

STATE OF NEW JERSEY  
**PARTNERSHIP RETURN**

For Calendar Year 1998, or Tax Year Beginning \_\_\_\_\_, 1998 and Ending \_\_\_\_\_, 19\_\_\_\_.

Federal EIN	Legal Name of Taxpayer		
Principal Business Activity	Trade Name of Business if different from legal name above		
Date Business Started	Address (number and street or rural route)		
	City or Post Office	State	Zip Code
_____ Number of Resident Partners _____ Number of Nonresident Partners			
<input type="checkbox"/> Check if a Composite Return is filed for Nonresident Partners                      Check if: <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Check if Amended Return <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Partnership			

<b>Partnership Income</b>	<input type="checkbox"/> Check if Application for Federal Extension is attached	<input type="checkbox"/> Check if Schedule A is attached	<b>Column A</b> Amount from All Sources	<b>Column B</b> Amount from New Jersey Sources
1. New Jersey Net Ordinary Income (loss) from trade or business activities (see instr. 3) . . . . .			1.	
2. Net Income (loss) from other rental activities (see instruction page 2) . . . . .			2.	
3a. Taxes based on income . . . . .	3a.			
3b. Other additions - specify: _____	3b.			
3c. Total additions (Add Lines 3a and 3b) . . . . .			3c.	
4. Subtotal (Add Lines 1, 2 and 3c) . . . . .			4.	
5a. Income, gain or loss from Real Property included in Line 1	5a.			
5b. Interest Income from Federal obligations . . . . .	5b.			
5c. Interest Income from NJ obligations (see instr. page 4) . . . . .	5c.			
5d. Ride Share Deduction (Attach Form NJ-307) . . . . .	5d.			
5e. Other subtractions - specify: _____	5e.			
5f. Total subtractions (Add Lines 5a thru 5e) . . . . .			5f.	
6a. Subtotal (Subtract Line 5f from Line 4) . . . . .			6a.	
6b. NJ Allocation (Line 6a times Business Allocation Percentage of _____% )			6b.	
7. Income, gain or loss from Real Property (Line 5a) (see instruction page 4) . . . . .			7.	
8. Net Income (loss) from Rental Real Estate Activities (see instruction page 4) . . . . .			8.	
9. Adjusted Net Ordinary Income (loss) (Total Lines 6a, 7 and 8 for Column A) (Total Lines 6b, 7 and 8 for Column B) . . . . .			9.	
10. Guaranteed Payments to Partners . . . . .			10.	
11a. Taxable Interest Income not included in Line 9 . . . . .			11a.	
11b. New Jersey Tax Exempt Interest Income not included in Line 9 . . . . .			11b.	
12. Dividend Income not included in Line 9 . . . . .			12.	
13. Net Income (loss) from Rental Real Estate Activities not included in Line 9 (see instruction 5) . . . . .			13.	
14. Net Income (loss) from Other Rental Activities not included in Line 9 (see instr.5) . . . . .			14.	
15. Royalty Income not included in Line 9 . . . . .			15.	
16a. Net gain (loss) from Disposition of Real Property not included in Line 9 (see instr.5) . . . . .			16a.	
16b. Net gain (loss) from Disposition of other property not included in Line 9 (see instr. 5) . . . . .			16b.	
17a. Net gain (loss) from Disposition of IRC 1231 Real Property (see instr. page 5) . . . . .			17a.	
17b. Net gain (loss) from Disposition of other IRC 1231 Property (see instr. page 5) . . . . .			17b.	
18. Other Income (loss) (Attach Schedule) . . . . .			18.	

