

Filing Information - continued

unless you meet all three conditions for nonresident status (see chart on page 6). If New Jersey is not your domicile, you are only considered a New Jersey resident if you maintain a permanent home and spend more than 183 days here.

New Jersey Residents Working/Living Abroad. If New Jersey is your domicile and you are considered a New Jersey resident for tax purposes (see chart on page 6), you are subject to tax on income from all sources (worldwide income) regardless of where you live. New Jersey residents living abroad are subject to the same filing and payment requirements, including estimated payment requirements (see "Estimated Tax" on page 13), as residents living in New Jersey. New Jersey residents who have income from abroad cannot claim a credit for taxes paid to other jurisdictions for taxes paid to any foreign country or territory (e.g., Canada, Puerto Rico). See page 40.

Part-Year Residents

Filing Requirements. If you became a resident of this State or moved out of this State during the year, you are subject to New Jersey income tax on any income you received while you were a New Jersey resident. **Part-year residents must file a resident return and prorate all exemptions, deductions, credits, and the pension and other retirement income exclusions to reflect the period covered by the return.** If you received income from a New Jersey source while you were a nonresident, you must file a New Jersey nonresident return.

If you were a part-year resident, you are subject to tax and must file a return if your income for the *entire* year was more than the filing threshold amount for your filing status (see chart on page 6). This is true even if the income reported for your period of residence was equal to or below the threshold. If you are filing to get a refund and your income for the entire year was equal to or less than the filing threshold amount, you must enclose a copy of your Federal return. If you did not file a Federal return, include a statement to that effect.

AVOIDING COMMON MISTAKES

Check the following items to avoid mistakes that delay returns and refunds.

- ✓ **Use the correct form.** Both part-year residents and full-year residents should use Form NJ-1040. Use only a 2016 return for the 2016 tax year.
- ✓ **Read the instruction booklet** before completing the return.
- ✓ **Use only blue or black ink** when completing forms.
- ✓ **Enter all numbers within the boxes.** Do not use dollar signs or dashes.
- ✓ **Do not report a loss on Form NJ-1040.** Make no entry on lines where the amount to be reported is zero or less, *except* for Line 45, Use Tax Due on Internet, Mail-Order, or Other Out-of-State Purchases. If you do not owe use tax, enter "0.00" on Line 45.
- ✓ **Make no entry** on unused lines.
- ✓ **When rounding,** enter zeros after the decimal point for cents.
- ✓ **Check name, address, Social Security Number, and county/municipality code** for accuracy.
- ✓ **Enter last name first** on the return. This is different from the Federal return.
- ✓ **Fill in only one oval** for your filing status.
- ✓ **Use "STATE WAGES" from Box 16 of your W-2, NOT Federal wages.** You may need to adjust any amount received from employment outside New Jersey to reflect New Jersey tax law.
- ✓ **Enclose all W-2s** with your return. Also enclose 1099-Rs and 1099-MISCs that list NJ withholdings.
- ✓ **Use the correct column** for your filing status in the Tax Table when calculating your tax liability on Line 40.
- ✓ **Request a refund** by completing Line 66.
- ✓ **Check your math.**
- ✓ **Sign and date your return.** Both spouses must sign a joint return.
- ✓ **Enclose a copy of the death certificate and fill in the oval above the signature line** if a refund is due and you want the check issued in the name of the surviving spouse or estate (see page 12).
- ✓ **Send only one return or property tax credit application per envelope.**
- ✓ **Keep a copy of your return** and all supporting documents, schedules, and worksheets.
- ✓ **Make changes or correct mistakes** to your original return by filing an amended return (see page 13).

NOTE: If you had any income from New Jersey sources while you were a nonresident, you may also need to file a New Jersey nonresident return. Allocate your withholdings between the resident and nonresident returns. Include only the actual amount withheld while you were a New Jersey resident on your resident return, and include only the amount withheld while you were a nonresident on your nonresident return. For more information, see Form NJ-1040NR, New Jersey nonresident return and instructions.

Line 14 - Wages. You must determine from each W-2 the portion of your "State

wages, tips, etc." (Box 16) that you earned while you were a New Jersey resident. If your W-2 includes only wages you earned while you were a resident, use the amount from Box 16. If your employer did not separate your resident and nonresident wages on the W-2, you must apportion the amount in Box 16 according to the time you lived in New Jersey. Include on Line 14 only the actual amount you earned while you were a resident.

If the total amount reported on a W-2 is for income derived from an out-of-State source while you were a nonresident, do

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not include that income on your resident return.

