:					
4a. IRC Section 179 Expense	4a				
4b. Excess Meal & Entertainment Deduction	4b				
4c. Interest and Gains included in Line 3 from Obligations Exempt in New Jersey	4c				
4d. Charitable Contributions from Federal Schedule K-1	4d				
4e. New Jersey Allowable IRC Section 199 Deduction from New Jersey Form 501-GIT	4e				
4f. Other Subtractions–Specify	4f		4f		
4g. Total Subtractions (Add Lines 4a through 4f)	4g		4g		
5. Total (Line 3 minus Line 4g)	5		5		
6. Additions:					
6a. Interest Income from State and Municipal Bonds other than New Jersey	6a				
6b. Taxes Based on Income, Business Presence, or Activity	6b				
6c. Expenses Included on Line 3 and Incurred to Generate Tax-Exempt Income	6c				
6d. Losses Included on Line 3 from Obligations Exempt from Tax Pursuant to N.J.S.A. 54A:6-14 and 6-14.1	6d				
6e. Total Additions (Add Lines 6a through 6d)	6e				
7. Depreciation Adjustment from New Jersey Form GIT-DEP	7		7		
8A. New Jersey S Corporation Income (Loss) (Line 5 + Line 6e ± Line 7)	8A				
8B. Total Income, Gain/Loss From Disposition of Assets (Line 5 ± Line 7)			8B		

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PART II—Determining New Jersey Allocated Income	Column A S Corporation Income Prior to Disposition of Assets	Column B Income, Gains/Losses From Disposition of Assets in Complete Liquidation
1A. New Jersey S Corporation Income from Line 8A, Part I	1A	
1B. Total Income, Gain/Loss From Disposition of Assets from Line 8B, Part I		1B
2. Allocation Factor _____ %		
3A. S Corporation Income Allocated to New Jersey (Line 1A multiplied by Line 2)	3A	
3B. Income, Gain/Loss From Disposition of Assets Allocated to New Jersey (Line 1B multiplied by Line 2)		3B
4A. S Corporation Income Not Allocated to New Jersey (Line 1A minus Line 3A)	4A	
4B. Income, Gain/Loss From Disposition of Assets Not Allocated to New Jersey (Line 1B minus Line 3B)		4B

INSTRUCTIONS FOR SHAREHOLDER'S RECONCILIATION WORKSHEET B – LIQUIDATED

To properly complete Reconciliation Worksheet B – Liquidated, you will need to obtain the necessary information from the corporation, including the corporation's income/loss prior to liquidation and the corporation's income, gain, or loss from liquidation of the corporation's assets.

S Corporation Information

Enter the name and federal identification number of the S corporation that issued the Schedule K-1, federal Form 1120S that is being reconciled. Also enter your tax year, the date the corporation's assets were totally disposed, and the date your stock was fully disposed.

Part I and Part II – Follow the **Instructions for Shareholder's Reconciliation Worksheet B** on page 7.

Column A – For each line enter the S corporation income, gains, losses, and New Jersey adjustments from and applicable to the S corporation's operations, activities, and transactions prior to the complete sale, exchange, or other disposition of all of the S corporation's assets.

Column B – For each line enter the income, gains, losses, and New Jersey adjustments derived from and applicable to the S corporation's sale, deemed sale, exchange, distribution, or other disposition of corporate assets.

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QUESTION S-4. How do I determine my reportable income from an S corporation if I was a part-year resident/part-year nonresident?

Part-Year Resident Return (Form NJ-1040)

As a part-year resident, you are required to file a part-year resident return, Form NJ-1040, covering the portion of your tax year that you were a resident. Your part-year Form NJ-1040 must include your net pro rata share of S corporation income as prorated for your period of New Jersey residency using your residency percentage.

If the S corporation was completely liquidated (see Question S-3 on page 10), you must also report the portion of your gain or loss from the disposition of the corporation's assets as prorated for your period of New Jersey residency using your residency percentage.

Calculating the residency and nonresidency percentages: The residency percentage is the number of days of the S corporation's year, whether fiscal or calendar, that you were a New Jersey resident divided by 365 days, or 366 days for a leap year. For example, if the S corporation's fiscal year is October 1 through September 30 and you moved out of New Jersey on April 15, then you were a New Jersey resident for 197 days of the S corporation's fiscal year. Dividing 197 by 365 results in a residency percentage of 54%. The nonresidency percentage is determined by subtracting the residency percentage from 100%, which in this example is 46%.

Electing S Corporation. To determine the prorated residency portion of your pro rata share of S corporation income from an S corporation that has made the New Jersey S election, multiply the total amount of pro rata share of S corporation income from your NJ-K-1 by your residency percentage. The result is the net pro rata share of S corporation income to include on Schedule NJ-BUS-1 of Form NJ-1040.

If the S corporation was completely liquidated, the Schedule NJ-K-1, Form CBT-100S, you receive from a New Jersey electing S corporation will separately state your total gain/loss from disposition of the corporation's assets. To determine the prorated residency portion, multiply the total gain/loss from disposition of assets listed on your NJ-K-1 by your residency percentage. The result is the gain/loss to include on your Form NJ-1040 on the line for "Net gains or income from disposition of property."

Nonelecting S Corporation. To determine the prorated residency portion of your pro rata share of S corporation income from an S corporation that has not made the New Jersey S election, multiply the amount of income not allocated to New Jersey from Part II, Reconciliation Worksheet B or, if Part II was not completed, the New Jersey S corporation income amount from Part I, Reconciliation Worksheet B by the residency percentage, as determined above. The result is the net pro rata share of S corporation income to include on Schedule NJ-BUS-1 of Form NJ-1040. For more information regarding Reconciliation Worksheet B, see Question S-2 on page 5.

If the S corporation was completely liquidated, the Reconciliation Worksheet B – Liquidated you prepared for the nonelecting federal S corporation should separately state in Column A

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your S Corporation Income Prior to Disposition of Assets, and in Column B, your Income, Gains/Losses from Disposition of Assets in Complete Liquidation. If Part II was completed, the amounts allocated and not allocated to New Jersey should be listed.

To determine the prorated residency portion of your pro rata share of S corporation income, multiply the New Jersey S corporation income not allocated to New Jersey listed in Part II, Column A, Line 4A by your residency percentage. If Part II was not completed, multiply the New Jersey S corporation income listed in Part I, Column A, Line 8A by your residency percentage. The result is the net pro rata share of S corporation income to include on Schedule NJ-BUS-1 of Form NJ-1040.

To determine the prorated residency portion of your income, gains/losses from disposition of assets in complete liquidation, multiply the gain/loss from disposition of assets not allocated to New Jersey listed in Part II, Column B, Line 4B by your residency percentage. If Part II was not completed, multiply the total income, gain/loss from disposition of assets in complete liquidation listed in Part I, Column B, Line 8B by your residency percentage. The result is the gain/loss that you may include on your Form NJ-1040 on the line for "Net gains or income from disposition of property."

For more information regarding Reconciliation Worksheet B – Liquidated, see **Question S-3** on page 10.

Part-Year Nonresident Return (Form NJ-1040NR)

If you were a part-year nonresident and had income from New Jersey sources during that period, you are required to file a part-year nonresident return, Form NJ-1040NR, covering the portion of the tax year that you were a nonresident. Your part-year Form NJ-1040NR must include in Column A your net pro rata share of S corporation income as prorated using the nonresidency percentage. In Column B, you must include your net pro rata share of S corporation income allocated to New Jersey as prorated using your nonresidency percentage.