**Use the amounts reported in Column A to complete Schedule NJK-1, Column A.**  
**Use the amounts reported in Column B to complete Schedule NJK-1, Column B.**



**INSTRUCTIONS FOR NJ-1065**  
**PARTNERSHIP INFORMATION RETURN, SCHEDULE A**  
**RECONCILIATION AND NEW JERSEY PARTNERSHIP NJK-1**

The New Jersey Gross Income Tax Act does not follow all Federal income tax provisions for partnerships. The proper classification of income by the partnership is critical to the proper reporting of New Jersey income by the partners. In particular, all income, expense, gain or loss that results from the ordinary course of business of the partnership must be included in the amount reported on Form NJ-1065 as "adjusted net ordinary income" to allow the partners to report it as distributive share of partnership income for New Jersey gross income tax purposes.

The partnership income information required to be reported on this form is needed to: 1) adjust certain items of Federal income to conform to the New Jersey Gross Income Tax Act, and, 2) separate income derived from New Jersey sources from amounts derived from all sources. These adjustments and allocations provide the basis for the reporting of partnership income by both New Jersey resident partners and nonresident partners.

The amounts reported by the partnership on the Federal Schedule K may require adjustments to ensure that all income, expense, gain or loss are ultimately reported as net distributive share of partnership income by the partners. For example, a partnership which deals in securities **must** adjust its Federal ordinary income (loss) to include **all** interest, dividends, gains or losses earned in the ordinary course of business. Schedule A of Form NJ-1065 must be completed by the partnership to reconcile any difference between Line 1, Schedule K, Federal Form 1065 and Line 1, Form NJ-1065.

If the partnership has operations outside New Jersey the partnership must allocate its income, gain or loss. Income derived from sources other than real property is allocated by the Business Allocation Percentage as determined by the Business Allocation Schedule (Form NJ-NR-A). Income, gain or loss attributable to real property which is physically located in New Jersey must be entirely allocated to this State.

All choices affecting the computation of income from a partnership are made by the partnership, not each partner. This includes the choice of recognized methods of accounting, methods of computing depreciation, capitalization of organizational fees and the use of the installment sale provisions. It also includes the classification of income and the allocation of income to New Jersey. All partnership elections are equally applicable to all partners.

---

---

**DEFINITIONS:**

**PARTNERSHIP** - For tax purposes partnership means and shall include a general or limited partnership, syndicate, group, pool, joint venture and any other unincorporated organization through or by means of which any business, financial operation or venture is carried on and which is not a corporation, trust or estate within the meaning of the New Jersey Gross Income Tax Act.

An entity that qualifies for and elects to be treated as a partnership for federal tax purposes shall be treated as a partnership under the New Jersey Gross Income Tax Act.

**PARTNER** - Partner means and shall include any person or entity subject to the gross income tax who shall be a member of a partnership, whether as a general partner or a limited partner.

**GENERAL PARTNER** - A general partner is a partner who is individually liable for partnership debts.

**LIMITED PARTNER** - A limited partner is a partner whose liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership.

**LIMITED LIABILITY COMPANY** - A limited liability company (LLC) is an entity formed under state law by filing a certificate of formation with the New Jersey Secretary of State, or applicable laws of another state. If such an entity qualifies and files as a partnership for Federal tax purposes, it must file as a partnership in New Jersey.

**LIMITED LIABILITY PARTNERSHIP** - A limited liability partnership (LLP) is an entity formed under state law by filing a

certificate of registration with the New Jersey Secretary of State, or applicable laws of another state. If such an entity qualifies and files as a partnership for Federal tax purposes, it must file as a partnership in New Jersey.

**WHO MUST FILE**

Every partnership or limited liability company that has income (loss) from sources in the State of New Jersey, or has a New Jersey resident partner, must file Form NJ-1065. A partnership must file even if its principal place of business is outside the State of New Jersey. Form NJ-1065 is solely an information return, and no tax is imposed on the partnership. However, partners are subject to tax on income and gains derived from a partnership.

**WHAT TO FILE**

The following forms and statements must be attached to Form NJ-1065:

- Schedule NJK-1 for every resident partner;
- A Schedule NJ-NR-A if any of the following conditions apply: (1) the partnership is doing business inside and outside of New Jersey, or (2) 100% of business is carried on outside of New Jersey.
- Schedule NJK-1 for every nonresident partner, but only if the partnership had income or loss from New Jersey sources.
- Pages 1 through 4 of the Federal Form 1065 and any federal extension request forms filed.