Other Income. For interest, dividends, pensions, and other income, include only the amounts you received while you were a resident of New Jersey. Partners and, in general, S corporation shareholders must prorate the entity's income based on the number of days in the entity's fiscal year that the partner or shareholder was a resident divided by 365 (366 for leap years). For more information, see Tax Topic Bulletins GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

Line 27a - Pension Exclusion. If your total income for the *entire year* was \$100,000 or less before subtracting any pension exclusion, and you met the other eligibility requirements, you qualify for a pension exclusion. Prorate the exclusion by the number of months you were a New Jersey resident. For this calculation, 15 days or more is a month.

Line 27b - Other Retirement Income Exclusion. If you (and/or your spouse if filing jointly) were 62 or older on the last day of the tax year, you may qualify to exclude other income on Line 27b. There are two parts to the total exclusion. Part I is the unclaimed portion of your prorated pension exclusion. Part II is a

special exclusion for taxpayers who cannot receive Social Security or Railroad Retirement benefits. **Do not complete Worksheet D** to calculate your total exclusion amount. Instead, calculate your total exclusion as follows:

Part I. Total the earned income (wages, net profits from business, partnership income, and S corporation income) you received for the *entire year*. If this amount was \$3,000 or less and you did not use your *entire prorated* pension exclusion on Line 27a, you may be able to use the unclaimed pension exclusion on Line 27b if your total income for the *entire year* before subtracting any pension exclusion was \$100,000 or less.

Part II. If you cannot receive Social Security or Railroad Retirement benefits, but would have been eligible if you had fully participated in either program, you may also be eligible for an additional exclusion on Line 27b.

For more information, see Tax Topic Bulletin GIT-6, *Part-Year Residents*.

Line 29 - Total Exemption Amount. You must prorate your total exemptions based on the number of months you were a New Jersey resident. For this calculation, 15 days or more is a month.

$$\text{Total Exemptions} \times \frac{\text{Mos. NJ Resident}}{12} = \text{Line 29}$$

See the instructions for Line 29 to calculate the "total exemption amount" to prorate.

Lines 30 through 34 - Deductions. You may deduct the following based on the actual amounts paid during the time you lived in New Jersey:

- ♦ Medical expenses, qualified Archer medical savings account (MSA) contributions, and health insurance costs of the self-employed (use Worksheet E on page 29)
- ♦ Alimony and separate maintenance payments
- ♦ Qualified conservation contributions

In addition, eligible taxpayers may qualify for:

- ♦ A prorated Health Enterprise Zone (HEZ) deduction.
- ♦ An alternative business calculation adjustment based on the business income (losses) reported during their period of residence.

Line 38 - Property Tax Deduction. You may also be able to claim a deduction for property taxes you paid, or 18% of rent due and paid (this is the amount of your rent that is considered property taxes), during the time you were a resident.

When you do the calculation to determine whether the deduction or credit is better for you, prorate the minimum benefit of \$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence) based on the number of months you occupied your New Jersey residence. For this calculation, 15 days or more is a month. Use the prorated amount instead of the minimum benefit amount at line 8, Worksheet G or line 5, Worksheet J.

Line 48 - Total New Jersey Income Tax Withheld. You must determine from your W-2, W-2G, and/or 1099 statement(s) the amount of New Jersey income tax withheld from wages you earned or other payments you received while you were a New Jersey resident. If your W-2 includes only wages you earned while you were a

TAXPAYERS' BILL OF RIGHTS

The New Jersey Taxpayers' Bill of Rights simplifies tax administration and ensures that all taxpayers—individuals and businesses alike—are better informed and receive fair and equitable treatment during the tax collection process. Highlights of the Taxpayers' Bill of Rights include:

Service—

- ♦ Division must respond to taxpayers' questions within a reasonable time period.
- ♦ Notices of taxes and penalties due must clearly identify the purpose of the notice and must contain information about appeal procedures.

Appeals—

- ♦ Time to appeal to the Tax Court is generally 90 days.

Interest on Refunds—

- ♦ Interest is paid at the prime rate on refunds for all taxes when the Division takes more than six months to send you a refund.
- ♦ You may request that your overpayment of this year's tax be credited towards next year's tax liability, however, interest will not be paid on overpayments that are credited forward.

For more information on the rights and obligations of both taxpayers and the Division of Taxation under the Taxpayers' Bill of Rights, see publication ANJ-1, *New Jersey Taxpayers' Bill of Rights*.

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resident, report the total New Jersey tax withheld on the W-2. If your employer combined your resident and nonresident wages on the W-2, include only tax withheld while you were a New Jersey resident.