If the S corporation was completely liquidated, you must also report your net gain/loss from disposition of the corporation's assets allocated to New Jersey as prorated using your nonresidency percentage.

Electing S Corporation. To determine the prorated amount of your net pro rata share of S corporation income from everywhere, multiply the amount of pro rata share of S corporation income from Part II of your NJ-K-1 by your nonresidency percentage as determined on page 13. The result is the net pro rata share of S corporation income to include on Schedule NJ-BUS-1 for Column A of Form NJ-1040NR.

If the S corporation was completely liquidated, to determine the prorated amount of your gain/loss from disposition of the corporation's assets from everywhere, multiply the total gain/loss from disposition of assets listed on your NJ-K-1 by your nonresidency percentage. The result is the gain/loss to include in Column A, Form NJ-1040NR on the line for "Net gains or income from disposition of property."

To determine the prorated portion of your pro rata share of S corporation income from New Jersey sources, multiply the amount of S corporation income allocated to New Jersey from

OBSOLETE

Part II of your NJ-K-1 by your nonresidency percentage. The result is the net pro rata share of S corporation income to include in Column B, Form NJ-1040NR.

To determine the prorated amount of your gain/loss from disposition of the corporation's assets from New Jersey sources, multiply the gain/loss from disposition of assets allocated to New Jersey listed on your NJ-K-1 by your nonresidency percentage. The result is the gain/loss to include in Column B, Form NJ-1040NR on the line for "Net gains or income from disposition of property."

Nonelecting S Corporation. If you are a part-year nonresident and a shareholder of an S corporation that has not made the election in New Jersey, you are not subject to tax on the portion of your S corporation income that is attributable to the part of the year that you were a nonresident. If, however, you have income from other New Jersey sources during the portion of the year that you were a nonresident, you must include on Schedule NJ-BUS-1 for Column A of Form NJ-1040NR the prorated portion of the S corporation income that is not allocated to New Jersey for the period of nonresidency.

To determine the amount to report on Schedule NJ-BUS-1, multiply the amount of income not allocated to New Jersey from Part II, Reconciliation Worksheet B by your nonresidency percentage as determined on page 13. If Part II was not completed, multiply the New Jersey S Corporation Income amount from Part I, Reconciliation Worksheet B by your nonresidency percentage. For more information regarding Reconciliation Worksheet B, see **Question S-2** on page 5.

If the S corporation was completely liquidated, the Reconciliation Worksheet B – Liquidated you prepared for the nonelecting federal S corporation separately states in Column A your S corporation Income Prior to Disposition of Assets and, in Column B, your Income, Gains/Losses from Disposition of Assets in Complete Liquidation. If Part II was completed, the amounts allocated and not allocated to New Jersey also are listed.

To determine the prorated nonresidency portion of your pro rata share of S corporation income, multiply the New Jersey S corporation income not allocated to New Jersey listed in Part II, Column A, Line 4A by your nonresidency percentage. If Part II was not completed, multiply the New Jersey S corporation income listed in Part I, Column A, Line 8A by your nonresidency percentage. The result is the net pro rata share of S corporation income to include on Schedule NJ-BUS-1 for Column A of Form NJ-1040NR.

To determine the prorated nonresidency portion of your income, gains/losses from disposition of assets in complete liquidation, multiply the gain/loss from disposition of assets not allocated to New Jersey listed in Part II, Column B, Line 4B by your nonresidency percentage. If Part II was not completed, multiply the total income, gains/losses from disposition of assets in complete liquidation listed in Part I, Column B, Line 8B by your nonresidency percentage. The result is the gain/loss to include in Column A, Form NJ-1040NR on the line for "Net gains or income from disposition of property." For more information regarding Reconciliation Worksheet B – Liquidated, see **Question S-3** on page 10.

OBSOLETE

QUESTION S-5. As a shareholder in multiple S corporations, how can I use S corporation losses on my New Jersey income tax return?

You may use the pro rata share of loss from one S corporation to offset the pro rata share of income from another S corporation as long as the income and loss occurred in the same tax year. However, you may only use a loss to the extent that it does not exceed your New Jersey adjusted basis in that S corporation.

You may not use a loss from a prior year to offset a current year's income, and you may not carry an unused loss into a subsequent tax year. Any S corporation losses that you are unable to use in the current year will be an adjustment to the basis of that S corporation when you sell your shares. Because there are no passive loss limitations in the New Jersey Gross Income Tax Act, any federal limitations regarding passive losses do not apply when determining the portion of a loss that can be used to offset income.

Rules of priority for determining the use and assignment of S corporation losses are only necessary when the following conditions are satisfied:

- You are a shareholder in 3 (three) or more S corporations; and
- Your total usable S corporation losses exceed your total pro rata share of S corporation income; and
- The losses were generated by 2 (two) or more S corporations.

Shareholder in 2 (Two) S Corporations

If you are a shareholder in only two S corporations, rules for determining the priority of losses are unnecessary. If either S corporation has a loss, compare the New Jersey adjusted basis of the S corporation that generated the loss against the amount of its loss to determine the usable portion of that loss. Only the usable portion of the loss can be used to offset the income from the other S corporation.

Enter the income/usable loss from each S corporation on Schedule NJ-BUS-1. Add these amounts, netting gains with losses, and enter the total on the "Net pro rata share of S corporation income" line of Form NJ-1040, Column A of Form NJ-1040NR, or Form NJ-1041. If zero or less, make no entry on Form NJ-1040, or enter zero on Form NJ-1040NR or NJ-1041.

Shareholder in 3 (Three) or More S Corporations

As a shareholder in three or more S corporations, you must use the following steps to determine the correct amount of the net pro rata share of S corporation income to report on your income tax return.

Step 1.
Determine the total amount of your pro rata share of S corporation income.

Step 2.

a. Determine the total amount of your usable loss from each S corporation by comparing the New Jersey adjusted basis of that S corporation to the amount of its loss. You may only use the portion of each S corporation's loss that does not exceed your New

OBSOLETE

Jersey adjusted basis to offset income from other S corporations. For example, if an S corporation has a loss of $1,000 and your New Jersey adjusted basis is $800, then you may only use $800 to offset another S corporation's income. The remaining $200 loss may only be used to adjust your basis when you sell your shares. See **Question S-9** on page 30 for information on determining your New Jersey adjusted basis. Add the amount of usable loss from each S corporation to determine the total amount of usable S corporation losses received from the S corporations for the tax year.

b. Determine the amount of unusable loss for each S corporation by subtracting the amount of usable loss, as calculated in Step 2a above, from the pro rata share of S corporation loss received from that S corporation. The unusable loss, if any, for each S corporation may only be used to adjust your basis when you sell your shares of that S corporation.

Step 3. Income Exceeds Losses.
If the total amount of usable losses exceeds the total amount of income, go to Step 4. If the total income exceeds or is equal to the total usable losses, enter the income/usable loss from each S corporation on Schedule NJ-BUS-1. Total these amounts, and enter the result on Form NJ-1040, in Column A of Form NJ-1040NR, or on Form NJ-1041. If zero or less, make no entry on Form NJ-1040, or enter zero on Form NJ-1040NR or NJ-1041.