The Division may also require that Federal Form 1065 including all schedules and supporting attachments be submitted during the course of an audit.

If at any time during the course of an audit the Division deems it necessary, the partnership must make a Schedule NJK-1 available for nonresident partners.

#### **WHEN TO FILE**

Returns for calendar year 1998 are due April 15, 1999. Fiscal year returns are due the 15th day of the fourth month after the end of the tax year.

Any short period return must be filed by the due date of the Federal Form 1065. The partnership should use the most current form available from the Division.

**Postmark Date.** All New Jersey income tax returns postmarked on or before the due date of the return are considered to be filed on time. Tax returns postmarked after the due date are considered to be filed late. When a return is postmarked after the due date, the filing date for that return is the date the return was received by the Division, not the postmark date of the return.

#### **EXTENSION OF TIME TO FILE**

If an extension is obtained for filing Federal Form 1065, then an automatic extension is granted for submitting your Form NJ-1065. A copy of your application(s) for Federal extension, Federal Forms 8736 or 8800, must be filed with your New Jersey return.

If you did not obtain a Federal extension and you need more time to file your New Jersey Form NJ-1065, Federal Form 8736 or 8800 must be submitted as your request to New Jersey on or before the due date of the return.

**An extension of time to file Form NJ-1065 does not extend the time for filing the income tax returns of the partners.**

#### **WHERE TO FILE**

Mail your Form NJ-1065 to:  
State of New Jersey  
Division of Taxation  
PO Box 194  
Trenton, N.J. 08647-0194

#### **ACCOUNTING METHOD**

A partnership's accounting method(s) used for Form NJ-1065 shall be the same as the accounting methods(s) used for Federal Form 1065.

#### **ACCOUNTING PERIODS**

The 1998 Form NJ-1065 should be used for calendar year 1998, or for a fiscal year which began in 1998. If filing for a fiscal year or a short tax year, enter at the top of Form NJ-1065 the month and day the tax year began, and the month, day and year that it ended. The partnership's tax year for New Jersey income tax purposes must be the same as its tax year for Federal income tax purposes.

#### **FORMS AND ASSISTANCE**

Forms are available by calling 1-800-323-4400 or by writing to the New Jersey Division of Taxation, 50 Barrack Street, PO Box 269, Trenton, NJ 08646-0269, Attn: Forms Distribution Center. You can also have forms faxed to you at any time by calling Tax Fax at 1-609-588-4500. You may also photocopy New Jersey tax forms from reproducible copies available in most public libraries.

Assistance is available by calling the New Jersey Tax Hotline at 609-588-2200.

#### **AMENDED RETURN OR FEDERAL CHANGE**

An amended Form NJ-1065 must be filed if an amended Federal Form 1065 return is filed, or if the Internal Revenue Service changes or corrects any item of income, gain or loss previously reported. The amended New Jersey return shall be filed within 90 days of the date the amended Federal Form 1065 is filed or, in the case of a Federal audit, within 90 days after the final determination of the change. Where an amendment to Form NJ-1065 results in a need to amend the Schedules NJK-1, an amended Schedule NJK-1 must be forwarded to the Division and to each partner.

An amended Form NJ-1065 and an amended Schedule NJK-1 for each partner must also be filed to correct any error on or reflect any change to the original Form NJ-1065, whether or not an amended Federal Form 1065 was filed for that year.

To amend your original Form NJ-1065, get a blank Form NJ-1065 for the tax year that is to be amended and check the "Amended" box. Complete the form entering the corrected information and attach an explanation of the changes.

#### **PENALTIES**

The Division may impose a penalty against the partnership if the partnership is required to file Form NJ-1065 and (1) fails to file the return on time, including any extension, (2) files a return that fails to show all the information required, or (3) fails to file an amended partnership return within 90 days of the date a final Federal determination or disallowance is issued or within 90 days of the date the amended Federal Form 1065 is filed, unless the failure is due to reasonable cause and not due to willful neglect.

