

Introduction

Individuals (residents and nonresidents) and certain estates and trusts who have income that is not subject to sufficient withholding of New Jersey tax and who estimate their tax liability to be more than \$400 (after deductions, exemptions, credits, and withholdings) are required to make New Jersey estimated tax payments. This bulletin describes:

- Estimated tax requirements;
- How to estimate income to determine if estimated payments are necessary;
- Methods for making estimated payments;
- Interest imposed for failing to make required payments; and
- Completion of Form NJ-2210, *Underpayment of Estimated Tax by Individuals, Estates or Trusts*.

Important Notes

- The forms and worksheets in this publication are for tax year 2007 and are provided for illustration only. The amounts shown in the examples may not reflect current tax and interest rates.
- Any reference in this publication to a spouse also refers to a partner to a civil union (CU) recognized under New Jersey law.

General Information

New Jersey's income tax is a "pay as you go" tax. You must pay the tax as you earn or receive income throughout the year. There are two ways to pay your income tax:

- **Withholding.** If you are an employee, your employer *withholds* income tax from your pay and sends the tax to the Division of Taxation on your behalf. Tax may also be withheld from other income, including bonuses and gambling winnings. You may request that tax be withheld from pensions.
- **Estimated Tax Payments.** *Estimated tax* means the amount of income tax you estimate you will owe for the year, after you subtract withholdings and other credits. If you do not pay your tax through withholding, or if you do not have enough tax withheld, you must make estimated tax payments yourself to meet the requirement that the income tax due be paid periodically throughout the year. You are required to make estimated tax payments when your *estimated tax* is more than \$400.

When you file your income tax return, you report any withholdings, estimated tax payments, and/or property tax credit and deduct them from your total New Jersey income tax due. You must pay additional tax you owe, if any, at that time.

You may have to make estimated tax payments if you have income that is not subject to withholding. This may include income from self-employment, retirement income (pension, annuity, IRA withdrawal), interest, dividends, capital gains, rental income, prizes, and awards. You may also have to pay estimated tax if not enough income tax is being

withheld from your wages or other income. In addition, you may have to make estimated tax payments if you (or you and your spouse/civil union partner) have two or more sources of income which, when combined, place you in a higher tax bracket than the bracket(s) at which tax was withheld on the income.

To avoid having to make estimated tax payments, you may ask your employer to withhold an additional amount from your wages by completing Form NJ-W4.

If you have pension or annuity income, you may also request that the payer withhold New Jersey income tax from those payments. For more information request our publication GIT-1, *Pensions and Annuities*.

Nonresident individuals, estates, or trusts that sell or transfer real property in New Jersey must make an estimated gross income tax payment on the gain from the transfer or sale. The estimated payment can be prepaid at any of the Division's regional offices or provided to the settlement agent at closing along with the appropriate GIT/REP form. The settlement agent then files the payment and/or documentation with the county recording officer at the time the deed is filed. For more information or to obtain GIT/REP forms, visit the Division's Web site at www.state.nj.us/treasury/taxation/realtytransfees.shtml

Please consider the following when determining whether or not estimated tax payments are required.

Minimum Income Filing Threshold. You are not required to file a New Jersey income tax return or pay tax if your gross income for the entire year from all sources is \$20,000 or less (filing status married/CU couple, filing joint return or head of household or qualifying widow(er)/surviving CU partner), or \$10,000 or less (estates and trusts, or individuals with filing status single or married/CU partner, filing separate return).

Retirement Income Exclusion. Eligible individuals may be able to exclude from gross income up to \$20,000 (filing status married/CU couple, filing joint return), \$15,000 (filing status single, head of household, or qualifying widow(er)/surviving CU partner), or \$10,000 (filing status married/CU partner, filing separate return) of taxable pension and other income.

NOTE: Only taxpayers whose total income for the entire year from Line 26, Form NJ-1040 (Line 26, Column A, Form NJ-1040NR) is \$100,000 or less are eligible for the retirement income exclusion.

Estimated Tax Requirements

Any individuals (residents or nonresidents) who can reasonably expect their New Jersey income tax liability to be more than \$400, after subtracting withholdings and credits, must make estimated tax payments to New Jersey. This includes estates and trusts other than those meeting the two-year limitation and other criteria under Internal Revenue Code Section 6654(l)(2). You must file a Declaration of Estimated Tax Voucher (Form NJ-1040-ES) with your payment *unless* you are making a payment by credit card or electronic check (e-check).

You may be required to make estimated tax payments to New Jersey even if you are not required to file Federal estimates. Likewise, part-year residents and nonresidents must make New Jersey estimated tax payments if they meet the requirements.

