

New Jersey Resident Return Examples (tax year 2004)

Bulletin GIT-11

Introduction

The New Jersey Gross Income Tax Act imposes tax on the income of resident and nonresident individuals and estates and trusts. Residents are subject to tax on all income regardless of where it was earned.

This bulletin illustrates the correct return completion of a 2004 New Jersey Resident Income Tax Return (Form NJ-1040) for full-year and part-year residents in selected situations. This bulletin does not cover completion of New Jersey's FAIR tenant rebate application (Form TR-1040), which can be found in the income tax return booklet.

There is no FAIR rebate application for homeowners in the income tax return booklet. FAIR rebate applications are mailed to homeowners at the end of April.

Important Changes

- *If you were a member of a domestic partnership that was registered in New Jersey on the last day of the tax year, you may claim an exemption for your domestic partner provided he or she does not file a New Jersey income tax return.*
- *The New Jersey gross income tax rates for all taxpayers with gross income over \$500,000 have increased.*

Filing Requirements

Every resident individual, even a minor, whose gross income received during the tax year is more than \$20,000 (\$10,000 if filing status is single or married, filing separate return), is required to file a New Jersey Resident Income Tax Return (Form NJ-1040). A full-year resident whose annual gross income is under the applicable minimum income filing threshold need not file a return except to claim a refund of taxes withheld or estimated taxes paid. You must also file a return to receive a New Jersey earned income tax credit even if you have no tax liability to New Jersey. For more information on gross income, see page 2.

A person who became a resident of this State or moved out of this State during the year may be required to file a New Jersey income tax return and pay tax on that portion of the income received while a resident of New Jersey. Part-year residents must prorate all exemptions, deductions, and credits, as well as the pension and other retirement income exclusions, to reflect the period covered by the return. For more information, see Tax Topic Bulletin GIT-6, *Part-Year Residents*.

Filing Status

If filing a Federal income tax return, the same filing status must be used on the New Jersey income tax return as on the Federal return. In general, if you are married and filing a joint Federal return, then a joint New Jersey return must be

filed. If you are married and filing separately for Federal purposes, then the “married, filing separate return” filing status must be used for New Jersey. If you are not filing a Federal return, use the same filing status that would have been used if a Federal return had been filed.

If you meet the requirements to file as head of household for Federal income tax purposes, you may file as head of household for New Jersey. Certain married individuals living apart may file as head of household for New Jersey if they meet the requirements to file as head of household for Federal purposes.

For information on filing status for Federal purposes, contact the Internal Revenue Service. For more information on filing status for New Jersey purposes, see Tax Topic Bulletin GIT-4, *Filing Status*.

Gross Income

For New Jersey purposes, gross income includes income received in the form of money, goods, property, benefits, and services. A New Jersey resident must report all taxable income received, whether from New Jersey sources or not, on the State return.

Taxable Income

Taxable income includes the following:

- Wages and other compensation
- Interest and dividends
- Earnings on nonqualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- Net profits from business, trade, or profession

- Net gains or income from sale or disposition of property
- Pensions, annuities, and IRA withdrawals
- Net distributive share of partnership income
- Net pro rata share of S corporation income
- Net rental, royalty, and copyright income
- Net gambling winnings
- Alimony
- Estate and trust income
- Income in respect of a decedent
- Prizes and awards, including scholarships and fellowships
- Value of residence provided by employer
- Fees for services rendered, including jury duty

New Jersey taxable income also **includes** the following which are not subject to Federal income tax:

- Interest from obligations of states and their political subdivisions, other than New Jersey and its political subdivisions
- Income earned by a resident from foreign employment
- Certain contributions to pensions and tax-deferred annuities
- Employee contributions to Federal Thrift Savings Funds, 403(b), 457, SEP, or any other type of retirement plan other than 401(k) Plans

Exempt Income

The following examples of exempt income should not be included when deciding if a return must be filed. With the exception of tax-exempt interest, these items should **not** appear anywhere on the State tax return.

- Federal Social Security
- Railroad Retirement (Tier 1 and Tier 2)
- United States military pensions and survivor's benefit payments
- Life insurance proceeds received because of a person's death
- Employee's death benefits
- Permanent and total disability, including VA benefits
- Temporary disability received from the State of New Jersey or as third party sick pay
- Worker's Compensation
- Gifts and inheritances
- Qualifying scholarships or fellowship grants
- New Jersey Lottery winnings
- Unemployment Compensation
- Interest and capital gains from:
 - (a) Obligations of the State of New Jersey or any of its political subdivisions; **or**
 - (b) Direct Federal obligations exempt under law, such as U.S. Savings Bonds and Treasury Bills, Notes, and Bonds
- Distributions paid by mutual funds to the extent the distributions are attributable to interest earned on Federal obligations
- Certain distributions from "New Jersey Qualified Investment Funds"
- Earnings on qualified withdrawals from qualified state tuition program accounts, including the New Jersey Better Educational Savings Trust Program (NJBEST) accounts
- Employer and employee contributions to 401(k) Salary Reduction Plans (but **not** Federal Thrift Savings Funds)
- Some benefits received from certain employer-provided cafeteria plans (but not salary reduction or premium conversion plans)
- Contributions to and distributions from Archer MSAs if they are excluded for Federal income tax purposes
- Direct payments and benefits received under homeless persons assistance programs
- Homestead rebates
- NJ SAVER rebates
- Property tax reimbursements (Senior Freeze Program)
- Income tax refunds (New Jersey, Federal, and other jurisdictions)
- New Jersey earned income tax credit payments
- Welfare
- Child support
- Amounts paid as reparations or restitution to Nazi Holocaust victims
- Assistance from a charitable organization, whether in the form of cash or property

Exemptions

Every resident taxpayer is allowed a personal exemption, even if that individual can be claimed as a dependent on another tax return. Taxpayers whose filing status is "married, filing joint return" are allowed an additional exemption for their spouse. A member of a domestic partnership that was registered in New Jersey on the last day of the tax year may claim an exemption for their domestic partner, but only if he or she does not file a New Jersey income tax return.

The additional exemptions for age, disability, or blindness may be claimed only by the taxpayer and/or spouse. These additional exemptions do

not apply to a domestic partner or to dependents. The exemption for dependents attending colleges is in addition to the exemption claimed for that child or other qualified dependent. This exemption applies **only** to dependents and does not apply to the taxpayer, spouse, and/or domestic partner.

Proof of Age. If either you or your spouse are eligible for an additional exemption for age, you must enclose proof of age such as a copy of a birth certificate, driver's license, or church records with your return the first time you claim the exemption.

Proof of Disability. If either you or your spouse are eligible for an additional exemption for disability or blindness, you must enclose a copy of the doctor's certificate or other medical records with your return the first time you claim the exemption.

Proof of Domestic Partnership. If you are able to claim an exemption for your domestic partner, you must enclose a copy of your New Jersey Certificate of Domestic Partnership with your return the first time you claim the exemption. You may be asked to provide additional information at a later date.

Deductions

- Certain nonreimbursed medical expenses that were paid during the year may be deducted on the New Jersey income tax return. However, only expenses exceeding 2% of gross income, as shown on Line 29 of Form NJ-1040, may be deducted.
- Qualified Archer medical savings account (MSA) contributions not in excess of 75% of the amount of your annual health plan deductible (65% if you have a self-only plan).
- Self-employed individuals and more-than-2% shareholders of S corporations are allowed a deduction (up to 100%) for the cost of health insurance for the taxpayer and the taxpayer's spouse or domestic partner and dependents, but only to the extent that the taxpayer has earned income derived from the business under which the insurance plan is established. A taxpayer may not deduct any amount paid for health insurance coverage for any month in which the taxpayer was eligible to participate in any subsidized health plan maintained by an employer of the taxpayer or the taxpayer's spouse or domestic partner.
- Court-ordered alimony and separate maintenance payments may be deducted if paid to a spouse or former spouse.
- Qualified conservation contributions of qualified real property interests in New Jersey property, to the extent that the contribution amount is deductible for Federal income tax purposes.

Property Tax Deduction/Credit

Eligible homeowners and tenants who pay property taxes, either directly or through rent, qualify for either a deduction or refundable credit. To be eligible for a property tax deduction or property tax credit:

- You must have been domiciled and maintained a principal residence as a homeowner or tenant in New Jersey during 2004; and
- Your principal residence, whether owned or rented, must be subject to local property taxes, and property taxes must have been paid on that residence either as actual property taxes or through rent; and

- Your rented dwelling must have its own separate kitchen and bath facilities; and
- Your gross income on Line 29, Form NJ-1040, is more than \$20,000 (\$10,000 if filing status is single or married, filing separate return), **or** you or your spouse were 65 years of age or older or blind or disabled on the last day of the tax year.