A penalty of \$100 for each month or fraction of a month may be imposed for failure to file.

#### **FRAUDULENT RETURN**

Any person who willfully fails to file a return, files a fraudulent return, or attempts to evade the tax in any manner may be liable for a penalty not to exceed \$7,500 or imprisonment for a term between three years and five years, or both.

#### **ROUNDING OFF WHOLE DOLLARS**

The money items on the return and schedules may be shown in whole dollars. This means that any amount under 50 cents may be eliminated and amounts of 50 cents or more should be increased to the next higher dollar.

#### **SIGNATURES**

Form NJ-1065 is not considered to be a return unless it is signed. A general partner or the partner designated for tax matters must sign the return. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that person must sign the return.

Anyone who prepares a partnership return for a fee must sign the return as a "Paid Preparer" and must enter his or her social security number. The company or corporation name and Federal Employer Identification Number, must be included, if applicable. The preparer required to sign the partnership return must sign it by hand; **signature stamps or labels are not acceptable.** If someone prepares the return at no charge, the paid preparer's area need not be completed. A tax preparer who fails to sign the return or provide a correct tax identification number may incur a \$25 penalty for each omission.

## COMPOSITE RETURN FOR QUALIFIED ELECTING NONRESIDENT PARTNERS

A partnership which has New Jersey source income may file a NJ-1080C composite return on behalf of its qualified nonresident partners who elect to be included in the composite filing. The tax will be calculated for 1998 at a flat rate of 6.37% without regard to each partner's filing status, dependent exemptions, or deductions for alimony or medical expenses. Composite estimated tax payments should also be made.

A partner may not participate in the composite return if:

- The partner is an estate or trust;
- The partner is a partnership or corporation;

- The partner files on a fiscal year basis;
- The partner is a New Jersey resident during any part of the year;
- The partner derives income from New Jersey sources other than the income from this or any other composite return.

Every participating partner must make the election to be part of the composite return in writing each year. The elections must be maintained in the partnership files. When filed the composite return must include a list of the partners who are participating, as well as a list of those who have not elected, or are not qualified, to participate in the composite return. The list must include each partner's name, address and Federal Identification Number.

## LINE BY LINE INSTRUCTIONS FOR FORM NJ-1065

### REPORTING PERIOD

If you are reporting for a period other than calendar year 1998, enter the beginning and ending dates of your fiscal year.

### NAME, ADDRESS, IDENTIFICATION NUMBER, AND GENERAL INFORMATION

Enter the exact legal name, trade name, if any, and address of the partnership. The legal name is the name in which the business owns property or acquires debt. Enter the trade name, registered alternate name, (d/b/a name) if different from the partnership's legal name.

Enter the partnership's Federal Employer Identification Number (EIN), principal business activity and date the business was started.

Enter the number of resident partners and the number of nonresident partners in the spaces provided. Each partner's residency status must be determined as of the close of the partnership's tax year. Also check the box to indicate whether permission has been granted and a composite return filed for nonresident partners (see above).

Check the appropriate box to indicate whether the return is being filed by a general partnership, a limited partnership, a limited liability company, or a limited liability partnership.

### AMENDED RETURN

Place a check in the box if this is an amended return.

### PASSIVE LOSS LIMITATIONS

There are no passive loss limitations in the New Jersey Gross Income Tax Act. You may use the full amount of loss to offset income or gain in the same category of income, regardless of federal passive loss limitations.

### Line 1 - New Jersey Net Ordinary Income (Loss) from Trade or Business Activities

Enter on Line 1 the amount of ordinary income (loss) derived from the partnership's conduct of a business, profession or other income-producing activity, provided such business, profession or income-producing activity constitutes the conduct of a trade or business. This will be the amount reported on Line 1, Schedule K, Federal Form 1065 unless you are required to combine income reported in other categories of income that was earned in the ordinary course of business.