Due Dates. For estimated tax purposes, the year is divided into four payment periods, each with a specific payment due date. For calendar year taxpayers, the periods are January 1 – April 1, April 2 – June 1, June 2 – September 1, and September 2 – December 31. If you do not pay enough tax on the income you receive for a given period by the payment due date, you may be charged interest. See *Interest on Underpayment* on page 6.

You may pay your New Jersey estimated tax in full on or before April 15 of the current tax year, or in *equal* installments due on or before April 15, June 15, and September 15 of the current tax year, and January 15 of the following year. When a due date falls on a Saturday, Sunday, or legal holiday, that payment is due on the following business day.

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

If you were required to make quarterly estimated payments and you neglected to file estimated payments until the second, third, or fourth quarter, all past installments are due with your first filing and the remaining installments are payable as if all declarations had been filed on time.

Income Changes. After filing one or two declarations during the year, you may experience an unanticipated increase or decrease in income, credits, exemptions, or deductions. Under these circumstances, your estimated payments should be amended to reflect any increase or decrease in the quarterly amount due. When filing the next quarterly estimate, simply indicate any necessary changes. The instructions for Form NJ-1040-ES contain an amended worksheet that will assist you in calculating the amended figures to be reported.

If you were not originally required to file estimates and you unexpectedly receive a sum of money during the year that, when added to your income, necessitates estimated filing, an estimated payment should be made by the very next estimated payment due date. You may pay the estimated tax in full on the next due date, or in equal installments on the remaining payment due dates.

Farmers. If your estimated New Jersey income from farming (including oyster farming) for the taxable year is at least two-thirds of your total estimated income for the taxable year, you may file a declaration of estimated tax at any time on or before January 15 of the following year (or the 15th day of the first month of the following tax year for fiscal year filers) without penalty. However, farmers filing estimated declarations by January 15 must pay estimated tax in full at the same time.

January Payment. If you are a calendar year filer and file your New Jersey income tax return (Form NJ-1040, Form NJ-1040NR, or Form NJ-1041) by February 15 following the end of the tax year, and you pay any remaining balance due in full with your return, it is not necessary to file the fourth quarter estimate, due on January 15. This also applies to original estimated payments due because unanticipated income was received after September 1.

Estimating Income

To determine your estimated income for the year, use the Estimated Tax Worksheet in the instructions for Form NJ-1040-ES. A completed Estimated Tax Worksheet follows.

In this example, the worksheet was completed before April 15 and four estimated payments will be made, beginning with the first on or before April 15. The payment amount of \$105 will be indicated on each voucher and remitted with each voucher if payment is made by check or money order. If the worksheet had been completed in August, two vouchers (Voucher 3 and 4) would be completed indicating \$210 on each voucher and a check or money order for \$210 would be remitted with each voucher. Do not send in the vouchers if payment is made by e-check or credit card. See *Making Estimated Payments* on page 5.

***ESTIMATED TAX WORKSHEET FOR INDIVIDUALS (Keep for your records) – DO NOT FILE**

(Estates and trusts should use a Fiduciary Return, Form NJ-1041, to calculate estimated tax)

1. TOTAL INCOME EXPECTED IN TAXABLE YEAR (before exclusions)	1.	30,000
2. TOTAL PENSION AND OTHER RETIREMENT INCOME EXCLUSION	2.	0
3. NEW JERSEY GROSS INCOME (Subtract Line 2 from Line 1)	3.	30,000
4. a. Number of Exemptions <u>2</u> × \$1,000	4a.	2,000
b. Number of Exemptions _____ × \$1,500	4b.	_____
To determine number of exemptions on Line 4a and 4b see instructions.		
5. Medical Expenses in excess of 2% (.02) of gross income (Line 3), qualified Archer MSA contributions, and health insurance costs of the self-employed	5.	_____
6. Alimony and separate maintenance payments	6.	_____
7. Qualified Conservation Contribution	7.	_____
8. Health Enterprise Zone Deduction	8.	_____
9. Total exemptions and deductions (Add Lines 4a through 8)	9.	2,000
10. Taxable Income (Subtract Line 9 from Line 3)	10.	28,000
11. Property Tax Deduction	11.	0
12. NEW JERSEY TAXABLE INCOME (Subtract Line 11 from Line 10)	12.	28,000
13. TAX – See Tax Rate Tables	13.	420
14. Credit for income taxes paid to other jurisdictions	14.	0
15. BALANCE OF TAX (Subtract Line 14 from Line 13)	15.	420
16. Sheltered Workshop Tax Credit	16.	_____
17. BALANCE OF TAX AFTER CREDIT (Subtract Line 16 from Line 15)	17.	_____
18. New Jersey income tax withheld or to be withheld	18.	0
19. Property Tax Credit	19.	0
20. Total Payments/Credits (Add Lines 18 and 19)	20.	0
21. ESTIMATED TAX (Subtract Line 20 from Line 17)	21.	420
22. Computation of installments: If first declaration is due to be filed on:		
April 15	enter 1/4 of Line 21 here	
June 15	enter 1/3 of Line 21 here	
September 15	enter 1/2 of Line 21 here, or	
January 15	enter full amount of Line 21 here	
and in the space provided on your voucher	22.	105

If you are applying an overpayment from the previous year, see instructions.