Step 4. Losses Exceed Income.
If the total amount of usable losses exceeds the total amount of income, then rules of priority must be used. You must prorate each S corporation's usable loss in the proportion that it bears to the total amount of usable losses for the period.

a. Determine the prorated amount of each S corporation's usable loss by dividing that S corporation's usable loss by the amount of total usable losses for the period and multiplying the result by the total amount of your S corporation income.

b. Subtract the prorated usable loss of an S corporation from its full usable loss to determine the remainder of usable loss for that S corporation.

c. Enter the income/prorated usable loss from each S corporation on Schedule NJ-BUS-1. Total these amounts, and enter the result on the "Net pro rata share of S corporation income" line of Form NJ-1040, Column A of Form NJ-1040NR, or Form NJ-1041. If zero or less, make no entry on Form NJ-1040, or enter zero on Form NJ-1040NR or NJ-1041.

d. Add each S corporation's unusable loss from Step 2b and the remainder of usable loss from Step 4b, if any, to determine the total unused loss for each S corporation. The total unused loss for each S corporation may only be used to adjust your basis at the time you sell your shares in that S corporation. You must maintain an ongoing total of each S corporation's unused loss for your records so that your basis can be properly adjusted upon disposition of your shares.

If you paid income taxes or wage taxes to another jurisdiction on your S corporation income

OBSOLETE

EXAMPLE 1
Jayne is a New Jersey resident shareholder in four different S corporations. Her pro rata share from each S corporation for Tax Year 2016 is as follows:

S CORP	Pro rata share	New Jersey Adjusted Basis
ABC	$4,000	$4,500
XYZ	($1,000)	$1,500
UFO	($2,500)	$3,000
BMOC	($1,500)	$2,000

Because Jayne is a shareholder in four different S corporations (three of which generated losses), and her total pro rata share of S corporation losses exceeds her total pro rata share of S corporation income, she **must** use the rules of priority to determine the portion of each S corporation's loss that may be used to offset her total pro rata share of S corporation income.

Step 1:
Total pro rata share of S corporation income from ABC: $4,000

Step 2:
a. Usable S corporation losses:

S CORP	Loss	New Jersey Adjusted Basis	Usable Loss
XYZ	($1,000)	$1,500	($1,000)
UFO	($2,500)	$3,000	($2,500)
BMOC	($1,500)	$2,000	($1,500)
Total amount of usable S corporation losses:			($5,000)

b. Unusable S corporation losses:

S CORP	Loss	–	Usable Loss	=	Unusable Loss
XYZ	($1,000)		($1,000)		$0
UFO	($2,500)		($2,500)		$0
BMOC	($1,500)		($1,500)		$0

Step 3:
Since total usable losses exceed total S corporation income, Jayne goes to Step 4.

OBSOLETE

EXAMPLE 1, *continued*
Step 4:
a. Prorated portion of usable S corporation losses:

					Total Income		Prorated amount of usable loss
XYZ usable loss ($1,000) / Total usable losses ($5,000)	=	(.20)	×		$4,000	=	($800)
UFO usable loss ($2,500) / Total usable losses ($5,000)	=	(.50)	×		$4,000	=	($2,000)
BMOC usable loss ($1,500) / Total usable losses ($5,000)	=	(.30)	×		$4,000	=	($1,200)
Total prorated usable losses:							**($4,000)**

b.

S CORP	Usable loss	–	Prorated usable loss	=	Remainder of usable loss
XYZ	($1,000)		($ 800)		($200)
UFO	($2,500)		($2,000)		($500)
BMOC	($1,500)		($1,200)		($300)

Any remainder of usable loss will be added to the unusable loss to adjust Jayne's basis when she sells her shares of the S corporation.

c. Pro rata share of S corporation income/prorated usable loss to report on Schedule NJ-BUS-1:

ABC:	$4,000
XYZ:	($800)
UFO:	($2,000)
XYZ:	($1,200)
Net pro rata share of S corporation income:	$0

d.

S CORP	Unusable loss	+	Remainder of usable loss	=	Total unused loss
XYZ	$0		($200)		($200)
UFO	$0		($500)		($500)
BMOC	$0		($300)		($300)

The total unused loss for each S corporation may only be used to adjust Jayne's basis when she sells her shares in the S corporation.

OBSOLETE

EXAMPLE 2

John is a shareholder in five different S corporations. His pro rata share from each S corporation for Tax Year 2016 is as follows:

S CORP	Pro rata share	New Jersey Adjusted Basis
Whatchamacallit	$27,600	$ 3,098
Thingamajig, Inc.	($49,192)	$10,580
Doohickey Corp.	$32,358	$11,267
Widget, Inc.	($18,628)	$13,756
Loophole & Co.	($85,726)	$17,125

Step 1:

Pro rata share of S corporation income from:	Whatchamacallit	$27,600
	Doohickey Corp.	$32,358
Total pro rata share of S corporation income:		$59,958

Step 2:

a. Usable S corporation losses from:

S CORP	Loss	New Jersey Adjusted Basis	Usable Loss
Thingamajig, Inc.	($49,192)	$10,580	($10,580)
Widget, Inc.	($18,628)	$13,756	($13,756)
Loophole & Co.	($85,726)	$17,125	($17,125)
Total amount of usable S corporation losses:			($41,461)

b. Unusable S corporation losses from:

S CORP	Loss	– Usable Loss	= Unusable Loss
Thingamajig, Inc.	($49,192)	($10,580)	($38,612)
Widget, Inc.	($18,628)	($13,756)	($ 4,872)
Loophole & Co.	($85,726)	($17,125)	($68,601)

Any unusable loss will be added to the remainder of prorated loss and may only be used to adjust John's basis when he sells his shares of the S corporation.

Step 3:

Since the total amount of usable losses is less than total pro rata share of S corporation income, there is no need to prorate the losses. Total pro rata share of S corporation income is reduced by the total usable losses on Schedule NJ-BUS-1:

Whatchamacallit:	$27,600
Thingamajig, Inc.:	($10,580)
Doohickey Corp.:	$32,358
Widget, Inc.:	($13,756)
Loophole & Co.:	($17,125)
Net pro rata share of S corporation income:	$18,497

OBSOLETE

EXAMPLE 3
Nancy is a shareholder in five different S corporations. Her pro rata share from each S corporation for Tax Year 2016 is as follows:

S CORP	Pro rata share	New Jersey Adjusted Basis
Helpme, Inc.	$15,493	$ 6,428
Can'tlose, Inc.	$26,189	$93,186
Bummer & Co.	($13,872)	$ 9,842
Nowinner, Inc.	($54,975)	$36,871
Gonefishin'	($73,478)	$16,984

Step 1:

Pro rata share of S corporation income from:	Helpme, Inc.	$15,493
	Can'tlose, Inc.	$26,189
Total pro rata share of S corporation income:		$41,682

Step 2:
a. Usable S corporation losses from:

S CORP	Loss	New Jersey Adjusted Basis	Usable Loss
Bummer & Co.	($13,872)	$ 9,842	($ 9,842)
Nowinner, Inc.	($54,975)	$36,871	($36,871)
Gonefishin'	($73,478)	$16,984	($16,984)
Total amount of usable S corporation losses:			($63,697)

b. Unusable S corporation losses from:

S CORP	Loss –	Usable Loss =	Unusable Loss
Bummer & Co.	($13,872)	($ 9,842)	($ 4,030)
Nowinner, Inc.	($54,975)	($36,871)	($18,104)
Gonefishin'	($73,478)	($16,984)	($56,494)

Step 3:
Since the total amount of usable S corporation losses exceeds the total pro rata share of S corporation income Nancy goes to Step 4.