Taxpayers who were not 65 years of age or older or blind or disabled on the last day of the tax year, with gross income of \$20,000 or less (\$10,000 if filing status is single or married, filing separate return) are not eligible for a property tax credit.

Seniors or Blind/Disabled Persons not Required to File a Return. If either you or your spouse were 65 years of age or older or blind or disabled on the last day of the tax year, and your gross income on Line 29, Form NJ-1040, is \$20,000 or less (\$10,000 if filing status is single or married, filing separate return), and you satisfy the eligibility requirements, you qualify for a property tax credit in the amount of \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse).

If you are also eligible and file for a FAIR rebate, you will receive your property tax credit with your rebate. Do not claim the property tax credit on Form NJ-1040. However, if you are *not* eligible for a FAIR rebate because you were neither a homeowner nor a tenant on October 1, 2004, you may complete Form NJ-1040 and claim the property tax credit on Line 44.

Property Tax Reimbursement (Senior Freeze) Applicants. If you are eligible for a property tax reimbursement for 2004 and file your application on Form PTR-1, enter on Line 1, Schedule 1 (or Box 5a, Schedule A) the amount of your **2003 property taxes** as reported on Line 14 of your 2004 Property Tax Reimbursement Application, Form PTR-1. (For mobile home owners this is 18% of 2003 site fees.)

If you are eligible for a property tax reimbursement for 2004 and file your application on Form PTR-2, enter on Line 1, Schedule 1 (or Box 5a, Schedule A) the amount of your base year property taxes as reported on Line 11 of your 2004 Property Tax Reimbursement Application, Form PTR-2. (For mobile home owners this is 18% of base year site fees.)

NOTE: If you owned your home with someone other than your spouse or if your home consists of more than one unit, the amount of property taxes you report must reflect your percentage of ownership or the proportionate share of property taxes for the unit you occupy as your principal residence.

For more information, see the instruction booklet for Form NJ-1040. To listen to recorded information on this topic, call our Automated Tax Information System from a Touch-tone phone at 1-800-323-4400 within New Jersey, New York, Pennsylvania, Delaware, and Maryland or 609-826-4400 from anywhere.

Pensions, Annuities, and IRA Withdrawals

Pensions, annuities, and certain IRA withdrawals are taxable on the New Jersey return although the State taxable amount may differ from the Federal amount. All state and local government, teachers', and Federal pensions, and Keogh Plans are treated in the same manner as pensions from the private sector. For more information on pensions, annuities, and retirement income exclusions, see Tax Topic Bulletin GIT-1, *Pensions and Annuities*.

If you are receiving a United States military pension or survivor's benefit payments, the military pension or survivor's benefit is not taxable for New Jersey gross income tax purposes, regardless of your age or disability status. For more information on military pensions, see Tax Topic Bulletin GIT-7, *Military Personnel*.

For New Jersey purposes, an IRA consists of a nontaxable part (your contributions) and a taxable part (earnings plus certain amounts, if any, rolled over from pension plans). If your contributions have been previously taxed, only the portion of the distribution that represents earnings is taxable. However, a qualified distribution from a Roth IRA is excludable and does not have to be reported on your New Jersey return. For more information on IRA withdrawals, see Tax Topic Bulletin GIT-2, *IRA Withdrawals*, and Technical Bulletin TB-44, *Roth IRAs*.

Estimated Tax Payments

Individuals who expect their New Jersey gross income tax liability to be more than \$400 after taking into account all of their exemptions, deductions, credits, and payments for the tax

year are required to make quarterly estimated tax payments. This may include taxpayers who do not have sufficient New Jersey income tax withheld from their wages and/or pension, those who are self-employed, or those whose income is from sources such as interest, dividends, or capital gains. Estimated payments are filed quarterly in equal installments on a Declaration of Estimated Tax (Form NJ-1040-ES). For more information on New Jersey estimated tax payments, see Tax Topic Bulletin GIT-8, *Estimating Income Taxes*.

Credit for Taxes Paid to Other Jurisdictions

If income is earned in another jurisdiction, a credit may apply on the New Jersey return if, within the same year, the income was subject to both:

- Income or wage tax imposed by another jurisdiction outside of New Jersey; **and**
- New Jersey income tax.

For this purpose, "jurisdiction" means any state (other than New Jersey) of the United States or political subdivision of such state, or the District of Columbia. Therefore, no credit is allowed for taxes paid to the U.S. Government, Canada, Puerto Rico, or any other foreign country or territory. Taxpayers claiming a credit for taxes paid to other jurisdictions are not required to enclose a copy of the tax return(s) filed with the other jurisdiction. For more information on credit for taxes paid to other jurisdictions, see Tax Topic Bulletins GIT-3W, *Credit for Taxes Paid to Other Jurisdictions (Wage Income)*, and GIT-3B, *Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)*.

Pennsylvania residents: refer to Tax Topic Bulletin GIT-3W or GIT-3B and the resident return instruction booklet (Form NJ-1040-P) for information on the Reciprocal Personal Income Tax Agreement between the Commonwealth of Pennsylvania and the State of New Jersey.

New Jersey Earned Income Tax Credit

The New Jersey earned income tax credit is a credit for certain taxpayers who work and have earned income. The credit reduces the amount of tax you owe and may also give you a refund, even if you have no tax liability to New Jersey. If you are eligible and apply for a Federal earned income credit, you may also be eligible for a New Jersey earned income tax credit.

You are allowed a credit in the amount of 20% of your Federal earned income credit if:

- The filing status on both your Federal return and your New Jersey return is married, filing joint return, head of household, or qualifying widow(er); and
- Your gross income for the entire year from all sources was \$20,000 or less; and
- You have at least one “qualifying child” for purposes of the Federal earned income credit.

NOTE: If your filing status is single or married, filing separate return, you may not claim a New Jersey earned income tax credit.

You must file a New Jersey resident income tax return to receive a New Jersey earned income tax credit, even if you are not required to file a return because your gross income is below the minimum income filing threshold. (See *Filing Requirements* on page 1.)

If you asked the Internal Revenue Service to calculate your Federal earned income credit, be sure to fill in the oval at Line 2 on the Earned Income Tax Credit Schedule. The IRS will provide information to the Division of Taxation in October 2005. Please allow at least 4–6 weeks for the Division to process the information and issue a check for your New Jersey earned income tax credit.

Part-Year Residents. If you were a New Jersey resident for only part of the taxable year, and your gross income for the entire year from all sources was \$20,000 or less, you may qualify for a New Jersey earned income tax credit if you meet the other eligibility requirements. The amount of your credit must be prorated based upon the number of months you were a New Jersey resident. For this calculation 15 days or more is a month.

Sale of Home Exclusion

If you sell your principal residence, you may qualify to exclude all or part of any gain from your income regardless of age. Capital gain and the exclusion of all or part of the gain on the sale of a principal residence are computed in the same manner as for Federal income tax purposes. Any amount that is taxable for Federal purposes is taxable for New Jersey purposes. If you exclude any of the gain on the sale of your principal residence for Federal purposes, the same amount will be excluded for New Jersey purposes.

You can claim the exclusion if, during the 5-year period ending on the date of the sale, you have:

1. Owned the home for at least 2 years (the ownership test); and

2. Lived in the home as your principal residence for at least 2 years (the use test).

NOTE: If you owned and used the property as your principal residence for less than 2 years, and you qualify for a reduced exclusion for Federal purposes, you may claim a reduced exclusion for New Jersey purposes.

You can exclude up to \$250,000 (\$500,000 for certain married persons filing a joint return) of gain from the sale of your principal residence if **both 1 and 2** below apply.

1. Neither you nor your spouse if filing a joint return is excluding gain from the sale of another home.
2. You or your spouse if filing a joint return owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale.

If you are married, filing a joint return, **both** you and your spouse must meet the use test to qualify for the \$500,000 exclusion.

If only one spouse meets the ownership and use tests, the qualified spouse can exclude up to \$250,000 of the gain when filing either a joint return or a married, filing separate return.

You cannot exclude the gain on the sale of your principal residence if, during the 2-year period ending on the date of the sale, you sold another home at a gain and excluded all or part of that gain. If you cannot exclude the gain, you must include it in your income and complete Schedule B. Be sure the amount you report on Schedule B agrees with the amount shown on your Federal return. However, you can claim a reduced exclusion if you sold the home due to a change in health or place of employment and you qualify for a reduced exclusion for Federal purposes.

Return Preparation

The following are examples of completed resident returns (Forms NJ-1040) for various situations.

Example 1

Leonard Fisher (Age 63)

SS# 999-27-3660

Evelyn Fisher (Age 56)

SS# 999-62-8391

101 Blackwell Road, Apt. B

Cape May Point, NJ 08212 (Cape May County)

The Fishers are full-year residents of New Jersey and are married, filing a joint return, with no dependents.