Schedule A must be completed and submitted with Form NJ-1065 if the amount to be reported on Line 1, NJ-1065 is different from the amount reported on Line 1, Schedule K, Federal Form

1065. Check the box if Schedule A is attached.

Any partnership which for **Federal** income tax purposes includes interest or dividends in the ordinary income (loss) of the partnership must attach a statement to Form NJ-1065 which explains the inclusion of such items in the partnership's ordinary income (loss) for New Jersey gross income tax purposes.

### Line 2 - Net Income from Other Rental Activities

Enter on Line 2 the net income (loss) from rental activities, other than rental real estate activities, that was earned in the ordinary course of business. This may be all or a portion of the amount reported on Line 3c, Schedule K, Federal Form 1065.

### Line 3a - Taxes Based on Income

Enter on Line 3a the amount of taxes based on income which were deducted to determine ordinary income (loss).

### Line 3b - Other Additions - Specify

Enter on Line 3b any other items deducted from or not included in ordinary income (loss) for Federal income tax purposes and are not excludable under the New Jersey Gross Income Tax Act. Specify each item reported. If the amount reported on Line 1, Form NJ-1065 included any loss incurred in connection with the disposition of exempt New Jersey or Federal obligations, you must add back the amount of such loss on this line.

### Line 3c - Total Additions

Total Lines 3a and 3b and enter on Line 3c.

### Line 4 - Subtotal

Total Lines 1, 2 and 3c and enter on Line 4.

### Line 5a - Income, Gain or Loss from Real Property Included in Line 1.

Enter on Line 5a any income, gain or loss that resulted from the sale, exchange or disposition of real property and is included in the amount reported on Line 1, Form NJ-1065.

### Line 5b - Interest Income from Federal Obligations

Enter on Line 5b any interest from Federal obligations that is excludable from New Jersey gross income and was included in the amount reported on Line 1, Form NJ-1065.

### Line 5c - Interest Income from New Jersey Obligations

Enter on Line 5c the amount of interest income from New Jersey obligations **only if** you completed Schedule A and reported an amount on Line 9, Column B, Schedule A of Form NJ-1065.

### Line 5d - Ride Share Deduction

A partnership which has registered with the New Jersey Department of Transportation, has an authorized plan to provide commuter transportation benefits, and has incurred direct expenditures attributed to such plan, shall be entitled to reduce total partnership income distributed to its partners. The amount of the reduction shall be the lesser of 143 percent of the amount of commuter transportation benefits provided pursuant to law or \$1,543.00 for each employee receiving such benefits.

Eligible partnerships must obtain and complete New Jersey Form 307 in order to determine the amount of the ride share deduction. The completed form must be attached when Form NJ-1065 is filed.

### Line 5e - Other Subtractions - Specify

Enter on Line 5e any other items which are excludable or deductible from the ordinary income (loss) reported on Line 1, Form NJ-1065 for New Jersey gross income tax purposes. Specify each item reported.

Some examples of items that might be reported here are:

- Gains from the sale of exempt Federal and New Jersey obligations
- IRC Section 179 expense deductions
- The balance of business meals and entertainment expenses that are not deductible for Federal purposes (50%).

### Line 5f - Total Subtractions

Total Lines 5a through 5e, and enter the result on Line 5f.

### Line 6a - Subtotal

Subtract Line 5f from Line 4 and enter the result on Line 6a.

### Line 6b - New Jersey Allocated Adjusted Partnership Income

Enter the Business Allocation Percentage from Line 5 of the Form NJ-NR-A in the space provided on Line 6b. **A percentage must be entered.** Enter 100% if all business activities are carried on in New Jersey or 0% if all business activities are carried outside New Jersey. Multiply the amount on Line 6a, Column A, by that percentage and enter the result on Line 6b, Column B.

Where a partnership's business is carried on both within and outside of New Jersey, the portion of the partnership's income, gains, expenses or losses attributable to sources within New Jersey shall, except as provided below, be determined by use of the New Jersey Business Allocation Schedule (Form NJ-NR-A), as prepared by the partnership.