*The forms and worksheets in this publication may not reflect current tax rates. The figures shown are for illustration only.

A blank income tax return (Form NJ-1040, Form NJ-1040NR, or Form NJ-1041) may also be used to estimate income and tax. Using a blank tax return to calculate estimated tax is recommended since this form has all of the income lines, credit lines, and deduction lines that will automatically remind you to take all income, credits, deductions, and payments into consideration when calculating estimated tax payments. If you cannot readily project your income for the current year, you should use the previous year's income as a basis for determining the present year's income. If you expect an increase (or decrease) in any category of income, increase (or decrease) your income figure(s) accordingly.

Making Estimated Payments

Once you have estimated your income and determined that you are required to make estimated payments, there are a variety of ways you can make your payments. You may pay your estimated tax in full by the first due date or in four equal installments.

Estimated Tax Vouchers. If you have filed estimated tax returns in the past, you may receive a packet which includes four preprinted vouchers and envelopes. If you are making estimated tax payments for the first time, or you did not receive preprinted vouchers, you may obtain Form NJ-1040-ES vouchers and instructions by calling the Division's Automated Tax Information System at 1-800-323-4400 or 609-826-4400 and choosing the Forms Request System. The forms are also available by fax and through the Division's Web site. Call NJ TaxFax at 609-826-4500 from your fax machine's phone, or visit: www.state.nj.us/treasury/taxation/

Check or Money Order. Enter your social security number(s) or Federal employer identification number (estates and trusts), indicate the amount of the installment payment, and mail each voucher along with your payment for the amount due. If you are

not using preprinted vouchers, you must enter your name(s) and address in the spaces provided. If your filing status is married/CU couple, filing a joint return, list each spouse's/civil union partner's social security number in the order these numbers appear on your income tax return. Make your check or money order payable to ***State of New Jersey – TGI.***

Write your social security number(s) or Federal employer identification number (estates and trusts), the form number (NJ-1040-ES), and the tax period the payment applies to on your check or money order. Mail your voucher and payment to:

STATE OF NEW JERSEY
DIVISION OF TAXATION
REVENUE PROCESSING CENTER
PO BOX 222
TRENTON NJ 08646-0222

Electronic Check (e-check). You can make estimated payments by e-check. This option is available on our Web site (www.state.nj.us/treasury/taxation/). Taxpayers who do not have Internet access can make a payment by e-check by contacting the Division's Customer Service Center at 609-292-6400. Do not send in the estimated tax voucher(s) if you pay by e-check.

When using e-check on the Web, you will need your social security number and date of birth to make a payment. Estates and trusts will use their Federal employer identification number and the date of the decedent's death or the date the trust was formed. E-check payments of estimated tax can also be scheduled in advance.

Credit Card. You may make payments of estimated tax by credit card. Pay by phone (1-800-2PAYTAX, toll-free) or online (www.state.nj.us/treasury/taxation/), and use a Visa, American Express, MasterCard, or Discover credit card. You may be asked to enter a jurisdiction code to make your payment. The code for New Jersey is 4000. There is a

convenience fee of 2.49% paid directly to Official Payments Corporation based on the amount of your tax payment. A \$1 convenience fee will be charged for all tax payments of \$40 or less. Do not send in the estimated tax voucher(s) if you pay by credit card.

Overpayments Carried Forward. If you overpaid your New Jersey income tax last year and you elected to credit all or part of that overpayment to the following year's estimated taxes, be sure to include that credit when calculating this year's estimated payment(s). The credit will automatically be applied to your first quarterly installment, but if you prefer, you may apply the credit partially or fully to any installment. Some taxpayers divide the credit evenly so that their installment payments are also equal. When applying your credit, subtract the amount of the credit you are applying from the installment amount due for the period, then remit the balance. *If you are completing a voucher, indicate only the amount you are actually remitting.*

Records. Be sure to complete the Record of Estimated Tax Payments schedule in the instructions for Form NJ-1040-ES each time you make an estimated payment. This schedule will provide you with a record of your estimated payments when you file your tax return for this year. You can also verify the amounts of your estimated payments online (www.state.nj.us/treasury/taxation/online.shtml).

Credit for Estimated Tax on Return. When you file your resident, nonresident, or fiduciary tax return, be sure to take credit on your return for all the estimated tax payments you made for the taxable year. Be sure to include:

- Estimated tax payments made for the current tax year, including any payments made by nonresident individuals, estates, and trusts in connection with the sale or transfer of real property in New Jersey

- Overpayment from last year's return that was credited to this year's estimated tax
- Payments made by an S corporation on behalf of a nonresident/nonconsenting shareholder (nonresident individuals, estates, and trusts only).