Evelyn's wages	\$62,731
Joint taxable interest	15,426
Joint tax-exempt interest	7,900
Joint dividends	27,454
Leonard's pension:	
Received this year (3rd yr.)	36,000
Contributions to the pension	100,000
Employer's contributions to the pension	100,000
Leonard's Social Security	15,600
Loss from rental property 129 Bay Road Cape May, New Jersey	524
NJ income tax withholdings	3,136
Estimated tax payments	400
Property taxes paid	1,300
Rent paid	8,400

Mr. and Mrs. Fisher lived in their house, located at 18 King's Court, Cape May, New Jersey since August 9, 1976. On May 23, 2004, they sold the house for \$275,000. The cost basis on their Federal return was \$117,000. The Fishers may exclude up to \$500,000 of the gain from the sale of the principal residence for their filing status. Therefore, they will exclude the entire \$158,000 gain on the sale of their home on New Jersey

Schedule B. They will enclose Schedule B with their income tax return and keep a copy for their records.

In addition, they must enclose a completed New Jersey Schedule C showing rental loss from their rental property. The New Jersey Gross Income Tax Act does not allow losses to be claimed against gains in other categories of income; therefore, Mr. and Mrs. Fisher will make no entry for rental income on Line 22 of their return.

Mr. Fisher retired on December 31, 2001. For tax year 2002, he completed "Worksheet A" contained in the NJ-1040 resident income tax return instruction booklet to determine which pension method to use. He was able to use the Three-Year Rule Method and for the past two years he was not required to report any taxable pension on his State income tax return. Mr. and Mrs. Fisher did **not** submit "Worksheet A" with their income tax return but retained it for their records. This year they used the worksheet to help determine the taxable pension amount to be reported on this year's tax return. Mr. Fisher is eligible to exclude up to \$20,000, because his filing status is married, filing a joint return. He will use \$8,000 of the exclusion and make no entry for taxable pension on Line 19c of their return. The remainder of his pension exclusion (\$12,000) cannot be used as an Other Retirement Income Exclusion because the Fisher's earned income (total of: wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income) is more than \$3,000, as shown in Part I of "Worksheet D – Other Retirement Income Exclusion."

Worksheet A	
Which Pension Method to Use	
1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment	1. <u> \$108,000 </u>
2. Your contributions to the plan	2. <u> 100,000 </u>
3. Subtract line 2 from line 1	3. <u> 8,000 </u>
(a) If line 3 is "0" or more, <i>and</i> both you and your employer contributed to the plan, you may use the Three-Year Rule Method .	
(b) If line 3 is less than "0," or your employer did not contribute to the plan, you must use the General Rule Method .	

Worksheet D	
Other Retirement Income Exclusion*	
Age Requirement: 62 or older	
Part I	
1. Enter the amount from Line 14, NJ-1040	1. <u> 62,731 </u>
2. Enter the amount from Line 17, NJ-1040	2. <u> 0 </u>
3. Enter the amount from Line 20, NJ-1040	3. <u> 0 </u>
4. Enter the amount from Line 21, NJ-1040	4. <u> 0 </u>
5. Add lines 1, 2, 3, and 4	5. <u> 62,731 </u>
* Part-year residents, do not complete this worksheet. See instructions.	
STOP -	
<ul style="list-style-type: none"> ◆ If line 5 is MORE than \$3,000 — Do not complete Part II. Enter "0" on line 9 and continue with Part III. ◆ If line 5 is \$3,000 or LESS — Continue to Part II. 	

(Partial Worksheet)

New Jersey Resident Return Examples (tax year 2004)

Schedule 1-A

PART I: HOMEOWNERS

Principal residences you owned in New Jersey during 2004

Address	(1) Number of days in 2004 in this residence as an owner	(2) Share of property owned by you (and your spouse)	(3) Share of property used as your principal residence	(4) Total property taxes paid on this property for this period	(5) Your share of property taxes paid on this property for this period
1. 18 King's Ct. Cape May	144	1.00	1.00	1,300	1,300
2.					
3.					
4. Your share of total property taxes paid in 2004 for your principal residences (total of Column 5) Use this amount to complete either Line 1, Schedule 1 or Box 5a, Line 5, Schedule A.					1,300

PART II: TENANTS

Principal residences you rented in New Jersey during 2004

Address	(1) Number of days in 2004 in this residence as a tenant	(2) Total number of tenants who shared the rent	(3) Total rent paid by all people living in this residence during this period	(4) Total rent paid by you (and your spouse) for this residence during this period
5. 101 Blackwell Rd. Cape May Pt.	222	1	8,400	8,400
6.				
7.				
8. Your share of total rent paid in 2004 for your principal residences (total of Column 4) Use 18% of this amount to complete either Line 1, Schedule 1 or Box 5a, Line 5, Schedule A.				8,400

Schedule 1 – Property Tax Deduction/Credit

Complete both columns of this schedule to find out whether the Property Tax Deduction or the Property Tax Credit is better for you. **Do not complete this schedule if you claim a credit for taxes paid to other jurisdictions.** Complete Schedule A and Worksheet F.

1. **Property Tax.** Enter the property taxes you paid in 2004. Renters enter 18% of rent paid in 2004.
See instructions. (Complete Schedule 1-A before entering an amount here if you had more than one New Jersey residence during the year or if your principal residence(s) had multiple owners, multiple units, or multiple tenants.) 1. 2,812
2. **Property Tax Deduction.** Enter the amount from Line 1 or \$10,000, whichever is less.
 Also enter this amount on Line 4, Column A below. **See instructions.** 2. 2,812

	Column A	Column B
3. Taxable Income (Copy from Line 35 of your NJ-1040)	3. 103,611	3. 103,611
4. Property Tax Deduction (Copy from Line 2 of this schedule)	4. 2,812	4. - 0 -
5. Taxable Income After Property Tax Deduction (Subtract Line 4 from Line 3)	5. 100,799	5. 103,611
6. Tax you would pay on Line 5 amount (enter amount from Tax Table/Tax Rate Schedules)	6. 2,794	6. 2,950
7. Subtract Line 6, Column A from Line 6, Column B and enter the result here		7. 156

8. **Is the Line 7 amount \$50 or more (\$25 if filing status is married, filing separate and you maintain the same residence as your spouse)?**

Yes. You receive a greater tax benefit by taking the Property Tax Deduction. Make the following entries on Form NJ-1040.

<p style="text-align: center;"><i>Form NJ-1040</i></p> <p>Line 36 Line 37 Line 38 Line 44</p>	<p style="text-align: center;"><i>Enter amount from:</i></p> <p>Line 4, Column A Line 5, Column A Line 6, Column A Make no entry</p>
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No. You receive a greater tax benefit from the Property Tax Credit. (**Part-year residents**, see instructions before answering "No.") Make the following entries on Form NJ-1040.

<p style="text-align: center;"><i>Form NJ-1040</i></p> <p>Line 36 Line 37 Line 38 Line 44</p>	<p style="text-align: center;"><i>Enter amount from:</i></p> <p>Make no entry Line 5, Column B Line 6, Column B \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse). Part-year residents, see instructions.</p>
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In order to determine whether it is better to claim the property tax deduction or the property tax credit, Mr. and Mrs. Fisher complete Schedule 1. Since they lived at more than one qualifying New Jersey residence during the tax year, they must also complete Schedule 1-A to determine the amount of property taxes for Line 1, Schedule 1. Both Schedules 1 and 1-A are contained in the NJ-1040 resident income tax return instruction booklet. The Fishers determined that they will receive a greater tax benefit by taking the property tax deduction.

The following pages show how Mr. and Mrs. Fisher will complete their State income tax return. After taking credit for Mrs. Fisher's withholdings and their joint estimated tax payments, they will be entitled to a refund of \$742. However, they are requesting that a \$10 donation be made to each of the five specified check-offs and to the designated fund of their choice. They will receive a refund of \$682.

Since they have taxable income of more than \$100,000, the Fishers will be required to use the New Jersey Tax Rate Schedules rather than the New Jersey Tax Table to calculate their tax liability.