If however, you are a partnership which holds interest(s) in other partnership(s) and your partnership receives Schedules NJK-1(s) from other partnership(s), you should apportion your income by adding together:

- (1) The partnership income reported to you on Schedules NJK-1(s), and
- (2) Your own partnership income, not including income from other partnership(s), apportioned using the NJ Business Allocation Schedule or separate accounting (if applicable and approved).

Where a partnership's business is carried on both within and outside of New Jersey, and the partnership believes that the determination of the portion of the partnership's income, gains, expenses or losses attributable to sources within New Jersey by use or the New Jersey Business Allocation Schedule does not provide an equitable allocation of such items and the books and records of

the partnership will disclose to the Director's satisfaction a more appropriate method of allocating such items, the partnership may request from the Director an exception from the use of the New Jersey Business Allocation Schedule.

Such request shall be made **in writing to:**

Gross Income Tax Audit Branch  
Business Allocation Exemption  
PO Box 288  
Trenton, New Jersey 08646-0288

Your request for exception from the use of the New Jersey Business Allocation Schedule must set forth the basis of the request and the substitute method of allocation requested to be used in lieu of the New Jersey Business Allocation Schedule. The substitute method of allocation may not be utilized prior to the submission of the partnership's exception request and the approval of such request by the Director. The partnership's exception request, once approved, shall be made every three years, unless the Director or the partnership requests a change sooner.

### Line 7 - Income, Gain or Loss from Real Property

Enter on Line 7, Column A, the amount of income, gain or loss from real property reported on Line 5a above.

Enter on Line 7, Column B, the portion of the amount reported on Column A that was derived from real property physically located in New Jersey.

**NOTE:** *The income in Column B in certain cases can be greater than the income in Column A depending on allocation method used.*

### Line 8 - Net Income (Loss) from Rental Real Estate Activities

Enter on Line 8, Column A, the amount of net income (loss) from rental real estate activities that was earned in the ordinary course of business. This may be all or a portion of the amount reported on Line 2, Schedule K, Federal Form 1065.

Enter on Line 8, Column B, the portion of the amount reported in Column A that was derived from real property physically located in New Jersey.

Rental income (loss) shall not be taken into account in determining a partnership's ordinary income (loss) and cannot be included on this line unless the rentals were received in the ordinary course of a trade or business. Net rental real estate income (loss) of a partnership which was not received in the ordinary course of a trade or business must be reported on Line 13, Form NJ-1065.

### Line 9 - Adjusted Net Ordinary Income

Total Lines 6a, 7 and 8, Column A, and enter on Line 9, Column A.

Total Lines 6b, 7 and 8, Column B, and enter on Line 9, Column B.

**NOTE:** *All income, gain or loss of the partnership earned in the ordinary course of a trade or business must be included in the amount reported on this line. All other income, gain or loss of the partnership must be reported in the appropriate income categories below. In no case can the amount reported on this line include gain (loss) from the sale, exchange or disposition of IRC Section 1231 property.*

### Line 10 - Guaranteed Payments to Partners

Enter on Line 10, Column A, the total amount of guaranteed payments, as determined for Federal income tax purposes, which were paid to all partners, except for guaranteed payments made to retired partners pursuant to a retirement agreement or pension plan that resulted from a period of service to the partnership. The portion

of the guaranteed payments that were made to retired partners pursuant to a retirement agreement or pension plan should be reported on Line 18 of this form and identified as pension income on an attached schedule.

Enter on Line 10, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 11a - Taxable Interest Income not included in Line 9**

Enter on Line 11a, Column A, taxable interest income that is not included in the amount reported on Line 9, Form NJ-1065.

The amount on this line must include, but is not limited to: (1) interest income from obligations of states and their political subdivisions other than those of New Jersey; and (2) interest income from obligations of any United States authority, commission or instrumentality that is includable in gross income. For more information on interest income request Tax Topic GIT-5 by calling 1-609-588-2200.