OBSOLETE

EXAMPLE 3, *continued*

Step 4:

a.

						Total Income		Prorated amount of loss
Bummer & Co. usable loss ($9,842) / Total usable losses ($63,697)	=	(.1545)	×	$41,682	=	($6,440)
Nowinner, Inc. usable loss ($36,871) / Total usable losses ($63,697)	=	(.5789)	×	$41,682	=	($24,130)
Gonefishin' usable loss ($16,984) / Total usable losses ($63,697)	=	(.2666)	×	$41,682	=	($11,112)
				Total prorated usable losses:		**($41,682)**

b.

S CORP	Usable loss	–	Prorated amount of loss	=	Remainder of usable loss
Bummer & Co.	($ 9,842)		($ 6,440)		($ 3,402)
Nowinner, Inc.	($36,871)		($24,130)		($12,741)
Gonefishin'	($16,984)		($11,112)		($ 5,872)

c. Pro rata share of S corporation income/prorated usable loss to report on Schedule NJ-BUS-1:

Helpme, Inc.:	$15,493
Can'tlose, Inc.:	$26,189
Bummer & Co.:	($ 6,440)
Nowinner, Inc.:	($24,130)
Gonefishin':	($11,112)
Net pro rata share of S corporation income:	$0

d.

S CORP	Unusable loss	+	Remainder of usable loss	=	Total unused loss
Bummer & Co.	($ 4,030)		($ 3,402)		($ 7,432)
Nowinner, Inc.	($18,104)		($12,741)		($30,845)
Gonefishin'	($56,494)		($ 5,872)		($62,366)

The total unused loss for each S corporation may only be used to adjust Nancy's basis when she sells her shares in that S corporation.

OBSOLETE

EXAMPLE 4
Leslie is a shareholder in four different S corporations. Her pro rata share from each S corporation for Tax Year 2016 is as follows:

S CORP	Pro rata share	New Jersey Adjusted Basis
Profits R Us	$50,000	$10,000
Losers Inc.	($20,000)	$12,000
Deadbeat & Co.	($15,000)	$18,000
Wastingaway	($18,000)	$25,000

Step 1:
Total pro rata share of S corporation income from Profits R Us: $50,000

Step 2:
a. Usable S corporation losses from:

S CORP	Loss	New Jersey Adjusted Basis	Usable Loss
Losers Inc.	($20,000)	$12,000	($12,000)
Deadbeat & Co.	($15,000)	$18,000	($15,000)
Wastingaway	($18,000)	$25,000	($18,000)
		Total amount of usable S corporation losses:	($45,000)

b. Unusable S corporation losses from:

S CORP	Loss –	Usable Loss =	Unusable Loss
Losers Inc.	($20,000)	($12,000)	($8,000)
Deadbeat & Co.	($15,000)	($15,000)	($ 0)
Wastingaway	($18,000)	($18,000)	($ 0)

Any unusable loss will be added to the remainder of prorated loss, if any, and may only be used to adjust Leslie's basis when she sells her shares of the S corporation.

Step 3:
Since the total amount of usable losses is less than total pro rata share of S corporation income, there is no need to prorate the losses. Total pro rata share of S corporation income is reduced by the total usable losses on Schedule NJ-BUS-1:

Profits R Us:	$50,000
Losers Inc.:	($12,000)
Deadbeat & Co.:	($15,000)
Wastingaway:	($18,000)
Net pro rata share of S corporation income:	$5,000

OBSOLETE

QUESTION S-6. As a New Jersey resident shareholder of an S corporation am I entitled to a credit for the taxes I paid to another jurisdiction with respect to my S corporation income?

and that income also is taxed in New Jersey in the same tax year, you may be entitled to a credit on **Form NJ-1040** or **Form NJ-1041** provided the S corporation income is properly allocated outside New Jersey.

Income Not Eligible for a Credit

A credit is *not* allowed:

- For any tax imposed by another jurisdiction on S corporation income that is allocated to New Jersey (N.J.S.A. 54A:4-1(c)).
- For any taxes paid or accrued on or measured by profits or income imposed on or paid on behalf of a person other than the taxpayer, whether or not the taxpayer may be held liable for the tax (N.J.S.A. 54A:4-1(d)).
- If the New Jersey tax is attributable to distributions received, and those distributions are taxable to the taxpayer as dividends or as gains from the disposition of property. For more information regarding dividends and gains, see **Question S-10** on page 31.

S corporation income allocated to New Jersey is defined as the portion of the S corporation income that is allocated to New Jersey by the allocation factor of the S corporation. S corporation income not allocated to New Jersey is S corporation income less S corporation income allocated to New Jersey.

To properly determine the New Jersey allocation factor, the S corporation must complete Schedule J, Form CBT-100S. The allocation factor should be 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. Only the income allocated outside New Jersey can be used to calculate a credit for taxes paid to other jurisdictions. If Schedule J is not completed by the S corporation, the credit for taxes paid to other jurisdictions on the S corporation income will be denied.

To claim a credit for taxes paid to another jurisdiction, you must complete Schedule A, Form NJ-1040 or Schedule C, Form NJ-1041. If you are claiming a credit for taxes paid to more than one jurisdiction, you must complete a separate Schedule A or Schedule C for each jurisdiction. If, as a shareholder of an S corporation, you participated in 1 (one) or more nonresident composite returns filed by the S corporation on behalf of its shareholders in other states, the Division will accept a certified schedule from the S corporation specifying your share of S corporation income allocated to each state and the amount of tax paid to that state. If you are claiming a credit for S corporation income deemed allocated outside New Jersey, you must keep copies of the documentation that shows the taxes paid to the other jurisdiction, both by the S corporation as well as the personal income tax paid by you.

OBSOLETE

See the **instructions for Form NJ-1040** for more information regarding the credit for taxes paid to another jurisdiction, or see Tax Topic Bulletin **GIT-3B**, Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income).

When completing Line 1, Schedule A, Form NJ-1040, you may only include income that is **actually taxed** by both New Jersey and the other jurisdiction. If the other jurisdiction requires you to report S corporation income (loss) in separate categories (e.g., S corporation income, interest, gains, or modifications), you must combine any amounts derived from the S corporation when determining the amount of income eligible for the credit.

QUESTION S-7. How do I calculate my New Jersey Accumulated Adjustments Account (AAA)?

Whether you are a resident shareholder in an electing or nonelecting federal S corporation, you are required to make the necessary adjustments to your New Jersey AAA. You must retain all account information until you dispose of your shares of the S corporation.

OBSOLETE

WORKSHEET C

NEW JERSEY ACCUMULATED ADJUSTMENTS ACCOUNT

1. Beginning balance ..... 1. _____
2. Net pro rata share of S corporation income ..... 2. _____
3. Other income/loss ..... 3. _____
4. Total Lines 1–3 ..... 4. _____
5. Other reductions ..... 5. _____
6. Distributions ..... 6. _____
7. Total Adjustments ..... 7. _____
8. Ending balance (Line 4 minus Line 7) ..... 8. _____

It is possible that your New Jersey AAA will have a negative ending balance.

