

Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP General Instructions

Worksheet GIT-DEP

The Gross Income Tax Act was amended by P.L.2004, c.65 to include Section 5-1.2. This section applies to tax years beginning on or after January 1, 2004 and decouples the Gross Income Tax Act from some federal changes to depreciation and to IRC section 179 for assets placed in service on or after January 1, 2004.

For gross income tax purposes,

- The federal 30% Special Depreciation Allowance is allowed if the asset meets Internal Revenue Code requirements. For example, if a federal 30% deduction is permissible but is precluded by the federal 179 deduction, the 30% deduction is allowed.
- The federal 50% Special Depreciation Allowance is **not** allowed. If in lieu of the 50% deduction, the 30% deduction is taken federally, the 30% deduction is allowed.
- The maximum Section 179 deduction is \$25,000. The federal reduced dollar limitation for asset cost applies and is calculated using the New Jersey maximum deduction of \$25,000. There are no business income limitations. Unused deductions can not be carried forward. Instructions for each category of income are listed below.
- For Liberty Zone property, the maximum Section 179 deduction is \$60,000 (the New Jersey maximum of \$25,000 plus the federally allowed increased amount up to a maximum of \$35,000). The Liberty Zone Depreciation Allowance is allowed if the asset meets Internal Revenue Code requirements. Calculation is based on the total New Jersey Section 179 deduction.
- Unused depreciation adjustment can not be carried forward, carried back or applied against another category of income.

For tax years beginning on or after January 1, 2004, if assets were placed in service on or after January 1, 2004 and the federal 50% Special Depreciation Allowance or Section 179 expense were deducted, then a New Jersey depreciation adjustment is required. A New Jersey adjustment is not required for assets placed in service within a tax year beginning prior to January 1, 2004.

The Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP must be used to calculate the New Jersey Section 179 expense allowable, New Jersey Special Depreciation Allowance, New Jersey depreciable basis, New Jersey depreciation allowable and New Jersey depreciation adjustment required. For subsequent years, Worksheet GIT-DEP must be used to calculate New Jersey depreciation adjustments until the asset is fully depreciated or disposed of; adjustments to federal Section 179 recapture income; and adjustments to the gain or loss from disposition of the assets.

Note: If the initially required New Jersey depreciation adjustment for an asset was not reported, whether due to a reporting error which was not corrected by the Division of Taxation or because the partnership, S corporation, sole proprietor or the owner of rental property or other income producing depreciable asset did not have a New Jersey filing requirement, then the asset's New Jersey basis and allowable depreciation will be the same as for federal tax purposes and a New Jersey depreciation adjustment is neither required nor allowable in subsequent years.

New Jersey depreciation adjustments will affect an individual's, estate's or trust's determination of income reportable in the categories of net profits from business, net gains or income from disposition of property, net gains or net income from rents, royalties, patents and copyrights, net gains or income derived from estates or trusts, distributive share of partnership income and net pro rata share of S corporation income. Partnerships and S corporations with a New Jersey filing requirement will calculate the entity's adjustments to New Jersey depreciation; federal Section 179 recapture income; and gain or loss from disposition of the assets. Each partnership and S corporation is limited to a maximum Section 179 deduction of \$25,000 (see instructions for Liberty Zone Property) The entity will take the New Jersey adjustment into consideration in calculating the partner's distributive share and the shareholder's net pro rata share of income reported on their NJ K-1.

If the partnership or S corporation does not file a New Jersey return, the partner or shareholder will enter their New Jersey depreciation adjustment on Worksheet A, Bulletin GIT-9P, or Worksheet B or Worksheet B Liquidated, Bulletin GIT-9S following the instructions provided in those publications and using information which must be provided by the entity.

Partners will report the total distributive share of income from all partnerships, as calculated by the entities and reported on their NJ K-1s or as calculated on Worksheets A, as distributive share of partnership income on their form 1040, 1040NR, or 1041. Shareholders will report the total net pro rata share of income from all S corporations, as calculated by the entities and reported on their NJ K-1s or as calculated on Worksheet B or Worksheet B Liquidated, as net pro rata share of S corporation income on their form 1040, 1040NR or 1041.