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27. Total Income (From Line 26, Page 1)	27				1	0	5	6	1	1	0	0
28. Other Retirement Income Exclusion (See Worksheet and instructions)	28											
29. New Jersey Gross Income (Subtract Line 28 from Line 27)	29				1	0	5	6	1	1	0	0
See instructions.												
30a. Exemptions: From Line 12a <u>2</u> × \$1,000 = <u>2,000</u>												
30b. From Line 12b _____ × \$1,500 = _____												
30c. Total Exemption Amount (Add Line 30a and Line 30b)	30c		2		0	0	0	0	0	0	0	0
Part-Year Residents see instructions.												
31. Medical Expenses (See Worksheet and instructions)	31											
32. Alimony and Separate Maintenance Payments	32											
33. Qualified Conservation Contribution	33											
34. Total Exemptions and Deductions (Add Lines 30c, 31, 32, and 33)	34		2		0	0	0	0	0	0	0	0
35. Taxable Income (Subtract Line 34 from Line 29)	35				1	0	3	6	1	1	0	0
If zero or less, MAKE NO ENTRY.												
36. Property Tax Deduction (See instructions)	36		2		8	1	2	0	0	0	0	0
37. NEW JERSEY TAXABLE INCOME (Subtract Line 36 from Line 35)	37				1	0	0	7	9	9	0	0
If zero or less, MAKE NO ENTRY.												
38. TAX (From Tax Table)	38			2	7	9	4	0	0	0	0	0
39. Credit For Income Taxes Paid to Other Jurisdictions (See instructions)	39											
40. Balance of Tax (Subtract Line 39 from Line 38)	40			2	7	9	4	0	0	0	0	0
41. Use Tax Due on Out-of-State Purchases (See instructions)	41						0	0	0	0	0	0
If no Use Tax, enter ZERO (0.00).												
42. Total Tax (Add Line 40 and Line 41)	42			2	7	9	4	0	0	0	0	0
43. Total New Jersey Income Tax Withheld (Enclose Forms W-2 and 1099-R)	43			3	1	3	6	0	0	0	0	0
44. Property Tax Credit (See instructions)	44											
45. New Jersey Estimated Tax Payments/Credit from 2003 tax return	45				4	0	0	0	0	0	0	0
Fill in <input type="radio"/> if Form NJ-2210 is enclosed.												
46. New Jersey Earned Income Tax Credit (See schedule Page 3)	46											
47. EXCESS New Jersey UI/HC/WD Withheld (See instructions) (Enclose Form NJ-2450)	47											
48. EXCESS New Jersey Disability Insurance Withheld (See instructions)	48											
(Enclose Form NJ-2450)												
49. Total Payments/Credits (Add Lines 43 through 48)	49			3	5	3	6	0	0	0	0	0

New Jersey Resident Return Examples (tax year 2004)

Name(s) as shown on Form NJ-1040 Fisher, Leonard and Evelyn	Your Social Security Number 999 27 3660
50. If payments (Line 49) are LESS THAN tax (Line 42) enter AMOUNT OF TAX YOU OWE Fill in <input type="radio"/> if paying by e-check or credit card. If you owe tax, you may make a donation by entering an amount on Lines 53, 54, 55, 56, 57, and/or 58 and adding this to your payment amount.	50 <input type="text"/>
51. If payments (Line 49) are MORE THAN tax (Line 42) enter OVERPAYMENT	51 <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 7 4 2 <input type="text"/> <input type="text"/>
Deductions from Overpayment on Line 51 which you elect to credit to:	52 <input type="text"/>
52. Your 2005 tax	52 <input type="text"/>
53. N.J. Endangered Wildlife Fund <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	53 <input type="text"/> <input type="text"/> 1 0 <input type="text"/> <input type="text"/>
54. N.J. Children's Trust Fund To Prevent Child Abuse <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	54 <input type="text"/> <input type="text"/> 1 0 <input type="text"/> <input type="text"/>
55. N.J. Vietnam Veterans' Memorial Fund <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	55 <input type="text"/> <input type="text"/> 1 0 <input type="text"/> <input type="text"/>
56. N.J. Breast Cancer Research Fund <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	56 <input type="text"/> <input type="text"/> 1 0 <input type="text"/> <input type="text"/>
57. U.S.S. New Jersey Educational Museum Fund <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	57 <input type="text"/> <input type="text"/> 1 0 <input type="text"/> <input type="text"/>
58. Other Designated Contribution <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other See instructions	58 <input type="text"/> <input type="text"/> 0 1 <input type="text"/> <input type="text"/>
59. Total Deductions from Overpayment (Add Lines 52 through 58)	59 <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 6 0 <input type="text"/> <input type="text"/>
60. REFUND (Amount to be sent to you, Line 51 LESS Line 59)	60 <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 6 8 2 <input type="text"/> <input type="text"/>

EARNED INCOME TAX CREDIT SCHEDULE

You may be eligible for the New Jersey Earned Income Tax Credit if you claimed the Federal Earned Income Credit for 2004, your gross income on Line 29, Form NJ-1040 is \$20,000 or less, and your filing status for New Jersey is the same as your filing status on your Federal income tax return. Complete this schedule to see if you are eligible. You are not eligible for the New Jersey Earned Income Tax Credit if your filing status is single or married, filing separate return or if you answer "No" to question 1 below. See instructions.

1. Did you file a 2004 Federal Schedule EIC on which you listed at least one "qualifying child"? ← Yes ← No
2. Fill in oval if you had the IRS figure your Federal Earned Income Credit
3. Enter the amount of Federal Earned Income Credit from your 2004 Federal Form 1040 or 1040A
4. Enter 20% of amount on Line 3 here and on Page 2, Line 46

Under the penalties of perjury, I declare that I have examined this income tax return and FAIR application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete and that I occupied the rental property for which I am applying for the FAIR rebate as my principal residence on October 1, 2004. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

→ _____
Your Signature Date

→ _____
Spouse's Signature (if filing jointly, BOTH must sign) Date

Pay amount on Line 50 in full. Write social security number(s) on check or money order and make payable to:

STATE OF NEW JERSEY - TGI
Mail your check or money order with your NJ-1040-V payment voucher and your return to:
NJ Division of Taxation
Revenue Processing Center
PO Box 111
Trenton, NJ 08645-0111

IF REFUND:
NJ Division of Taxation
Revenue Processing Center
PO Box 555
Trenton, NJ 08647-0555
You may also pay by e-check or credit card. For more information go to: www.state.nj.us/treasury/taxation

Schedule B		NET GAINS OR INCOME FROM DISPOSITION OF PROPERTY		List the net gains or income, less net loss, derived from the sale, exchange, or other disposition of property including real or personal whether tangible or intangible.			
1.	a. Kind of property and description	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price	e. Cost or other basis as adjusted (see instructions) and expense of sale	f. Gain or (loss) (d less e)	
	Sale of Home 18 King's Ct. Cape May	8/9/76	5/23/04	275,000	117,000	158,000	00
	*Less Sale of Principal Residence exclusion					(158,000)	00
2.	Capital Gains Distributions					2.	
3.	Other Net Gains					3.	
4.	Net Gains (Add Lines 1, 2, and 3) (Enter here and on Line 18. If loss enter ZERO here and make no entry on Line 18)					4.	0 00

Schedule C		NET GAINS OR INCOME FROM RENTS, ROYALTIES, PATENTS AND COPYRIGHTS		List the net gains or net income, less net loss, derived from or in the form of rents, royalties, patents, and copyrights as reported on your Federal Income Tax Return. If you have passive losses for Federal purposes, see instructions.			
1.	a. Kind of Property	b. Net Rental Income (Loss)	c. Net Income From Royalties	d. Net Income From Patents	e. Net Income From Copyrights		
	Rental Property 129 Bay Rd. Cape May	(524)					
2.	Totals	b. (524)	c.	d.	e.		
3.	Net income (Combine Columns b, c, d, and e) (Enter here and on Line 22. If loss enter ZERO here and make no entry on Line 22)					3.	0

Example 2

Henry James (Age 65)

SS# 999-21-2351

Mary James (Age 64)

SS# 999-35-1443

125 Madison Street

Morris, NJ 07082 (Morris County)

Mr. and Mrs. James are full-year residents of New Jersey and are married, filing a joint return, with no dependents.

Henry's wages	\$2,940
Joint taxable interest	1,000
Joint exempt interest	3,500
Joint dividends	2,500
Mary's fully taxable pension	2,500
Henry's fully taxable pension	6,000
Henry's 1st year IRA withdrawal	1,200
Total joint Social Security	17,500
NJ income tax withholdings	45
Rent paid	9,600

The value of Henry's traditional IRA on December 31, 2004, was \$12,455 with previously taxed contributions in the amount of \$10,000. Part I of "Worksheet C - IRA Withdrawals" contained in the NJ-1040 resident income tax return instruction booklet must be completed to determine the taxable portion of the IRA withdrawal. Mr. and Mrs. James will retain the worksheet with their tax records and use the information in Part I of the worksheet to complete Part II of the worksheet next year.

They will combine the taxable portion of the IRA withdrawal with their fully taxable pensions to arrive at the total taxable pension to be reported on Line 19a of the State income tax return. After determining the taxable amount,

they will be able to use the pension exclusion to exclude up to \$20,000.