Spouses/civil union partners may make joint estimated tax payments unless they are separated under a decree of divorce/dissolution or separate maintenance or they have different taxable years. If joint payments are made, but the spouses/civil union partners choose to file separate income tax returns, the estimated tax paid may be treated as the estimated tax of either spouse/civil union partner, or it may be divided between them, as they agree. If the spouses/civil union partners make separate estimated tax payments and file separate tax returns, each spouse/civil union partner may take credit only for his or her own payments.

If you changed your name because of marriage/civil union, divorce/dissolution, etc., and you made estimated tax payments using your former name, enclose a statement with your return explaining all the payments you and/or your spouse/civil union partner made for the taxable year and the name(s) and social security number(s) under which you made payments.

If your spouse/civil union partner died during the year and any estimated payment(s) were made under the deceased spouse's/civil union partner's social security number and other payments were made under your social security number, you must enclose a statement with your return listing the social security numbers and the amounts submitted under each social security number.

Interest on Underpayment

If you fail to remit (by withholdings or estimated payments) at least 80% of your tax liability during the year (66 $\frac{2}{3}$ % for farmers) and your total tax is more than \$400 in excess of any credits allowable

against the tax, interest charges will be assessed on the underpayment even if you pay all the taxes due by the April 15 deadline for filing your tax return unless you meet one of the exceptions determined on Form NJ-2210. The amount of your underpayment is the difference between what you actually paid and the lesser of 80% of this year's total tax (66 $\frac{2}{3}$ % for farmers) or 100% of last year's total tax. However, no interest will be assessed if you meet one of the exceptions discussed below, or you had no tax liability on the previous year's tax return (which covered a full year).

Example

A taxpayer has a total tax liability on Line 43 of Form NJ-1040 of \$1,000. The taxpayer had \$500 in New Jersey withholdings, made timely estimated payments of \$200, and paid the remaining \$300 of tax due with Form NJ-1040 on April 15. An underpayment of estimated tax exists even though the taxpayer paid all taxes due by the return filing deadline. This is because the taxpayer remitted only \$700 in the form of withholdings, timely estimated payments, or other credits – less than the required 80% (\$800) of the total tax liability. Interest will be assessed unless the taxpayer meets one of the exceptions on Form NJ-2210.

If required estimated payments are filed late, interest charges will be assessed on the underpayment from the due date of the payment(s) to the actual payment date(s).

Interest is assessed at the rate of 3% above prime rate from the date the underpayment was incurred (due date of the estimated payment) to the date the underpayment was paid, but only up to April 15.

Calculating Interest on Underpayment

If you think you owe interest on underpayment of estimated tax, there are two ways the amount can be determined:

- If you do not want to figure the interest yourself when you file your tax return, the Division of Taxation will calculate the interest for you and send you a bill, or
- You can figure the interest yourself by completing Form NJ-2210 and enclosing it with your return.

Form NJ-2210

Complete Form NJ-2210 to determine underpayments of estimated tax, and to calculate the interest due on the underpayments. If you are completing and enclosing Form NJ-2210, fill in the oval at Line 45 on Form NJ-1040, or check the box at Line 42, Form NJ-1040NR. Enter the amount due on Line 45, Form NJ-1040 or Line 42, Form NJ-1040NR.

The following example illustrates how to complete Form NJ-2210 to determine the amount of underpayment for each quarter.

Example

Peter has a tax liability of \$800 on Line 43 of his Form NJ-1040. He has \$360 in New Jersey income tax withholdings. He made one estimated payment of \$150 on January 15. Peter’s Form NJ-2210 would be completed as follows:

PART I FIGURING YOUR UNDERPAYMENT				
1. Tax (Line 43, Form NJ-1040)	1.	800		
2. Enter the total of Lines 47, 48, 50, 51, and 52, Form NJ-1040	2.	360		
3. Subtract Line 2 from Line 1 (If less than \$400, do not complete the rest of this form)	3.	440		
4a. Multiply the amount on Line 1 by .80 (80%) (Two-thirds for qualified farmers)	4a.	640		
4b. Enter last year’s tax (From last year’s Form NJ-1040, Line 43)	4b.	600		
			PAYMENT DUE DATES	
			(A) April 15	(B) June 15
			(C) Sept 15	(D) Jan 15
5. Use the lesser amount on either Line 4a or 4b and divide by four. Enter the result in each column	5.	150	150	150
6. Estimated tax paid and tax withheld per period (see instructions). If each column on Line 6 is greater than the corresponding column on Line 5, do not complete the rest of this form	6.	90	90	90
7. Enter the overpayment (Line 13) from the previous column. (Complete Lines 7 through 13 for one column before completing the next column.)	7.		0	0
8. Add Line 6 and Line 7	8.	90	90	90
9. Enter the total underpayment (Line 11 plus Line 12) from the previous column	9.		60	120
10. Enter Line 8 minus Line 9. If zero or less, enter zero	10.	90	30	0
11. Remaining underpayment from previous period. If Line 10 is zero enter Line 9 minus Line 8 otherwise enter zero	11.		0	30
12. UNDERPAYMENT (If Line 5 is greater than Line 10, enter Line 5 minus Line 10)	12.	60	120	150
13. OVERPAYMENT (If Line 10 is greater than Line 5, enter Line 10 minus Line 5)	13.			