INSTRUCTIONS FOR COMPLETING WORKSHEET C

Allocation Factor. The allocation factor inside New Jersey is calculated by the S corporation and must be provided to you or obtained from the corporation. The percentage of income, gain, loss, or expenses allocated outside New Jersey is determined by subtracting the inside-New Jersey factor from 100%.

Line 1. The beginning balance of your New Jersey AAA will be "0" (zero) for the first tax year beginning after July 7, 1993. For all subsequent years, the beginning balance will be the ending balance from the year before. Indicate the date of the beginning balance.

Line 2. Your New Jersey AAA must be adjusted annually by the amount of the net pro rata share of S corporation income (or loss) you received from the S corporation during the tax year. For a resident shareholder in a federal S corporation that made the New Jersey election, the net pro rata share of S corporation income will be the income allocated within and outside New Jersey.

For a resident shareholder of a federal S corporation that has not made the New Jersey election, the net pro rata share of S corporation income will be the income (loss) allocated outside New Jersey. This is the amount from Part II, Reconciliation Worksheet B or, if Part II is not completed, the New Jersey S Corporation Income amount from Part I.

Line 3. Your New Jersey AAA must be adjusted to include any New Jersey tax-exempt income, gains, or losses earned by the S corporation during the tax year. The total amount of New Jersey tax-exempt income, gains, or losses is determined by subtracting the amount on Line 6d, Part I, Reconciliation Worksheet B from the amount on Line 4c, Part I, Reconciliation Worksheet B.

If you are a resident shareholder of a federal S corporation that has not made the New Jersey election and that had income allocated to New Jersey, you must determine the amount of tax-exempt income, gains, or losses allocated outside New Jersey. This amount is calculated by multiplying the total of Line 4c minus Line 6d from Part I, Reconciliation Worksheet B by the outside-New Jersey percentage.

Line 4. Add Lines 1 through 3 and enter the result on Line 4.

Line 5. Any other reductions made to your federal AAA or federal OAA must also be made to your New Jersey AAA, provided that these reductions have not already been taken into consideration in calculating S corporation income on Line 8, Part I, Reconciliation Worksheet B. Other reductions include, but are not limited to, the following items when made or paid by the S corporation: taxes based on income, business presence or activity; health or life insurance; fines or penalties; and club dues. If this information has not already been provided, you must obtain it from the S corporation.

New Jersey AAA must also be reduced by any expenses incurred by the S corporation to generate New Jersey tax-exempt income, gains, or losses. If the S corporation had no income allocated to New Jersey, enter on this line the amount from Line 6c, Part I, Reconciliation Worksheet B. If, however, the S corporation had income allocated to New Jersey, then you must reduce New Jersey AAA by the portion

OBSOLETE

of expenses incurred to generate tax-exempt income, gains, or losses allocated outside New Jersey by multiplying the amount from Line 6c by the outside-New Jersey percentage.

Line 6. You must reduce your New Jersey AAA by the amount of any distributions you received from the S corporation during the year. For New Jersey income tax purposes, distributions must be treated in the same manner as for federal purposes.

Line 7. Add Lines 5 and 6 and enter the result on Line 7.

Line 8. Subtract Line 7 from Line 4 to determine your ending balance for the year. **It is possible that the ending balance of your New Jersey AAA will be negative.** Indicate the date of the ending balance.

QUESTION S-8. How do I calculate the balance of my New Jersey Earnings and Profits (E&P) Account?

Initial New Jersey E&P

Electing S Corporation. If you are a shareholder in a federal S corporation that has made the election to be a New Jersey S corporation, the initial beginning balance of your New Jersey E&P Account will be the retained earnings of the corporation prior to the New Jersey election. If the retained earnings of the corporation prior to the New Jersey election is a negative amount, enter "0" (zero).

Nonelecting S Corporation. If you are a shareholder in a federal S corporation that has not made the election to be a New Jersey S corporation, the initial beginning balance of your New Jersey E&P Account will be the total of the beginning balances of your federal Accumulated Adjustments Account (AAA) and your federal Other Adjustments Account (OAA) for the corporation's first tax year that begins on or after July 7, 1993, plus any remaining federal accumulated E&P at that time. If, however, the total is a negative amount, the initial beginning balance of your New Jersey E&P Account is "0" (zero).

"Hybrid" Corporations. If you are a shareholder in a "hybrid" corporation, you may calculate the initial beginning balance of your New Jersey E&P Account in the same manner as described above for a nonelecting federal S corporation.

Federal S Corporation Formed After July 7, 1993. A federal S corporation that is newly incorporated after July 7, 1993, should not have any accumulated E&P. Consequently, the initial beginning balance of your New Jersey E&P Account will be "0" (zero). This will be true whether or not the federal S corporation has made the election to be treated as a New Jersey S corporation.

Year End Balance

Complete Worksheet D or Worksheet E to record annual changes to your E&P Account and to determine your year end balance.

OBSOLETE

WORKSHEET D

NEW JERSEY EARNINGS AND PROFITS ACCOUNT FOR NEW JERSEY SHAREHOLDERS OF AN ELECTING NEW JERSEY S CORPORATION

1. Beginning Balance on _____ .....1. _____
2. Other Additions/Adjustments.....2. _____
3. Total Lines 1 and 2.....3. _____
4. Dividends Received .....4. _____
5. Ending Balance (Line 3 minus Line 4) .....5. _____

INSTRUCTIONS FOR COMPLETING WORKSHEET D

If you are a shareholder in an electing New Jersey S corporation, you must complete Worksheet D annually so that you can properly track your New Jersey Earnings and Profits Account.

Line 1. See **"Initial New Jersey E&P"** on page 27 to determine the initial beginning balance of your New Jersey E&P Account. For subsequent tax years, the beginning balance will be the ending balance from the year before. Indicate the date of the beginning balance.

Line 2. Any other additions or adjustments made to your federal E&P Account must also be made to your New Jersey E&P Account. If this information has not already been provided, you must obtain it from the S corporation.

Line 3. Enter the total of Line 1 plus Line 2.

Line 4. Determine the amount of dividends received from the S corporation during the tax year and enter the amount on Line 4. For more information regarding dividends and gains, see **Question S-10** on page 31.

OBSOLETE

WORKSHEET E

NEW JERSEY EARNINGS AND PROFITS ACCOUNT FOR SHAREHOLDERS OF A NONELECTING FEDERAL S CORPORATION OR "HYBRID" CORPORATION

1. Beginning Balance on _____ .....1. _____
2. S corporation income allocated to New Jersey .....2. _____
3. Other Additions/Adjustments.....3. _____
4. Subtotal .....4. _____
5. Dividends Received .....5. _____
6. Ending Balance on _____ .....6. _____

INSTRUCTIONS FOR COMPLETING WORKSHEET E

If you are a shareholder in a nonelecting federal S corporation, you must complete Worksheet E annually so that you are able to properly track your New Jersey Earnings and Profits Account. A shareholder in a "hybrid" corporation will apply the corporation's allocation factor to determine the income, other additions/adjustments, and dividends received that are allocated to New Jersey.

Line 1. See **"Initial New Jersey E&P"** on page 27 to determine the initial beginning balance of your New Jersey E&P Account. For subsequent tax years, the beginning balance will be the ending balance from the year before. Indicate the date of the beginning balance.