Because Mr. and Mrs. James have less than \$20,000 in taxable pension to report on their tax return, they will complete "Worksheet D - Other Retirement Income Exclusion" contained in the NJ-1040 resident income tax return instruction booklet to see if they qualify for an additional exclusion.

As New Jersey residents with gross income of less than \$20,000 for the year, Mr. and Mrs. James have no tax liability to New Jersey but will file the tax return to claim a refund of withholdings.

Mr. and Mrs. James will not complete Schedule 1 (located in the NJ-1040 resident income tax return instruction booklet) to determine whether to take a property tax deduction or a property tax credit as their income is below the minimum filing threshold of \$20,000. They are, however, eligible for a property tax credit of \$50, which will be paid with their FAIR tenant rebate (provided they complete and file a rebate application, Form TR-1040, on or before January 17, 2006). The Jameses will receive their property tax credit in their FAIR tenant rebate check even though they are filing an income tax return.

Since Mr. James is claiming the "Age 65 or Older" exemption for the first time for tax year 2004, he must enclose proof of age with the return. (See *Exemptions* on page 3 for acceptable documentation.)

The following pages show how Mr. and Mrs. James will complete their worksheets and tax return.

Worksheet C – IRA Withdrawals	
2004	
Part I	
1. Value of IRA on 12/31/04. Include contributions made for the tax year from 1/1/05 – 4/15/05	1. <u>12,455</u>
2. Total distributions from IRA during the tax year. Do not include tax-free rollovers	2. <u>1,200</u>
3. Total value of IRA. Add lines 1 and 2	3. <u>13,655</u>
Unrecovered Contributions: Complete either line 4a or 4b.	
4a. First year of withdrawal from IRA: Enter the total of IRA contributions that were previously taxed	4a. <u>10,000</u>
4b. After first year of withdrawal from IRA: Complete Part II. Enter amount of unrecovered contributions from Part II, line (g)*	4b. _____
5. Accumulated earnings in IRA on 12/31/04. Subtract either line 4a or 4b from line 3	5. <u>3,655</u>
6. Divide line 5 by line 3 and enter the result as a decimal	6. <u>.268</u>
7. Taxable portion of this year's withdrawal. Multiply line 2 by decimal amount on line 6. Enter here and on Line 19a, Form NJ-1040	7. <u>322</u>
(Keep a copy of this worksheet for your records)	

(Partial Worksheet)

Worksheet D	
Other Retirement Income Exclusion*	
Age Requirement: 62 or older	
Part I	
1. Enter the amount from Line 14, NJ-1040	1. <u>2,940</u>
2. Enter the amount from Line 17, NJ-1040	2. <u>0</u>
3. Enter the amount from Line 20, NJ-1040	3. <u>0</u>
4. Enter the amount from Line 21, NJ-1040	4. <u>0</u>
5. Add lines 1, 2, 3, and 4	5. <u>2,940</u>
* Part-year residents do not complete this worksheet. See instructions.	
STOP -	
♦ If line 5 is MORE than \$3,000 — Do not complete Part II. Enter "0" on line 9 and continue with Part III.	
♦ If line 5 is \$3,000 or LESS — Continue to Part II.	
Part II	
6. Enter: if your filing status is:	
\$20,000 Married, filing joint return	
\$15,000 Single; Head of household; Qualifying widow(er)	
\$10,000 Married, filing separate return	6. <u>20,000</u>
7. Enter the amount from Line 19b, NJ-1040	7. <u>8,822</u>
8. Subtract line 7 from line 6. Enter the difference here and on line 9 (Part III). If zero, enter "0"	8. <u>11,178</u>
Part III	
9. Unclaimed Pension Exclusion (from line 8)	9. <u>11,178</u>
10a. Are you (and/or your spouse, if filing jointly) now receiving, or will you (and/or your spouse, if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?	
<input type="checkbox"/> No — Continue with item 10b	
<input checked="" type="checkbox"/> Yes — Enter "0" on line 10 and continue with line 11	
10b. Would you (and your spouse, if filing jointly) be receiving, or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?	
<input type="checkbox"/> No — Enter "0" on line 10 and continue with line 11	
<input type="checkbox"/> Yes — Enter on line 10 the amount of exclusion for your filing status shown below and continue with line 11	
Enter: if your filing status is:	
\$ 6,000 Married, filing joint return; Head of household; Qualifying widow(er)	
\$ 3,000 Single; Married, filing separate return	10. <u>0</u>
11. Other Retirement Income Exclusion.	
Add lines 9 and 10. Enter here and on Line 28, NJ-1040.	
If the amount here is zero, make no entry on Line 28	11. <u>11,178</u>

**NJ-1040
2004**

**STATE OF NEW JERSEY
INCOME TAX-RESIDENT RETURN**

Your Social Security Number <table border="1" style="width:100%; text-align: center;"> <tr><td>9</td><td>9</td><td>9</td><td>-</td><td>2</td><td>1</td><td>-</td><td>2</td><td>3</td><td>5</td><td>1</td></tr> </table>	9	9	9	-	2	1	-	2	3	5	1	Last Name, First Name, and Initial <small>(Joint filers enter first name and initial of each - Enter spouse last name ONLY if different)</small> <p style="text-align: center; font-size: 1.2em;">James, Henry and Mary</p>							
9	9	9	-	2	1	-	2	3	5	1									
Spouse's Social Security Number <table border="1" style="width:100%; text-align: center;"> <tr><td>9</td><td>9</td><td>9</td><td>-</td><td>3</td><td>5</td><td>-</td><td>1</td><td>4</td><td>4</td><td>3</td></tr> </table>	9	9	9	-	3	5	-	1	4	4	3	Home Address <small>(Number and Street, including apartment number or rural route)</small> <p style="text-align: center; font-size: 1.2em;">125 Madison St.</p>							
9	9	9	-	3	5	-	1	4	4	3									
County/Municipality Code <small>(See Table)</small> <table border="1" style="width:100%; text-align: center;"> <tr><td>1</td><td>4</td><td>2</td><td>2</td></tr> </table>	1	4	2	2	City, Town, Post Office <p style="text-align: center; font-size: 1.2em;">Morris</p>	State <p style="text-align: center; font-size: 1.2em;">NJ</p>	Zip Code <p style="text-align: center; font-size: 1.2em;">07082</p>												
1	4	2	2																
(Fill in only one) 1. <input type="radio"/> Single 2. <input checked="" type="radio"/> Married, filing joint return 3. <input type="radio"/> Married, filing separate return Enter Spouse's Social Security Number in the boxes provided above 4. <input type="radio"/> Head of household 5. <input type="radio"/> Qualifying widow(er)	6. Regular <input checked="" type="radio"/> Yourself <input checked="" type="radio"/> Spouse <input type="radio"/> Domestic Partner 7. Age 65 or Over <input checked="" type="radio"/> Yourself <input type="radio"/> Spouse 8. Blind or Disabled <input type="radio"/> Yourself <input type="radio"/> Spouse 9. Number of your qualified dependent children 10. Number of other dependents 11. Dependents attending colleges 12. Totals <small>(For Line 12a - Add Lines 6, 7, 8, and 11) (For Line 12b - Add Lines 9 and 10).....</small>	<table border="1" style="width:100%; text-align: center;"> <tr><td>6</td><td>2</td><td rowspan="3" style="font-size: 0.8em;">ENTER NUMBERS HERE</td></tr> <tr><td>7</td><td>1</td></tr> <tr><td>8</td><td></td></tr> </table> <table border="1" style="width:100%; text-align: center;"> <tr><td>9</td><td></td></tr> <tr><td>10</td><td></td></tr> </table> <table border="1" style="width:100%; text-align: center;"> <tr><td>11</td><td></td></tr> <tr><td>12a</td><td>3</td><td>12b</td><td></td></tr> </table>	6	2	ENTER NUMBERS HERE	7	1	8		9		10		11		12a	3	12b	
6	2	ENTER NUMBERS HERE																	
7	1																		
8																			
9																			
10																			
11																			
12a	3	12b																	
RESIDENCY STATUS 13. If you were a New Jersey resident for ONLY part of the taxable year, give the period of New Jersey residency: From <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table> / <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table> / <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table> To <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table> / <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table> / <table border="1" style="display: inline-table; width: 20px; height: 20px; text-align: center;"> </table>																			
GUBERNATORIAL ELECTIONS FUND Do you wish to designate \$1 of your taxes for this fund? <input checked="" type="radio"/> Yes <input type="radio"/> No If joint return, does your spouse wish to designate \$1? <input checked="" type="radio"/> Yes <input type="radio"/> No <div style="float: right; font-size: 0.8em;"> Note: If you fill in the Yes oval(s) it will not increase your tax or reduce your refund. </div>																			