Exceptions

The law allows certain exceptions which eliminate the imposition of interest charges on underpayments of estimated tax. Complete Form NJ-2210 (and worksheets) to determine if you meet any of the exceptions. Meeting any of the four exceptions for any quarter eliminates interest charges on the underpayment for that quarter. One, two, three, or all four exceptions may be attempted if necessary. You may meet different exceptions for each quarter. Once you have met an exception for each of the four quarters, it is not necessary to complete the worksheets for any other exceptions. In general, you should attempt the exceptions in the following order: Exception 1, Exception 4, Exception 3, Exception 2. For this bulletin, the exceptions will be explained in numerical order.

Exception 1

To qualify for Exception 1:

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

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

Example

Peter had a prior year tax liability of \$600. As stated earlier, Peter's tax on Line 43, Form NJ-1040 was \$800, his New Jersey withholdings were \$360, and he made one estimated payment of \$150 on January 15. This is how Exception 1 would be completed.

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

You meet an exception and eliminate the interest charge on the underpayment of estimated tax for a quarter when the amount on Line 14 (the amount paid to date) is equal to, or more than, the amount on the exception line (on Lines 15, 16, 17, or 18) in the same column. Peter did not meet Exception 1 for any quarter.

Exception 2

In Exception 2, you calculate what your tax would be using last year’s income, but this year’s exemptions and tax rates.

Example

Peter’s gross income (Line 28, Form NJ-1040) last year was \$31,000. He claimed three exemptions (of \$1,000 each) on his return this year. He did not claim a credit for taxes paid to another jurisdiction. Peter would complete Exception 2 as follows:

EXCEPTION II Tax on prior year’s Gross Income using this year’s exemptions and tax rates		
1. Enter last year’s NJ Gross Income (Line 28, NJ-1040)	1.	31,000
2. Enter this year’s Total Exemptions (Line 29, NJ-1040)	2.	3,000
3. Subtract Line 2 from Line 1	3.	28,000
4. Compute Tax on Line 3 (this year’s tax rates)	4.	420
5. Enter Credit for Income Taxes Paid to Other Jurisdictions (Line 39, NJ-1040)	5.	0
6. Subtract Line 5 from Line 4. Enter the applicable percentage of this amount on Line 16, Part II of this form	6.	420

PART II EXCEPTIONS						
(See instructions, complete worksheets for exceptions 2, 3, and 4 and enclose computations for each exception claimed.)						
If you meet exception 1 at Line 15, do not file this form.						
These amounts will be automatically verified by the Division of Taxation.						
14. Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31.) (See instructions)	14.	APRIL 15	JUNE 15	SEPT 15	JAN 15	
		90	180	270	510	
		25% of Tax	50% of Tax	75% of Tax	100% of Tax	
15. Exception 1 – Enter prior year’s tax	\$600	150	300	450	600	
		25% of Tax	50% of Tax	75% of Tax	100% of Tax	
16. Exception 2 – Tax on prior year’s gross income using this year’s exemptions and tax rates	16.	105	210	315	420	

Peter did not meet Exception 2 for the first three quarters. However, since Line 14 in the fourth quarter column is equal to or more than Line 16 in the same column, Exception 2 “worked” for the fourth quarter underpayment. When Peter submits his Form NJ-2210 with his return, no interest will be assessed on the fourth quarter underpayment. Drawing a single diagonal line across the column (as illustrated in the example) will remind you that you have met an exception for that period and you need not calculate interest for that period, while not obstructing the view of your figures.