For determining the New Jersey income reportable in each of the income categories of net profits from business and net gains or net income from rents, royalties, patents and copyrights, an individual, estate or trust's total Section 179 deduction is limited to a maximum of \$25,000 (or New York Liberty Zone amount federally deducted). One Worksheet GIT-DEP is to be prepared for each of the categories and the worksheet must include all reportable activity. For example, an individual with three rental properties, one of which was disposed of, will calculate the New Jersey 179 deduction, New Jersey Special Depreciation Allowance, New Jersey basis, New Jersey depreciation allowable, adjustment to federal Section 179 recapture income and adjustment to gain or loss on disposition applicable to assets within all three properties on one Worksheet GIT-DEP. The resulting adjustments will be applied according to the instructions on Worksheet GIT-DEP.

An individual, estate or trust should report its income from estates and trusts as reported on its New Jersey K-1, provided by the estate or trust, or based on its federal K-1 after taking into account all New Jersey adjustments.

All Worksheets GIT-DEP should be retained for future reference.

Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP

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| Name | Social Security Number/FEIN |
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For tax years beginning on or after January 1, 2004, use this worksheet to calculate the New Jersey depreciation adjustment required for assets placed in service on or after January 1, 2004 and for which any of the following criteria apply:

- Federal Section 179 expense was deducted
- Federal 50% Special Depreciation Allowance was deducted
- Federal income includes Section 179 recapture income
- Federal income includes a gain or loss from disposition of an asset for which a NJ depreciation adjustment was previously required.

PART I Complete Parts II, III and IV as required and enter results on this worksheet

| | | | |
|---|---|----|--|
| 1 | Total federal depreciation from Part II, Column C | 1. | |
| 2 | Total NJ Section 179 deduction allowable from Part II, Column E; total can not exceed \$25,000 unless Liberty Zone Property is included | 2. | |
| 3 | Total NJ depreciation allowable from Part II, Column K | 3. | |
| 4 | Subtotal (Subtract Lines 2 and 3 from Line 1) | 4. | |
| 5 | Total NJ adjustment to federal 179 recapture income from Part III, Column E | 5. | |
| 6 | Total NJ adjustment to federal gain (loss) on disposition of asset(s) from Part IV, Column F | 6. | |
| 7 | New Jersey Depreciation Adjustment (total of Lines 4, 5, and 6) | 7. | |

Enter the New Jersey Depreciation Adjustment, as a positive or negative amount, on the applicable form, schedule or worksheet.

For adjustment to S corporation income enter on:

CBT 100S Schedule K or Schedule K, Liquidated, Part II, Line 7
Bulletin GIT-9S, Worksheet B or Worksheet B, Liquidated, Part I, Line 7

For adjustment to partnership income on:

NJ-1065 - If a net addition include on Line 13b; if a net subtraction include on Line 15g.
Bulletin GIT-9P, Worksheet A, - If a net addition include on Line 14b; if a net subtraction include on Line 16e.

For adjustment to net profits from business enter on :

A schedule detailing the calculation of NJ net profits from business and attach to forms 1040, 1040NR, 1041

For adjustment to income from rents, royalties, patents and copyrights

Enter the total adjustments to income from lines 4 and 5 on:

NJ 1040, NJ-BUS-1, Part IV
NJ 1040NR, NJ-BUS-1, Part II
NJ 1041, NJ-BUS-1, Part II

Enter the adjustment to federal gain or loss on disposition from line 6 on:

NJ 1040, Schedule B
NJ 1040NR, Part I
NJ 1041, Schedule A

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PART II Calculation of New Jersey Depreciation

For tax years beginning on or after January 1, 2004, use this section to calculate the NJ basis for depreciation and the NJ depreciation allowable for assets placed in service on or after January 1, 2004 and for which Section 179 expense or federal 50% special depreciation allowance were deducted.