14. Wages, salaries, tips, and other employee compensation (Enclose W-2)	14	2	9	4	0	0	0
15a. Taxable interest income (See instructions)	15a	1	0	0	0	0	0
15b. Tax-exempt interest income (See instructions) DO NOT include on Line 15a	15b	3	5	0	0	0	0
16. Dividends	16	2	5	0	0	0	0
17. Net profits from business (Enclose copy of Federal Schedule C, Form 1040)	17						
18. Net gains or income from disposition of property (Schedule B, Line 4)	18						
19. Pensions, Annuities and IRA Withdrawals	19a	8	8	2	2	0	0
a. Taxable Amount Received	19b	8	8	2	2	0	0
b. Less N.J. Pension Exclusion	19c						
c. Subtract Line 19b from Line 19a	20						
20. Distributive Share of Partnership Income (See instructions)	21						
21. Net pro rata share of S Corporation Income (See instructions)	22						
22. Net gain or income from rents, royalties, patents & copyrights (Schedule C, Line 3)	23						
23. Net Gambling Winnings	24						
24. Alimony and separate maintenance payments received	25						
25. Other (See instructions)	26	6	4	4	0	0	0
26. Total Income (Add Lines 14, 15a, 16, 17, 18, 19c, 20, 21, 22, 23, 24, and 25)							

New Jersey Resident Return Examples (tax year 2004)

NJ-1040 (2004) Page 2

27. Total Income (From Line 26, Page 1)	27	6	4	4	0	0	0
28. Other Retirement Income Exclusion (See Worksheet and instructions)	28	1	1	1	7	8	0
29. New Jersey Gross Income (Subtract Line 28 from Line 27)	29						
30a. Exemptions: From Line 12a _____ x \$1,000 = _____							
30b. From Line 12b _____ x \$1,500 = _____							
30c. Total Exemption Amount (Add Line 30a and Line 30b)	30c						
31. Medical Expenses (See Worksheet and instructions)	31						
32. Alimony and Separate Maintenance Payments	32						
33. Qualified Conservation Contribution	33						
34. Total Exemptions and Deductions (Add Lines 30c, 31, 32, and 33)	34						
35. Taxable Income (Subtract Line 34 from Line 29)	35						
If zero or less, MAKE NO ENTRY.							
36. Property Tax Deduction (See instructions)	36						
37. NEW JERSEY TAXABLE INCOME (Subtract Line 36 from Line 35)	37						
If zero or less, MAKE NO ENTRY.							
38. TAX (From Tax Table)	38						
39. Credit For Income Taxes Paid to Other Jurisdictions (See instructions)	39						
40. Balance of Tax (Subtract Line 39 from Line 38)	40						
41. Use Tax Due on Out-of-State Purchases (See instructions)	41				0	0	0
If no Use Tax, enter ZERO (0.00).							
42. Total Tax (Add Line 40 and Line 41)	42						
43. Total New Jersey Income Tax Withheld (Enclose Forms W-2 and 1099-R)	43			4	5	0	0
44. Property Tax Credit (See instructions)	44						
45. New Jersey Estimated Tax Payments/Credit from 2003 tax return	45						
Fill in <input type="radio"/> if Form NJ-2210 is enclosed.							
46. New Jersey Earned Income Tax Credit (See schedule Page 3)	46						
47. EXCESS New Jersey UI/HC/WD Withheld (See instructions) (Enclose Form NJ-2450)	47						
48. EXCESS New Jersey Disability Insurance Withheld (See instructions) (Enclose Form NJ-2450)	48						
49. Total Payments/Credits (Add Lines 43 through 48)	49			4	5	0	0

Name(s) as shown on Form NJ-1040 James, Henry and Mary		Your Social Security Number 999 21 2351			
50. If payments (Line 49) are LESS THAN tax (Line 42) enter AMOUNT OF TAX YOU OWE	50				
Fill in <input type="radio"/> if paying by e-check or credit card. If you owe tax, you may make a donation by entering an amount on Lines 53, 54, 55, 56, 57, and/or 58 and adding this to your payment amount.					
51. If payments (Line 49) are MORE THAN tax (Line 42) enter OVERPAYMENT	51			4 5	0 0
Deductions from Overpayment on Line 51 which you elect to credit to:					
52. Your 2005 tax	52				
53. N.J. Endangered Wildlife Fund	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
54. N.J. Children's Trust Fund To Prevent Child Abuse	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
55. N.J. Vietnam Veterans' Memorial Fund	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
56. N.J. Breast Cancer Research Fund	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
57. U.S.S. New Jersey Educational Museum Fund	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
58. Other Designated Contribution	<input type="checkbox"/>	\$10	<input type="checkbox"/>	\$20	<input type="checkbox"/>
See instructions					
59. Total Deductions from Overpayment (Add Lines 52 through 58)	59				
60. REFUND (Amount to be sent to you, Line 51 LESS Line 59)	60			4 5	0 0

ENTER
AMOUNT
OF
CONTRIBUTION

EARNED INCOME TAX CREDIT SCHEDULE

You may be eligible for the New Jersey Earned Income Tax Credit if you claimed the Federal Earned Income Credit for 2004, your gross income on Line 29, Form NJ-1040 is \$20,000 or less, and your filing status for New Jersey is the same as your filing status on your Federal income tax return. Complete this schedule to see if you are eligible. You are not eligible for the New Jersey Earned Income Tax Credit if your filing status is single or married, filing separate return or if you answer "No" to question 1 below. See instructions.

- Did you file a 2004 Federal Schedule EIC on which you listed at least one "qualifying child"? ← Yes ← No
- Fill in oval if you had the IRS figure your Federal Earned Income Credit
- Enter the amount of Federal Earned Income Credit from your 2004 Federal Form 1040 or 1040A ,
- Enter 20% of amount on Line 3 here and on Page 2, Line 46

<p>Under the penalties of perjury, I declare that I have examined this income tax return and FAIR application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete and that I occupied the rental property for which I am applying for the FAIR rebate as my principal residence on October 1, 2004. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.</p> <p>→ _____ Your Signature Date</p> <p>→ _____ Spouse's Signature (if filing jointly, BOTH must sign) Date</p>	<p>Pay amount on Line 50 in full. Write social security number(s) on check or money order and make payable to: STATE OF NEW JERSEY - TGI Mail your check or money order with your NJ-1040-V payment voucher and your return to: NJ Division of Taxation Revenue Processing Center PO Box 111 Trenton, NJ 08645-0111 IF REFUND: NJ Division of Taxation Revenue Processing Center PO Box 555 Trenton, NJ 08647-0555 You may also pay by e-check or credit card. For more information go to: www.state.nj.us/treasury/taxation</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Example 3

Albert Benson (Age 45)
SS# 999-78-5543
12 Terrace View Lane
Houston, TX 77052

Mr. Benson was a part-year resident of New Jersey. He lived here from December 1, 2004, to December 31, 2004. Mr. Benson files as head of household with 1 dependent child attending college full time (age 19).

While a New Jersey resident:

Albert's wages (from Phila.).....	\$ 4,300
Albert's wages (from NJ)	2,000
Unreimbursed medical expenses	300
Taxable interest.....	50
New Jersey Lottery winnings.....	350
Total NJ income tax withheld.....	20
Philadelphia wage tax paid	165
Rent paid (one month)	750

Income earned while a nonresident:

(from outside New Jersey) \$ 65,000

Although Mr. Benson had gross income of less than \$20,000 while a New Jersey resident, his gross income for the entire year was over that amount. He is required to file a New Jersey resident tax return for the time he lived in New Jersey and will prorate all deductions and exemptions.

Mr. Benson may deduct unreimbursed medical expenses paid during the period of time he lived in New Jersey in excess of 2% of his New Jersey income. To arrive at that figure, he will complete "Worksheet E - Deduction for Medical Expenses" in the NJ-1040 resident income tax return instruction booklet.

Mr. Benson works in Philadelphia and must pay a Philadelphia wage tax on his salary. To calculate the amount of his credit for taxes paid to another jurisdiction, Mr. Benson will complete a New Jersey Schedule A. In order to determine the amount of salary actually taxed by Philadelphia (to be entered on Line 1 of Schedule A), the amount of wage tax deducted from Mr. Benson's salary must be divided by the Philadelphia nonresident tax rate (.038801 from January 1 to December 31, 2004).

The following pages show how Mr. Benson will complete his State tax return, New Jersey Schedule A, Worksheet F, and Worksheet E. When Mr. Benson completes Schedule A, he determines that he will receive a greater tax benefit by taking a Property Tax Credit in the amount of \$4 which, along with \$20 in New Jersey withholdings, will be applied against his \$27 tax liability. A balance of \$3 is due with his return but Mr. Benson will enclose a check for \$23 so that he can donate \$20 to the New Jersey Children's Trust Fund.