Exception 3

Exception 3 is computed by annualizing your income. To annualize your income, compute Exception 3 for *each* installment period as follows:

1. Determine the amount of your New Jersey Gross Income (Line 28, Form NJ-1040) that is applicable to the months in the tax year that occurred prior to the month in which the installment was due (e.g., actual income from January, February, and March for an installment due April 15, actual income from January, February, March, April, and May for an installment due June 15). These amounts are determined by reviewing actual records (W-2s, pay stubs, bank and other statements, etc.). Enclose a copy of your computations with Form NJ-2210 if you are using Exception 3 to eliminate interest on an underpayment. For calendar year taxpayers, the time period is indicated in each column of the Exception 3 Worksheet. However, to determine the amount of New Jersey Gross Income for an estate or trust, use period ending dates of February 28, April 30, and July 31.
2. Multiply the income for the period by the number of months in the entire taxable year (a full year would be 12). Then divide the result by the number of months that occurred in the taxable year prior to the month in which the installment was due. For full-year calendar year taxpayers, the math has already been done on the Exception 3 Worksheet. In this case, simply multiply the income for the period (Line 1, Exception 3 Worksheet) by the multiplier on Line 2 of the Exception 3 Worksheet. For an estate or trust, the multipliers are 6, 3, and 1.7143 respectively. This is your annualized income for each installment period.
3. Deduct the total amount claimed for personal exemptions (Line 29, Form NJ-1040) from the annualized income in each column.
4. Compute the New Jersey tax on the annualized income and then subtract any credit claimed for taxes paid to other jurisdictions (Line 39, Form NJ-1040) for each period.
5. Multiply the tax computed for each period by the applicable percentage (20% for the first quarter, 40% for the second quarter, and 60% for the third quarter). **Exception 3 may only be computed for the first three quarters of the year.**

Example

Peter's gross income for each period was as follows:

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

He claimed three exemptions (of \$1,000 each) on his return this year. He did not claim a credit for taxes paid to another jurisdiction. Peter would complete Exception 3 as follows (see next page):

EXCEPTION III		Tax on this year's Annualized Income (attach computations)		
Estates and trusts, do not use the period ending dates shown, instead use the following ending dates: 2/28, 4/30, and 7/31. Also, estates and trusts cannot use the annualization amounts shown on Line 2 and must use 6, 3, and 1.7143 respectively.				
		1/1 -3/31	1/1 -5/31	1/1 -8/31
1. Enter the portion of NJ Gross Income (Line 28, NJ-1040) that is applicable to each period shown	1.	7,890	13,500	24,650
2. Annualization amounts	2.	4	2.4	1.5
3. Annualized Income (multiply Line 1 by Line 2)	3.	31,560	32,400	36,975
4. Enter Total Exemptions (Line 29, NJ-1040)	4.	3,000	3,000	3,000
5. Subtract Line 4 from Line 3	5.	28,560	29,400	33,975
6. Compute Tax on Line 5	6.	430	445	525
7. Enter the portion of the Credit for Income Taxes Paid to Other Jurisdictions (Line 39, NJ-1040) that is applicable to each period	7.	0	0	0
8. Subtract Line 7 from Line 6. Enter the applicable percentage of this amount on Line 17, Part II of this form	8.	430	445	525

PART II EXCEPTIONS						
(See instructions, complete worksheets for exceptions 2, 3, and 4 and enclose computations for each exception claimed.)						
If you meet exception 1 at Line 15, do not file this form.						
These amounts will be automatically verified by the Division of Taxation.						
14. Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31.) (See instructions)	14.	APRIL 15	JUNE 15	SEPT 15	JAN 15	
		90	180	270	510	
		25% of Tax	50% of Tax	75% of Tax	100% of Tax	
15. Exception 1 – Enter prior year's tax	15.	150	300	450	600	
		25% of Tax	50% of Tax	75% of Tax	100% of Tax	
16. Exception 2 – Tax on prior year's gross income using this year's exemptions and tax rates	16.	105	210	315	420	
		20% of Tax	40% of Tax	60% of Tax		
17. Exception 3 – Tax on this year's annualized income	17.	86	178	315		

As the Form NJ-2210 Exception Worksheet above shows, Peter has met Exception 3 for the first and second quarters. Consequently, no interest charges will be assessed for those two quarters.

Exception 4

In Exception 4, you compute the tax on your actual New Jersey taxable income for each installment period. To compute Exception 4 for each period:

1. Determine the amount of your New Jersey taxable income (Line 37, Form NJ-1040) that is applicable to the months in the year that occurred prior to the month in which the installment was due. As in Exception 3, these amounts are determined by reviewing actual records (W-2s, pay stubs, bank and other statements, etc.). Enclose a copy of your computations with Form NJ-2210 if you are using Exception 4 to eliminate interest on an underpayment. For calendar year taxpayers, the time period is indicated in each column of the Exception 4 Worksheet.

NOTE: Remember, when calculating your actual taxable income for the period, deduct your total exemptions and deductions (Line 34,

Form NJ-1040) and property tax deduction (Line 36c, Form NJ-1040) applicable to the period, from your actual New Jersey gross income. In other words, deduct pro-rated exemptions ($\frac{3}{12}$, $\frac{5}{12}$, $\frac{8}{12}$ of total) plus the actual alimony paid during the period, the actual deduction for medical expenses, the actual deduction for qualified conservation contributions, the actual health enterprise zone deduction, and actual property tax deduction allowed for the period.