| A | B | C | D | E | F | G | H | I | J | K |
|-------------------------|------------------------|--|--------------------------------|--------------------------|----------|------------------------------------|-----------------------|--------------------------------|--------------|-----------------------------------|
| Description of Property | Date placed in Service | Current Year Federal Depreciation/179 Deducted | Federal Basis For Depreciation | NJ Section 179 Deduction | NJ Basis | Prior Year New Jersey Depreciation | NJ Current Year Basis | Federal Method of Depreciation | Life or Rate | New Jersey Depreciation Allowable |
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| TOTALS | | | | | | | | | | |

- Instructions: For Liberty Zone Property Refer to General Instructions
- Column A Classify consistent with Internal Revenue Code
 - Column B Clearly segregate property placed in service during each year
 - Column C Enter the total special depreciation allowance, 179 expense and depreciation deducted for federal purposes for this year.
 - Column D Enter federal basis for depreciation prior to special depreciation allowance, 179 expense or depreciation deduction.
 - Column E For the year placed in service enter the NJ allowable section 179 deduction, limited to a maximum of \$25,000 for all assets unless Liberty Zone Property is included.
 - Column F Column D less Column E.
 - Column G Enter amounts from prior years' worksheets.
 - Column H For the year placed in service, enter the amount from Column F. For subsequent years, subtract Column G from Column D.
 - Column I Use the same method that was used for federal purposes.
 - Column J Use the same life that was used for federal purposes.
 - Column K Calculate the NJ depreciation. The 30% special depreciation allowance is allowed only if it was taken for federal tax purposes.

The 50% special depreciation allowance is not permitted.

Enter the total of Column C on Part I, Line 1

Enter the total of Column E on Part I, Line 2; total cannot exceed \$25,000 unless Liberty Zone Property is included.

Enter the total of Column K on Part I, Line 3

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PART III Calculation of Adjustment to Federal 179 Recapture Income

For tax years beginning on or after January 1, 2004, if reported income includes the recapture of Section 179 expense on property placed in service on or after January 1, 2004, use this section to calculate the New Jersey adjustment to federal recapture income. A separate adjustment must be calculated for each asset on which there was recapture income.

| A | B | C | D | E |
|---------------|-------------------------|---------------------------------|--------------------------------------|---|
| Asset | .Date Placed In Service | NJ Section 179 Recapture Income | Federal Section 179 Recapture Income | New Jersey Adjustment to Federal Recapture Income |
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| TOTALS | | | | |

Instructions:

- Column A Identify the asset for which the federal recapture income was required.
- Column B Enter date the asset was placed in service.
- Column C Based on federal rules, calculate NJ Section 179 recapture income using amounts allowable for NJ tax purposes.
- Column D Enter the federal Section 179 recapture income which is included in income reported to NJ.
- Column E Subtract Column D from Column C. This is the NJ recapture income adjustment.

Enter the total of Column E, as either a negative or positive, on Part I, Line 5

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PART IV Calculation of Adjustment to Federal Gain or Loss on Disposition of Asset

For tax years beginning on or after January 1, 2004, use this section to calculate the NJ adjustment to federal gain or loss on disposition of an asset placed in service on or after January 1, 2004 for which Section 179 expense or federal 50% Special Depreciation Allowance were deducted.

| A | B | C | D | E | F |
|---------------|------------------------|---------------------|--------------------------------|-------------------------------------|-----------------------------------|
| Asset | Date Placed in Service | Date of Disposition | Total NJ Depreciation Deducted | Total Federal Depreciation Deducted | Adjustment to Federal Gain (Loss) |
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| TOTALS | | | | | |

Instructions:

- Column A Identify the asset disposed of.
- Column B Enter date the asset was placed in service.
- Column C Enter date of disposition
- Column D Enter the total federal Section 179 expense, special allowance and depreciation deducted for NJ tax purposes.
- Column E Enter the total federal Section 179 expense, special allowance and depreciation deducted for Federal tax purposes.
- Column F Subtract Column E from Column D. This is the NJ adjustment to the federal gain (loss) included in income.

Enter the total of Column F, as either a negative or positive, on Part I, Line 6