New Jersey Resident Return Examples (tax year 2004)

NJ-1040 (2004) Page 2

27. Total Income (From Line 26, Page 1)	27	6	3	5	0	0	0
28. Other Retirement Income Exclusion (See Worksheet and instructions)	28						
29. New Jersey Gross Income (Subtract Line 28 from Line 27)	29	6	3	5	0	0	0
See instructions.							
30a. Exemptions: From Line 12a <u>2</u> × \$1,000 = <u>2,000</u>							
30b. From Line 12b <u>1</u> × \$1,500 = <u>1,500</u>							
30c. Total Exemption Amount (Add Line 30a and Line 30b)	30c	2	9	2	0	0	0
Part-Year Residents see instructions.							
31. Medical Expenses (See Worksheet and instructions)	31	1	7	3	0	0	0
32. Alimony and Separate Maintenance Payments	32						
33. Qualified Conservation Contribution	33						
34. Total Exemptions and Deductions (Add Lines 30c, 31, 32, and 33)	34	4	6	5	0	0	0
35. Taxable Income (Subtract Line 34 from Line 29)	35	5	8	8	5	0	0
If zero or less, MAKE NO ENTRY.							
36. Property Tax Deduction (See instructions)	36						
37. NEW JERSEY TAXABLE INCOME (Subtract Line 36 from Line 35)	37	5	8	8	5	0	0
If zero or less, MAKE NO ENTRY.							
38. TAX (From Tax Table)	38	8	2	0	0	0	0
39. Credit For Income Taxes Paid to Other Jurisdictions (See instructions)	39	5	5	0	0	0	0
40. Balance of Tax (Subtract Line 39 from Line 38)	40	2	7	0	0	0	0
41. Use Tax Due on Out-of-State Purchases (See instructions)	41	0	0	0	0	0	0
If no Use Tax, enter ZERO (0.00).							
42. Total Tax (Add Line 40 and Line 41)	42	2	7	0	0	0	0
43. Total New Jersey Income Tax Withheld (Enclose Forms W-2 and 1099-R)	43	2	0	0	0	0	0
44. Property Tax Credit (See instructions)	44	4	0	0	0	0	0
45. New Jersey Estimated Tax Payments/Credit from 2003 tax return	45						
Fill in <input type="radio"/> if Form NJ-2210 is enclosed.							
46. New Jersey Earned Income Tax Credit (See schedule Page 3)	46						
47. EXCESS New Jersey UI/HC/WD Withheld (See instructions) (Enclose Form NJ-2450)	47						
48. EXCESS New Jersey Disability Insurance Withheld (See instructions)	48						
(Enclose Form NJ-2450)							
49. Total Payments/Credits (Add Lines 43 through 48)	49	2	4	0	0	0	0

Name(s) as shown on Form NJ-1040 Benson, Albert	Your Social Security Number 999 78 5543
50. If payments (Line 49) are LESS THAN tax (Line 42) enter AMOUNT OF TAX YOU OWE Fill in <input type="radio"/> if paying by e-check or credit card. If you owe tax, you may make a donation by entering an amount on Lines 53, 54, 55, 56, 57, and/or 58 and adding this to your payment amount.	50 3 0 0
51. If payments (Line 49) are MORE THAN tax (Line 42) enter OVERPAYMENT	51
Deductions from Overpayment on Line 51 which you elect to credit to:	52
52. Your 2005 tax	52
53. N.J. Endangered Wildlife Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	53
54. N.J. Children's Trust Fund To Prevent Child Abuse <input type="checkbox"/> \$10 <input checked="" type="checkbox"/> \$20 <input type="checkbox"/> Other	54 2 0 0 0
55. N.J. Vietnam Veterans' Memorial Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	55
56. N.J. Breast Cancer Research Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	56
57. U.S.S. New Jersey Educational Museum Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	57
58. Other Designated Contribution <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other See instructions	58
59. Total Deductions from Overpayment (Add Lines 52 through 58)	59
60. REFUND (Amount to be sent to you, Line 51 LESS Line 59)	60

EARNED INCOME TAX CREDIT SCHEDULE

You may be eligible for the New Jersey Earned Income Tax Credit if you claimed the Federal Earned Income Credit for 2004, your gross income on Line 29, Form NJ-1040 is \$20,000 or less, and your filing status for New Jersey is the same as your filing status on your Federal income tax return. Complete this schedule to see if you are eligible. You are not eligible for the New Jersey Earned Income Tax Credit if your filing status is single or married, filing separate return or if you answer "No" to question 1 below. See instructions.

1. Did you file a 2004 Federal Schedule EIC on which you listed at least one "qualifying child"? ← Yes ← No
2. Fill in oval if you had the IRS figure your Federal Earned Income Credit
3. Enter the amount of Federal Earned Income Credit from your 2004 Federal Form 1040 or 1040A | | | | |
4. Enter 20% of amount on Line 3 here and on Page 2, Line 46 | | | | |

Under the penalties of perjury, I declare that I have examined this income tax return and FAIR application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete and that I occupied the rental property for which I am applying for the FAIR rebate as my principal residence on October 1, 2004. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

→ _____
Your Signature Date

→ _____
Spouse's Signature (if filing jointly, BOTH must sign) Date

Pay amount on Line 50 in full. Write social security number(s) on check or money order and make payable to:
STATE OF NEW JERSEY - TGI
Mail your check or money order with your NJ-1040-V payment voucher and your return to:
NJ Division of Taxation
Revenue Processing Center
PO Box 111
Trenton, NJ 08645-0111
IF REFUND:
NJ Division of Taxation
Revenue Processing Center
PO Box 555
Trenton, NJ 08647-0555
You may also pay by e-check or credit card. For more information go to: www.state.nj.us/treasury/taxation

New Jersey Resident Return Examples (tax year 2004)

Worksheet E	
Deduction for Medical Expenses	
(Keep for your records)	
1. Total nonreimbursed medical expenses	1. <u>300</u>
2. Enter Line 29, NJ-1040 <u>6,350</u> × .02 =	2. <u>127</u>
3. Medical Expenses Deduction. Subtract line 2 from line 1 and enter result here. If zero or less, enter zero	3. <u>173</u>
4. Enter the amount of your qualified Archer MSA contributions from Federal Form 8853	4. <u>0</u>
5. Enter the amount of your self-employed health insurance deduction	5. <u>0</u>
6. Total Deduction for Medical Expenses. Add lines 3, 4, and 5. Enter the result here and on Line 31, Form NJ-1040. If zero, enter zero here and make no entry on Line 31, Form NJ-1040	6. <u>173</u>

Schedule A CREDIT FOR INCOME OR WAGE TAXES PAID TO OTHER JURISDICTION		If you are claiming a credit for income taxes paid to more than one jurisdiction, a separate Schedule A must be enclosed for each.	
A COPY OF OTHER STATE OR POLITICAL SUBDIVISION TAX RETURN MUST BE RETAINED WITH YOUR RECORDS			
1.	Income actually taxed by other jurisdiction during tax year (indicate name <u>Phila</u>) (DO NOT combine the same income taxed by more than one jurisdiction) (The amount on Line 1 cannot exceed the amount shown on Line 2)	1.	4,252
2.	Income subject to tax by New Jersey (From Line 29, Form NJ-1040)	2.	6,350
3.	Maximum Allowable Credit Percentage $\frac{1}{2} \frac{4,252}{6,350}$ (Divide Line 2 into Line 1)	3.	66.9606%
IF YOU ARE NOT ELIGIBLE FOR A PROPERTY TAX BENEFIT ONLY COMPLETE COLUMN B.		COLUMN A	
4.	Taxable Income (after Exemptions and Deductions) from Line 35, Form NJ-1040	4.	5,885
5.	Property Tax and Deduction Enter property tax or 18% of rent due and paid in tax year. See instructions. 5a <u>135</u> Eligible amount (Box 5a or \$10,000, whichever is less) See instructions.	5.	135
6.	New Jersey Taxable Income (Line 4 minus Line 5)	6.	5,885
7.	Tax on Line 6 amount (From Tax Tables or Tax Rate Schedules)	7.	82
8.	Allowable Credit (Line 3 times Line 7)	8.	55
9.	Credit for Taxes Paid to Other Jurisdiction Enter in Box 9a the income or wage tax paid to other jurisdictions during tax year on income shown on Line 1. See instructions. 9a <u>165</u> Credit allowed. (Enter lesser of Line 8 or Box 9a). (The credit may not exceed your New Jersey tax on Line 38).	9.	54

- If you are not eligible for a property tax benefit, enter the amount from Line 9, Column B, on Line 39, Form NJ-1040. Make no entry on Lines 36 or 44, Form NJ-1040.
- If you are eligible for a property tax benefit, you must complete Worksheet F to determine whether you receive a greater benefit by claiming a property tax deduction or taking the property tax credit.