Line 49 - Property Tax Credit. You must prorate the amount of any property tax credit on Line 49 based on the number of months you occupied your qualified New Jersey residence. For this calculation, 15 days or more is a month.

Line 50 - New Jersey Estimated Payments/Credit From 2015 Tax Return. Enter the amount of estimated payments you made to New Jersey while you were a resident. If you made estimated payments both as a resident and as a nonresident, enter only the payments you made to meet your tax liability while you were a resident. Also enter any amount you paid to qualify for an extension of time to file.

Line 51 - New Jersey Earned Income Tax Credit. If you are eligible and filed for a Federal earned income credit, you may also qualify for a New Jersey earned income tax credit. You must prorate your credit based on the number of months you were a New Jersey resident. For this calculation, 15 days or more is a month.

For more information, see Tax Topic Bulletin GIT-6, *Part-Year Residents*.

Military Personnel

Determining Residency


A member of the Armed Forces whose home of record (domicile) is outside New Jersey does not become a resident of this State when assigned to a duty station here. He or she is a *nonresident* for income tax purposes.

A member of the Armed Forces whose home of record (domicile) was New Jersey when entering the service remains a *resident* of New Jersey for income tax purposes unless he or she qualifies for nonresident status (see chart on page 6). Your domicile does not change when you are temporarily assigned to duty in another state or country.

If your home of record (and domicile) is New Jersey and you are stationed outside the State and you are living aboard ship, in barracks, or billets, bachelor officer quarters, apartment, or house, and you do not intend to remain outside New Jersey, you remain a New Jersey *resident* for income tax purposes. You are not considered to be maintaining a permanent home outside New Jersey. If you pay for and maintain an apartment or a home outside New Jersey, either by out-of-pocket payments or forfeiture of quarters allowance, that residence is considered a permanent home outside New Jersey. In this case, you will be considered a *nonresident* for income tax purposes.

Filing Requirements

Residents. As a New Jersey resident, you are subject to tax on all your income, regardless of where it is earned, unless the income is specifically exempt from tax under New Jersey law. You must report your military pay, including combat pay, as taxable income on your resident return. Mustering-out payments, subsistence and housing allowances are exempt.

TAX TIP  Military pensions are exempt from New Jersey income tax. (See instructions for Line 19a.)

Nonresidents. If you are a nonresident, your military pay is not subject to New Jersey income tax. You are not required to file a New Jersey return unless you received income from New Jersey sources other than military pay. Mustering-out payments, subsistence and housing allowances are also exempt. If you had income from New Jersey sources such as a civilian job in off-duty hours, income or gain from property located in New Jersey, or income from a business, trade, or profession carried on in this State, you must file a New Jersey nonresident return, Form NJ-1040NR.

If your permanent home (domicile) was New Jersey when you entered the military, but you have changed your state of domicile or you met the conditions for nonresident status (see chart on page 6), then your military pay is not subject to New Jersey income tax. File Form DD-2058-1

or DD-2058-2 with your finance officer to stop future withholding of New Jersey income tax. If New Jersey income tax was withheld in error from your military pay, you must file a nonresident return (Form NJ-1040NR) to get a refund of the tax withheld. For more information, see the nonresident return instructions.

Spouses of Military Personnel. Under the Federal Military Spouses Residency Relief Act, P.L. 111-97, (the "Act") a military servicemember's nonmilitary spouse is allowed to keep a tax domicile while moving from state to state, as long as he or she moves into a state to be with a spouse who is in the state on military orders.

If you are a nonmilitary spouse and you were domiciled outside New Jersey when you married (or entered into the civil union with) a member of the Armed Forces, you are not considered a New Jersey resident if:

- ♦ The principal reason for moving to this State was the transfer of your military spouse; and
- ♦ You maintain a domicile in another state; and
- ♦ You intend to leave New Jersey when your military spouse is transferred or leaves the service.

Under the Act, a nonmilitary spouse who meets these requirements is not subject to New Jersey income tax on earned income from services performed in New Jersey. If you are a nonmilitary spouse whose wages are exempt from New Jersey income tax, file Form NJ-165, Employee's Certificate of Nonresidence in New Jersey, with your employer to stop New Jersey income tax withholdings. You must notify your employer if you no longer meet the conditions for the withholding exemption. If your employer withheld New Jersey income tax or you made estimated payments in error, you must file a nonresident return (Form NJ-1040NR) to get a refund.

The Act applies only to earned income from services performed in New Jersey by a nonresident civilian spouse of a servicemember. Nonresident civilian spouses

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