Line 2. Each year the beginning balance of your New Jersey E&P Account must be increased by the amount of any S corporation income allocated to New Jersey for the tax year. If the S corporation had no income allocated to New Jersey, proceed to Line 3, otherwise, enter on this Line the amount from Line 3, Part II, Reconciliation Worksheet B.

Line 3. Any other additions or adjustments made to your federal E&P Account must also be made to your New Jersey E&P Account. If this information has not already been provided, you must obtain it from the S corporation.

Line 4. Add Lines 1, 2, and 3 and enter the result on Line 4.

Line 5. Determine the amount of dividends received from the S corporation during the tax year and enter the amount on Line 5. For more information regarding dividends and gains, see **Question S-10** on page 31.

Line 6. Subtract Line 5 from Line 4 and enter the result on Line 6. Indicate the date of the ending balance.

OBSOLETE

QUESTION S-9. How do I determine my New Jersey basis?

Initial New Jersey Basis

Resident. If you were a shareholder of an S corporation on January 1, 1994, your initial basis in the stock and indebtedness of the S corporation is the basis of the stock determined on that date as if the S corporation was a C corporation, plus any indebtedness of the S corporation to you. This is true for the basis of both electing and nonelecting S corporations.

If you were not a resident shareholder of an S corporation on January 1, 1994, but you became one thereafter, your initial basis in the stock and indebtedness of the S corporation is your federal basis determined as of the latest of the following events:

- The date you last became a resident of New Jersey;
- The date you acquired the stock of the S corporation; or
- The effective date of the corporation's most recent federal S election.

Nonresident. If you are a nonresident shareholder, your initial basis in the stock and indebtedness of an S corporation is "0" (zero) as of the **latest** of the following:

- The date you last became a nonresident of New Jersey;
- The date on which you acquired the stock of the S corporation;
- The effective date of the corporation's most recent federal S election; or
- The effective date of the corporation's most recent New Jersey S election.

Adjustments to New Jersey Basis

Adjustments to your initial New Jersey basis must be made in accordance with federal rules but are limited to the S corporation income or "hybrid" corporation income that is included in your New Jersey net pro rata share of S corporation income. In addition, you must add back your New Jersey tax-exempt gains and income and subtract any expenses paid or incurred in generating such exempt gains and income. Any adjustments made to your federal basis in the S corporation prior to January 1, 1994, cannot be taken into account when determining your New Jersey adjusted basis.

New Jersey Adjusted Basis

A shareholder's New Jersey adjusted basis is determined at the close of the S corporation's tax year or upon the shareholder's full or partial disposition of stock and is comprised of the following:

- Initial New Jersey stock basis;
- Additional capital contributions;
- The cost of purchasing additional stock;
- The balance of the shareholder's New Jersey AAA; and
- The net of indebtedness owed to the shareholder by the S corporation and indebtedness owed to the S corporation by the shareholder.

You must decrease your New Jersey stock basis by the amount of any nontaxable, nonliquidating distributions you received (or are deemed to have received) from the S corporation. See **Question S-10** on page 31 for information regarding the taxability of S corporation distributions.

OBSOLETE

In no case can you adjust your New Jersey adjusted basis in the stock below zero. S corporation losses that you are unable to use for New Jersey income tax purposes to offset income from another S corporation in the year the losses are incurred **may not be used to offset S corporation income in any other tax year.** However, such unused losses can be used to adjust your New Jersey adjusted basis when calculating your gain/loss from the disposition of your shares of the S corporation.

QUESTION S-10. How do I report my distributions?

You must account for and/or report the **actual** total amount of cash, noncash, and property distributed to you from the corporation. A statement should be enclosed with your return detailing any installment notes you received.

For New Jersey income tax purposes, the taxability of a distribution from an S corporation is governed by the priority system established in IRC Sections 1368 and 1371 and must be calculated after the close of the S corporation's tax year. In general, to determine the taxability of a distribution, you must first apply a distribution against your New Jersey AAA balance, then against your New Jersey E&P balance, and finally against your New Jersey adjusted stock basis.

A distribution made to a nonresident shareholder is not taxable for New Jersey income tax purposes. However, if you are a nonresident shareholder and you have income from other New Jersey sources, you will have to report any taxable portion of your distribution in Column A, **Form NJ-1040NR** or on **Form NJ-1041** as if you were a resident.

Because you are required to use your New Jersey AAA, the portion of the distribution that is not taxable for New Jersey purposes will usually differ from the amount that is not taxable for federal purposes. The same will be true of the taxable amounts of dividends and gains resulting from the distribution since you are using your New Jersey E&P and New Jersey adjusted stock basis.

You must reduce your New Jersey adjusted basis by the amount of any nontaxable, nonliquidating distribution received or deemed to have been received. In addition, you must reduce your New Jersey E&P Account by the amount of dividends you received from the S corporation distribution that are taxable for New Jersey income tax purposes.

New Jersey "Hybrid" Corporation Distributions. A distribution from a **"hybrid" corporation**, as defined on page 2, must be allocated based on the corporation's New Jersey allocation factor, to both the income earned inside New Jersey and the income earned outside New Jersey. Distributions applicable to the income earned inside New Jersey are taxable distributions from a C corporation and are reportable by a resident shareholder as dividends. The taxability of distributions applicable to the income earned outside New Jersey is governed by IRC Sections 1368 and 1371 as stated above.

Post-termination distributions. A cash distribution from an S corporation during a post-termination transition period will be treated in the same manner for New Jersey income tax purposes as it is for federal purposes under IRC Section 1371. You must use the New Jersey adjusted basis of your stock and your New Jersey AAA and E&P account balances.

OBSOLETE

EXAMPLE 1

John is the sole shareholder of an S corporation. The federal adjusted basis of his stock at the end of the tax year is $100,000, which is comprised of:

Federal AAA	$90,000
Federal Balance of Basis	$10,000

The New Jersey adjusted basis of his stock at the end of the tax year is $20,000, which is made up of:

New Jersey AAA	$10,000
New Jersey Balance of Basis	$10,000

In addition, the balance of John's New Jersey E&P Account is $80,000.

A distribution of $10,000 was made by the S corporation in April 2016, and a distribution of $30,000 was made in November 2016.

FEDERAL

	Distribution	Nontaxable amount	Dividend amount	Capital Gain amount
Total Distributions	$40,000			
From AAA	–$40,000	$40,000		
Totals	0	$40,000		

NEW JERSEY

	Distribution	Nontaxable amount	Dividend amount	Capital Gain amount
Total Distributions	$40,000			
From AAA	–$10,000	$10,000		
	$30,000			
From E&P	$30,000		$30,000	
Totals	0	$10,000	$30,000	

Federal AAA	$50,000	New Jersey AAA	$0
Federal Balance of Basis	$10,000	New Jersey Balance of Basis	$10,000
Federal Adjusted Basis	$60,000	New Jersey Adjusted Basis	$10,000
		New Jersey E&P Account	$50,000

OBSOLETE

EXAMPLE 2

Mary Jo is the sole shareholder of an S corporation. The S corporation's earnings for the current year were $10,000, and the federal adjusted basis of her stock at the end of the tax year is $70,000, which is comprised of:

Federal AAA	$60,000
Federal Balance of Basis	$10,000

The New Jersey adjusted basis of her stock at the end of the tax year is $20,000, which is made up of:

New Jersey AAA	$10,000
New Jersey Balance of Basis	$10,000

In addition, the balance of Mary Jo's New Jersey E&P Account is $50,000.