2. Compute the New Jersey tax on the actual taxable income and then subtract any credit claimed for taxes paid to other jurisdictions (Line 39, Form NJ-1040) applicable to each period.
3. Multiply the tax computed for each period by 90%. Like Exception 3, **Exception 4 may only be computed for the first three quarters of the year.**

Example

Peter's taxable income for each period was as follows:

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

He had no credit for taxes paid to another jurisdiction. Peter would complete Exception 4 as follows:

EXCEPTION IV Tax on this year's Actual Taxable Income over 3, 5, and 8-month periods. (attach computations)				
		1/1 - 3/31	1/1 - 5/31	1/1 - 8/31
1. Enter the actual amount of NJ Taxable Income (Line 37, NJ-1040) that is applicable to each period shown	1.	7,140	12,250	22,650
2. Compute Tax on Line 1	2.	100	172	327
3. Enter the portion of the Credit for Income Taxes Paid to Other Jurisdictions (Line 39, NJ-1040) that is applicable to each period shown	3.	0	0	0
4. Subtract Line 3 from Line 2. Enter 90% of this amount on Line 18, Part II of this form	4.	100	172	327

PART II EXCEPTIONS					
(See instructions, complete worksheets for exceptions 2, 3, and 4 and enclose computations for each exception claimed.)					
If you meet exception 1 at Line 15, do not file this form.					
These amounts will be automatically verified by the Division of Taxation.					
		APRIL 15	JUNE 15	SEPT 15	JAN 15
14. Total amount paid and withheld from January 1 through payment due date shown. (Do not include withholdings after December 31.) (See instructions)	14.	90	180	270	510
		25% of Tax	50% of Tax	75% of Tax	100% of Tax
15. Exception 1 – Enter prior year’s tax	15.	150	300	450	600
		25% of Tax	50% of Tax	75% of Tax	100% of Tax
16. Exception 2 – Tax on prior year’s gross income using this year’s exemptions and tax rates	16.	105	210	315	420
		20% of Tax	40% of Tax	60% of Tax	
17. Exception 3 – Tax on this year’s annualized income	17.	86	178	315	
		90% of Tax	90% of Tax	90% of Tax	
18. Exception 4 – Tax on this year’s income over 3, 5, and 8-month periods	18.	90	154.80	294.30	

Since none of the exceptions on Peter’s NJ-2210 eliminate interest for the third quarter, Peter owes interest on the underpayment for that quarter.

Calculating Interest Charges

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

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

Example

Peter met exceptions for all but the third quarter underpayment. Line 5 of Form NJ-2210 is \$150 for each quarter (see page 8). Payments made for each quarter (Line 6, NJ-2210) were: 1st quarter–\$90; 2nd quarter–\$90; 3rd quarter–\$90, and 4th quarter–\$240. Each installment was paid by the appropriate due date. Peter would complete Option 1 as follows (see next page):

OPTION 1*

Q U A R T E R	PERIOD	A	B	C	D	E	F	G
		Amount Due (Line 5, NJ-2210)	Balance Due Previous Qtr. (Col. E)	Total Due (Col. A + B)	Total Paid (Line 6, NJ-2210)	Balance (Col. C - D)	Multiplier *	Interest (Col. E × Col. F)
1.	4/16 - 6/15						.016	
2.	6/16 - 9/15						.025	
3.	9/16 - 1/15	150.00	0	150.00	90.00	60.00	.037	2.22
4.	1/16 - 4/15						.028	
TOTAL INTEREST								2.22

19. TOTAL INTEREST

\$	2	22
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If Peter had not met exceptions for the first, second, and fourth quarters, he would have computed the interest due as shown below:

OPTION 1*

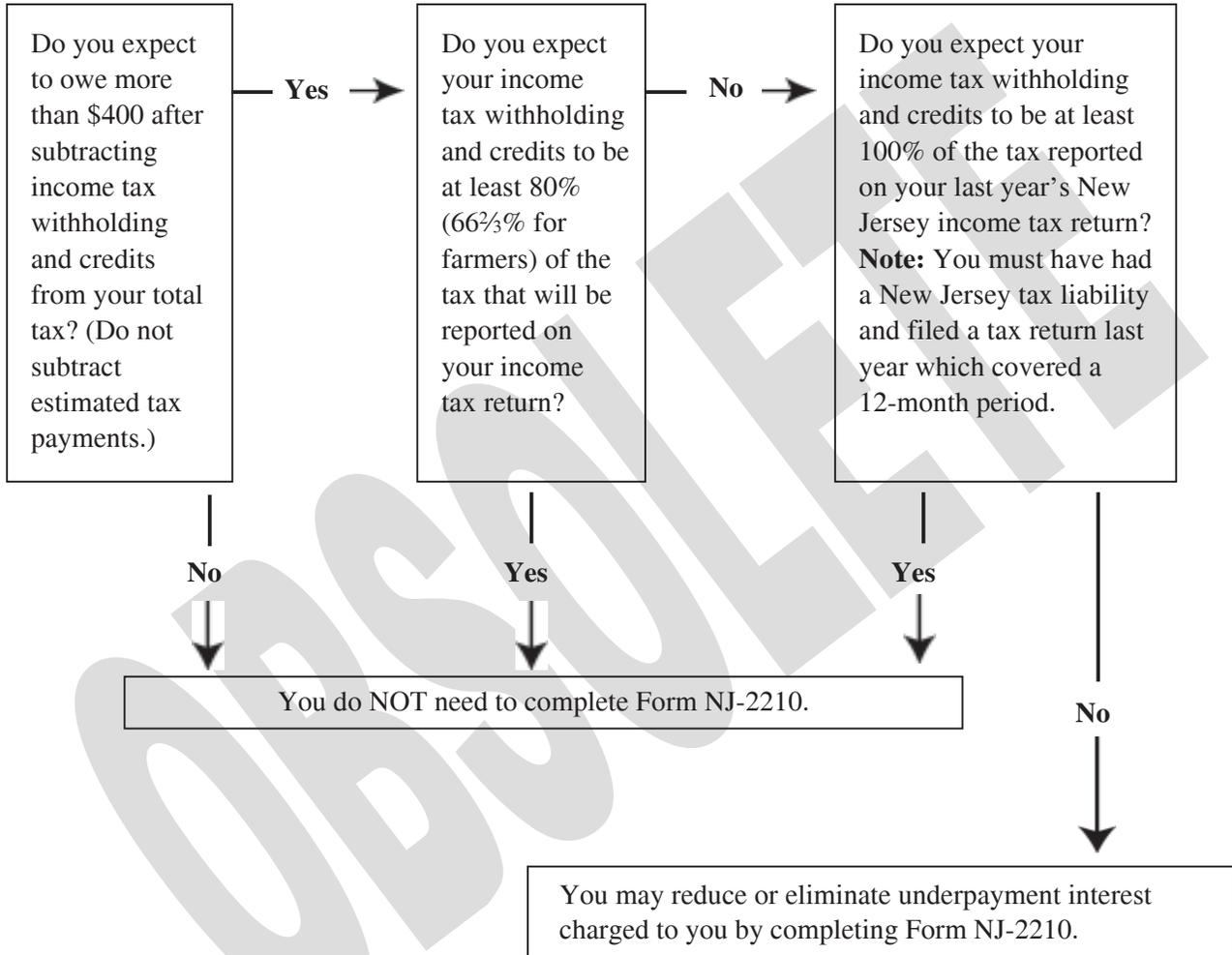
Q U A R T E R	PERIOD	A	B	C	D	E	F	G
		Amount Due (Line 5, NJ-2210)	Balance Due Previous Qtr. (Col. E)	Total Due (Col. A + B)	Total Paid (Line 6, NJ-2210)	Balance (Col. C - D)	Multiplier *	Interest (Col. E × Col. F)
1.	4/16 - 6/15	150.00		150.00	90.00	60.00	.016	.96
2.	6/16 - 9/15	150.00	60.00	210.00	90.00	120.00	.025	3.00
3.	9/16 - 1/15	150.00	120.00	270.00	90.00	180.00	.037	6.66
4.	1/16 - 4/15	150.00	180.00	330.00	240.00	90.00	.028	2.52
TOTAL INTEREST								13.14

19. TOTAL INTEREST

\$	13	14
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* This worksheet may not reflect current interest rates. The figures shown are for illustration only.

Should You File Form NJ-2210?



For More Information

By Phone

- Call the Division of Taxation's Customer Service Center at **609-292-6400**.
- Text Telephone Service (TTY/TDD) for Hard-of-Hearing 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 tax matter and receive a reply through NJ Relay Services (711).

Online

- Division of Taxation Web site:
www.state.nj.us/treasury/taxation/
- E-mail: nj.taxation@treas.state.nj.us
- Subscribe to *NJ Tax E-News*, the Division of Taxation's online information service, at:
www.state.nj.us/treasury/taxation/listservice.shtml

In Writing

New Jersey Division of Taxation
Information and Publications Branch
PO Box 281
Trenton, NJ 08695-0281

Order Forms and Publications

- 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.
- Call NJ TaxFax at **609-826-4500** from your fax machine's phone.
- Visit the Division of Taxation's Web site:
www.state.nj.us/.treasury/taxation/