**Worksheet F
Which Property Tax Benefit to Use**

	COLUMN A		COLUMN B	
	1.		1.	
1. Tax. Enter amounts from Line 7, Schedule A, Columns A and B here	1.	81	1.	82
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule A, Columns A and B here. If you completed more than one Schedule A, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column	2.	54	2.	55
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3.	27	3.	27
4. Subtract line 3, Column A from line 3, Column B and enter result here			4.	0

5. Is the line 4 amount \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse)?

Yes. You receive a greater tax benefit by taking the Property Tax Deduction. Make the following entries on Form NJ-1040.

<i>Form NJ-1040</i>	<i>Enter amount from:</i>
Line 36	Line 5, Column A, Schedule A
Line 37	Line 6, Column A, Schedule A
Line 38	Line 7, Column A, Schedule A
Line 39	Line 2, Column A, Worksheet F
Line 44	Make no entry

No. You receive a greater tax benefit from the Property Tax Credit. (**Part-year residents**, see instructions before answering "No.") Make the following entries on Form NJ-1040.

<i>Form NJ-1040</i>	<i>Enter amount from:</i>
Line 36	Make no entry
Line 37	Line 6, Column B, Schedule A
Line 38	Line 7, Column B, Schedule A
Line 39	Line 2, Column B, Worksheet F
Line 44	\$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse). Part-year residents , see instructions.

Example 4

Steve Grey (Age 41)
SS# 999-26-4921
Karen Grey (Age 39)
SS# 999-26-5814
222 Pine Bark Drive
Voorhees, NJ 08360 (Camden County)

Mr. and Mrs. Grey are full-year residents of New Jersey and are married, filing a joint return. They have 2 dependent children (ages 16 and 13).

Steve's wages	\$ 12,200
Karen's wages	4,500
Joint taxable interest	100
Total NJ income tax withheld	250
Property taxes paid	2,370
Federal earned income credit	3,945

Mr. and Mrs. Grey's gross income is below the minimum filing threshold of \$20,000 (married, filing joint). Although they have no tax liability to New Jersey, they will need to file the tax return to claim a refund of withholdings and to apply for the New Jersey earned income tax credit.

Mr. and Mrs. Grey will complete their NJ-1040 down to Line 29. Since they have no tax liability to New Jersey, they will continue completing the return with Line 41. They are not eligible to claim a property tax deduction/credit because their income is below the minimum filing threshold and neither is 65 or older or blind or disabled.

When Mr. and Mrs. Grey filed their Federal income tax return, they were eligible and applied for an earned income credit. They had two "qualifying children" for purposes of the Federal earned income credit. They complete the Earned Income Tax Credit Schedule on Page 3 of Form NJ-1040 and determine that they are eligible for the New Jersey earned income tax credit. By completing this form they are also able to calculate the amount of their New Jersey earned income tax credit.

The following pages show how Mr. and Mrs. Grey will complete their State income tax return. After taking credit for their withholdings and claiming the New Jersey earned income tax credit, they will be entitled to a refund of \$1,039. However, they are requesting that a \$10 donation be made to the designated fund of their choice and they will receive a refund of \$1,029.

New Jersey Resident Return Examples (tax year 2004)

NJ-1040 (2004) Page 2

27. Total Income (From Line 26, Page 1)	27			1	6	8	0	0	0	0	0
28. Other Retirement Income Exclusion (See Worksheet and instructions)				28							
29. New Jersey Gross Income (Subtract Line 28 from Line 27)	29			1	6	8	0	0	0	0	0
See instructions.											
30a. Exemptions: From Line 12a _____ x \$1,000 = _____											
30b. From Line 12b _____ x \$1,500 = _____											
30c. Total Exemption Amount (Add Line 30a and Line 30b)	30c										
Part-Year Residents see instructions.											
31. Medical Expenses (See Worksheet and instructions)	31										
32. Alimony and Separate Maintenance Payments	32										
33. Qualified Conservation Contribution	33										
34. Total Exemptions and Deductions (Add Lines 30c, 31, 32, and 33)	34										
35. Taxable Income (Subtract Line 34 from Line 29)	35										
If zero or less, MAKE NO ENTRY.											
36. Property Tax Deduction (See instructions)	36										
37. NEW JERSEY TAXABLE INCOME (Subtract Line 36 from Line 35)	37										
If zero or less, MAKE NO ENTRY.											
38. TAX (From Tax Table)	38										
39. Credit For Income Taxes Paid to Other Jurisdictions (See instructions)	39										
40. Balance of Tax (Subtract Line 39 from Line 38)	40										
41. Use Tax Due on Out-of-State Purchases (See instructions)	41							0	0	0	0
If no Use Tax, enter ZERO (0.00).											
42. Total Tax (Add Line 40 and Line 41)	42										
43. Total New Jersey Income Tax Withheld (Enclose Forms W-2 and 1099-R)	43					2	5	0	0	0	0
44. Property Tax Credit (See instructions)						44					
45. New Jersey Estimated Tax Payments/Credit from 2003 tax return	45										
Fill in <input type="radio"/> if Form NJ-2210 is enclosed.											
46. New Jersey Earned Income Tax Credit (See schedule Page 3)	46			7	8	9	0	0	0	0	0
47. EXCESS New Jersey UI/HC/WD Withheld (See instructions) (Enclose Form NJ-2450)	47										
48. EXCESS New Jersey Disability Insurance Withheld (See instructions) (Enclose Form NJ-2450)	48										
49. Total Payments/Credits (Add Lines 43 through 48)	49				1	0	3	9	0	0	0

Name(s) as shown on Form NJ-1040 Grey, Steve and Karen	Your Social Security Number 999 26 4921
50. If payments (Line 49) are LESS THAN tax (Line 42) enter AMOUNT OF TAX YOU OWE Fill in <input type="radio"/> if paying by e-check or credit card. If you owe tax, you may make a donation by entering an amount on Lines 53, 54, 55, 56, 57, and/or 58 and adding this to your payment amount.	50
51. If payments (Line 49) are MORE THAN tax (Line 42) enter OVERPAYMENT	51 1 0 3 9 0 0
Deductions from Overpayment on Line 51 which you elect to credit to:	
52. Your 2005 tax	52
53. N.J. Endangered Wildlife Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	53
54. N.J. Children's Trust Fund To Prevent Child Abuse <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	54
55. N.J. Vietnam Veterans' Memorial Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	55
56. N.J. Breast Cancer Research Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	56
57. U.S.S. New Jersey Educational Museum Fund <input type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other	57
58. Other Designated Contribution <input checked="" type="checkbox"/> \$10 <input type="checkbox"/> \$20 <input type="checkbox"/> Other See instructions	58 0 2 1 0 0 0
59. Total Deductions from Overpayment (Add Lines 52 through 58)	59 1 0 0 0
60. REFUND (Amount to be sent to you, Line 51 LESS Line 59)	60 1 0 2 9 0 0

EARNED INCOME TAX CREDIT SCHEDULE

You may be eligible for the New Jersey Earned Income Tax Credit if you claimed the Federal Earned Income Credit for 2004, your gross income on Line 29, Form NJ-1040 is \$20,000 or less, and your filing status for New Jersey is the same as your filing status on your Federal income tax return. Complete this schedule to see if you are eligible. You are not eligible for the New Jersey Earned Income Tax Credit if your filing status is single or married, filing separate return or if you answer "No" to question 1 below. See instructions.

1. Did you file a 2004 Federal Schedule EIC on which you listed at least one "qualifying child"? Yes No
2. Fill in oval if you had the IRS figure your Federal Earned Income Credit
3. Enter the amount of Federal Earned Income Credit from your 2004 Federal Form 1040 or 1040A 3 | 9 4 5
4. Enter 20% of amount on Line 3 here and on Page 2, Line 46 7 8 9

Under the penalties of perjury, I declare that I have examined this income tax return and FAIR application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete and that I occupied the rental property for which I am applying for the FAIR rebate as my principal residence on October 1, 2004. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

→ _____
Your Signature Date

→ _____
Spouse's Signature (if filing jointly, BOTH must sign) Date

Pay amount on Line 50 in full. Write social security number(s) on check or money order and make payable to:
STATE OF NEW JERSEY - TGI
Mail your check or money order with your NJ-1040-V payment voucher and your return to:
NJ Division of Taxation
Revenue Processing Center
PO Box 111
Trenton, NJ 08645-0111
IF REFUND:
NJ Division of Taxation
Revenue Processing Center
PO Box 555
Trenton, NJ 08647-0555
You may also pay by e-check or credit card. For more information go to: www.state.nj.us/treasury/taxation