A distribution of $70,000 was made by the S corporation in May 2016, and a distribution of $30,000 was made in October 2016. The S corporation had federal Earnings & Profits of $500.

FEDERAL

	Distribution	**Nontaxable amount**	**Dividend amount**	**Capital Gain amount**
Total Distributions	$100,000			
From AAA	–$60,000	$60,000		
	$40,000			
From Federal E&P	– $500		$500	
	$39,500			
From Balance of Basis	–$10,000	$10,000		
	$29,500			
Gain from sale or exchange	–$29,500			$29,500
Totals	0	$70,000	$500	$29,500

OBSOLETE

EXAMPLE 2, *continued*

NEW JERSEY

	Distribution	Nontaxable amount	Dividend amount	Capital Gain amount
Total Distributions	$100,000			
From AAA	–$10,000	$10,000		
	$90,000			
From E&P	–$50,000		$50,000	
	$40,000			
From Balance of Basis	–$10,000	$10,000		
	$30,000			
Gain from sale or exchange	–$30,000			$30,000
Totals	0	$20,000	$50,000	$30,000

Federal AAA	$0	New Jersey AAA	$0
Federal Balance of Basis	$0	New Jersey Balance of Basis	$0
Federal Adjusted Basis	$0	New Jersey Adjusted Basis	$0
		New Jersey E&P Account	$0

EXAMPLE 3

Peggy is the sole shareholder of an S corporation. The federal adjusted basis of her stock at the end of the tax year is $180,000, which is comprised of:

Federal AAA	$75,000
Federal PTI (Previously Taxed Income)	$30,000
Federal Balance of Basis	$75,000

The New Jersey adjusted basis of her stock at the end of the tax year is $100,000, which is made up of:

New Jersey AAA	$45,000
New Jersey Balance of Basis	$55,000

In addition, the balance of Peggy's New Jersey E&P Account is $60,000.

OBSOLETE

EXAMPLE 3, *continued*

Distributions of $30,000 each were made by the S corporation in April and June 2016, and a distribution of $40,000 was made in November 2016.

FEDERAL

	Distribution	Nontaxable amount	Dividend amount	Capital Gain amount
Total Distributions	$100,000			
From AAA	–$75,000	$75,000		
	$25,000			
From Federal PTI	–$25,000	$25,000		
Totals	0	$100,000	0	0

NEW JERSEY

	Distribution	Nontaxable amount	Dividend amount	Capital Gain amount
Total Distributions	$100,000			
From AAA	–$45,000	$45,000		
	$55,000			
From E&P	–$55,000		$55,000	
Totals	0	$45,000	$55,000	0

Federal AAA	$0	New Jersey AAA	$0
Federal Balance of Basis	$75,000	New Jersey Balance of Basis	$55,000
Federal Adjusted Basis	$75,000	New Jersey Adjusted Basis	$55,000
Federal PTI	$5,000	New Jersey E&P Account	$5,000

OBSOLETE

QUESTION S-11. How do I determine and report my gain or loss from the disposition of my S corporation stock?

Determining Gain or Loss From Disposition of Stock

Your gain or loss from the sale of your shares of an S corporation is determined by subtracting your New Jersey adjusted basis from the amount you received for the sale. The simplest method for determining your New Jersey adjusted basis in the stock at the time of the sale or other disposition is to add the following amounts:

- Initial New Jersey basis;
- Balance of your New Jersey AAA as of the date of the disposition of the stock; and
- Any unused losses from previous years.

In addition, adjustments must be made for any indebtedness of the S corporation to you and/or your indebtedness to the corporation at the time of the disposition of your stock.

Before calculating the gain from the disposition of your S corporation stock, you must adjust your New Jersey AAA based on the Schedule NJ-K-1, Form CBT-100S that you received for the tax year in which the disposition occurred. Or, if no Schedule NJ-K-1 was received, adjust your New Jersey accounts based on the information on Reconciliation Worksheet B or Reconciliation Worksheet B – Liquidated that you completed from your federal Schedule K-1.

If you disposed of some, but not all, of your stock, your New Jersey adjusted basis in the stock and your prior year's unused pro rata share of losses must be prorated based on the portion of stock you sold.

Reporting Gain or Loss From Disposition of Stock

The gain or loss from disposition of S corporation stock is reported in the category "Net gains or income from disposition of property."

A nonresident must follow the resident shareholder procedures to determine the gain or loss from disposition of his/her stock to be included as "Net gains or income from disposition of property" everywhere. The gain or loss from a disposition of S corporation stock is not New Jersey source income for a nonresident.

If you report the disposition of stock as an installment sale for federal income tax purposes, you must report it as an installment sale for New Jersey income tax purposes. You must calculate your New Jersey installment sale income under federal rules and procedures and using your New Jersey adjusted basis and prior year unused pro rata share of losses. If the stock sale results in a loss for New Jersey purposes, the full loss is reported in the year the disposition occurred.

OBSOLETE

The information contained in this booklet has been written primarily for S corporation shareholders of federal S corporations that did not make the S election for New Jersey purposes. If you still have questions regarding the filing of **Form NJ-1040**, **NJ-1040NR**, or **Form NJ-1041**, see below for assistance.

For More Information

Online

- Division of Taxation website: **www.njtaxation.org**
- Email general State tax questions: **nj.taxation@treas.nj.gov**
  Do not include confidential information such as Social Security or federal tax identification numbers, liability or payment amounts, dates of birth, or bank account numbers in your email.
- Subscribe to *NJ Tax E-News,* the Division of Taxation's online information service, at: **www.state.nj.us/treasury/taxation/listservice.shtml**

By Phone

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

In Person

Visit a New Jersey Division of Taxation regional office. For the address of the regional office nearest you call the Automated Tax Information System at 1-800-323-4400 or visit: **www.state.nj.us/treasury/taxation/ot1.shtml**

In Writing

New Jersey Division of Taxation
Technical Information Unit
PO Box 281
Trenton, N.J. 08695-0281

Forms and Publications

- Visit the Division of Taxation's website:
  Forms — **www.state.nj.us/treasury/taxation/forms.shtml**
  Publications — **www.state.nj.us/treasury/taxation/pubs.shtml**
- Call the Forms Request System at **1-800-323-4400** (within NJ, NY, PA, DE, and MD) or **609-826-4400** (Touch-tone phones only) to have printed forms or publications mailed to you. **Note:** Due to budgetary constraints, supplies are limited and only certain forms and publications can be ordered through this System.

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WORKSHEET B

RECONCILIATION SCHEDULE K-1, FEDERAL FORM 1120S

S Corporation Name _____ **Employer ID Number** _____

Tax Year _____

PART I—Determining New Jersey S Corporation Income

1. Ordinary Income (Loss) ..... 1. _____
2a. Net Income (Loss) from Rental Real Estate Activities ..... 2a. _____
2b. Net Income (Loss) from Other Rental Activities ..... 2b. _____
2c. Interest Income ..... 2c. _____
2d. Dividends ..... 2d. _____
2e. Royalties ..... 2e. _____
2f. Net Short-Term Gain (Loss) ..... 2f. _____
2g. Net Long-Term Gain (Loss) ..... 2g. _____
2h. Other Portfolio Income (Loss) ..... 2h. _____
2i. Net Gain (Loss) from IRC Section 1231 and/or 179 ..... 2i. _____
2j. Other Income ..... 2j. _____
2k. Federally Exempt Interest Income ..... 2k. _____
2l. Other Tax-Exempt Income ..... 2l. _____
3. Income Subtotal (Add Lines 1 through 2l) ..... 3. _____
4. Subtractions:
4a. IRC Section 179 Expense ..... 4a. _____
4b. Excess Meal & Entertainment Deduction ..... 4b. _____
4c. Interest and Gains included in Line 3 from Obligations Exempt in New Jersey ..... 4c. _____
4d. Charitable Contributions from Federal Schedule K-1 ..... 4d. _____
4e. New Jersey Allowable IRC Section 199 Deduction from New Jersey Form 501-GIT ..... 4e. _____
4f. Other Subtractions–Specify ..... 4f. _____
4g. Total Subtractions (Add Lines 4a through 4f) ..... 4g. _____
5. Total (Line 3 minus Line 4g) ..... 5. _____
6. Additions:
6a. Interest Income from State and Municipal Bonds other than New Jersey ..... 6a. _____
6b. Taxes Based on Income, Business Presence, or Activity ..... 6b. _____
6c. Expenses Included on Line 3 and Incurred to Generate Tax-Exempt Income ..... 6c. _____
6d. Losses Included on Line 3 from Obligations Exempt from Tax Pursuant to N.J.S.A. 54A:6-14 and 6-14.1 ..... 6d. _____
6e. Total Additions (Add Lines 6a through 6d) ..... 6e. _____
7. Depreciation Adjustment from New Jersey Form GIT-DEP ..... 7. _____
8. New Jersey S Corporation Income (Line 5 + Line 6e ± Line 7) ..... 8. _____

PART II—Determining New Jersey Allocated Income

1. New Jersey S Corporation Income from Line 8, Part I ..... 1. _____
2. Allocation Factor _____ %
3. New Jersey Allocated Income (Line 1 multiplied by Line 2) ..... 3. _____
4. Income Not Allocated to New Jersey (Line 1 minus Line 3) ..... 4. _____

OBSOLETE

WORKSHEET B – LIQUIDATED

RECONCILIATION SCHEDULE K-1, FEDERAL FORM 1120S

S Corporation Name _____ **Employer ID Number** _____

Tax Year _____

Date corporation assets were fully disposed ..... _____/_____/_____

Date your stock was fully disposed ..... _____/_____/_____

PART I—Determining New Jersey S Corporation Income (Loss) Upon Complete Liquidation		Column A S Corporation Income Prior to Disposition of Assets		Column B Income, Gains/Losses From Disposition of Assets in Complete Liquidation	
1. Ordinary Income (Loss)	1				
2a. Net Income (Loss) from Rental Real Estate Activities	2a				
2b. Net Income (Loss) from Other Rental Activities	2b				
2c. Interest Income	2c				
2d. Dividends	2d				
2e. Royalties	2e				
2f. Net Short-Term Gain (Loss)	2f		2f		
2g. Net Long-Term Gain (Loss)	2g		2g		
2h. Other Portfolio Income (Loss)	2h				
2i. Net Gain (Loss) from IRC Section 1231 and/or 179	2i		2i		
2j. Other Income	2j		2j		
2k. Federally Exempt Interest Income	2k				
2l. Other Tax-Exempt Income	2l				
3. Income Subtotal (Add Lines 1 through 2l)	3		3		
4. Subtractions:					
4a. IRC Section 179 Expense	4a				
4b. Excess Meal & Entertainment Deduction	4b				
4c. Interest and Gains included in Line 3 from Obligations Exempt in New Jersey	4c				
4d. Charitable Contributions from Federal Schedule K-1	4d				
4e. New Jersey Allowable IRC Section 199 Deduction from New Jersey Form 501-GIT	4e				
4f. Other Subtractions–Specify	4f		4f		
4g. Total Subtractions (Add Lines 4a through 4f)	4g		4g		
5. Total (Line 3 minus Line 4g)	5		5		
6. Additions:					
6a. Interest Income from State and Municipal Bonds other than New Jersey	6a				
6b. Taxes Based on Income, Business Presence, or Activity	6b				
6c. Expenses Included on Line 3 and Incurred to Generate Tax-Exempt Income	6c				
6d. Losses Included on Line 3 from Obligations Exempt from Tax Pursuant to N.J.S.A. 54A:6-14 and 6-14.1	6d				
6e. Total Additions (Add Lines 6a through 6d)	6e				
7. Depreciation Adjustment from New Jersey Form GIT-DEP	7		7		
8A. New Jersey S Corporation Income (Loss) (Line 5 + Line 6e ± Line 7)	8A				
8B. Total Income, Gain/Loss From Disposition of Assets (Line 5 ± Line 7)			8B		

PART II—Determining New Jersey Allocated Income				
1A. New Jersey S Corporation Income from Line 8A, Part I	1A			
1B. Total Income, Gain/Loss From Disposition of Assets from Line 8B, Part I			1B	
2. Allocation Factor _____ %				
3A. S Corporation Income Allocated to New Jersey (Line 1A multiplied by Line 2)	3A			
3B. Income, Gain/Loss From Disposition of Assets Allocated to New Jersey (Line 1B multiplied by Line 2)			3B	
4A. S Corporation Income Not Allocated to New Jersey (Line 1A minus Line 3A)	4A			
4B. Income, Gain/Loss From Disposition of Assets Not Allocated to New Jersey (Line 1B minus Line 3B)			4B	

OBSOLETE

WORKSHEET C

NEW JERSEY ACCUMULATED ADJUSTMENTS ACCOUNT

1. Beginning balance ..... 1. _____
2. Net pro rata share of S corporation income ..... 2. _____
3. Other income/loss ..... 3. _____
4. Total Lines 1–3 ..... 4. _____
5. Other reductions ..... 5. _____
6. Distributions ..... 6. _____
7. Total Adjustments ..... 7. _____
8. Ending balance (Line 4 minus Line 7) ..... 8. _____

It is possible that your New Jersey AAA will have a negative ending balance.

WORKSHEET D

NEW JERSEY EARNINGS AND PROFITS ACCOUNT FOR NEW JERSEY SHAREHOLDERS OF AN ELECTING NEW JERSEY S CORPORATION

1. Beginning Balance on _____ ..... 1. _____
2. Other Additions/Adjustments ..... 2. _____
3. Total Lines 1 and 2 ..... 3. _____
4. Dividends Received ..... 4. _____
5. Ending Balance (Line 3 minus Line 4) ..... 5. _____

WORKSHEET E

NEW JERSEY EARNINGS AND PROFITS ACCOUNT FOR SHAREHOLDERS OF A NONELECTING FEDERAL S CORPORATION OR "HYBRID" CORPORATION

1. Beginning Balance on _____ ..... 1. _____
2. S corporation income allocated to New Jersey ..... 2. _____
3. Other Additions/Adjustments ..... 3. _____
4. Subtotal ..... 4. _____
5. Dividends Received ..... 5. _____
6. Ending Balance on _____ ..... 6. _____

OBSOLETE