Enter on Line 11a, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 11b - New Jersey Tax Exempt Interest Income not on Line 9**

Enter on Line 11b, Column A, interest income that is excludable from New Jersey gross income. This includes interest from obligations of the State of New Jersey or any of its political subdivisions and interest income derived from tax exempt obligations of the United States government or any of its territories or instrumentalities and dividends from a New Jersey qualified investment fund.

Enter on Line 11b, Column B, the amount reported from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 12 - Dividend Income not included in Line 9**

Enter on Line 12, Column A, any taxable dividend income that is not included in the amount reported on Line 9, Form NJ-1065.

Dividends and interest from Investment Funds are excludable from gross income to the extent that they are attributable to obligations that are exempt under N.J.S.A. 54A:6-14. All distributions attributable to interest earned on Federal obligations are exempt from New Jersey State Tax.

Enter on Line 12, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 13 - Net Income (Loss) from Rental Real Estate Activities not included in Line 9**

Enter on Line 13, Column A, the net income (loss) from rental real estate activities that is not included in the amount reported on Line 9, Form NJ-1065.

Enter on Line 13, Column B, the portion of the amount reported in Column A that was derived from real property physically located in New Jersey.

**Line 14 - Net Income (Loss) from Other Rental Activities not included in Line 9.**

Enter on Line 14, Column A, the net income (loss) from rental activities, other than rental real estate activities, that is not included in the amount reported on Line 9, Form NJ-1065.

Enter on Line 14, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 15 - Royalty Income not included in Line 9**

Enter on Line 15, Column A, royalty income that is not included in the amount reported on Line 9, Form NJ-1065.

Enter on Line 15, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 16a - Net Gain (Loss) from Disposition of Real Property not included in Line 9**

Enter on Line 16a, Column A, net gain (loss) from the sale, exchange or disposition of real property not included in the amount reported on Line 9, Form NJ-1065.

Enter on Line 16a, Column B, the portion of the amount reported in Column A that was derived from real property physically located in New Jersey.

**Line 16b - Net Gain (Loss) from Disposition of Other Property not included in Line 9**

Enter on Line 16b, Column A, the net gain (loss) from the sale, exchange or disposition of property, other than real property, not included in the amount reported on Line 9, Form NJ-1065. Do not include any gain (loss) which is attributable to obligations described in N.J.S.A. 54A:6-14 (i.e. exempt Federal obligations and obligations of the State of New Jersey or its political subdivisions) and to qualified investment funds described in N.J.S.A. 54A:6-14.1. Such gain (loss) is excludable from gross income pursuant to N.J.S.A. 54A:5-1c.

Enter on Line 16b, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 17a - Net Gain (Loss) from Disposition of IRC Section 1231 Real Property**

Enter on Line 17a, Column A, net gain (loss) from the sale, exchange or disposition of real property described in IRC Section 1231.

Enter on Line 17a, Column B, the portion of the amount reported in Column A that was derived from real property physically located in New Jersey.

**Line 17b - Net Gain (Loss) from Disposition of Other IRC Section 1231 Property**

Enter on Line 17b, Column A net gain (loss) from the sale, exchange or disposition of property, other than real property, described in IRC Section 1231.

Enter on Line 17b, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

**Line 18 - Other Income (Loss)**

Enter on Line 18, Column A, any other income (loss) which is subject to the New Jersey gross income tax but is not includable in any of the above income categories. If any amount is reported on this line you must attach a schedule identifying the category or categories to which such income (loss) is attributable. Among the remaining categories of income are gambling winnings, pension, and prizes and awards.

Enter on Line 18, Column B, the amount from Column A, less any pension income reported, multiplied by the Business Allocation Percentage used on Line 6b, Form NJ-1065.

# INSTRUCTIONS FOR PARTNERS DIRECTORY

## PARTNERS DIRECTORY

List the partners in order of their ownership interest in the partnership, beginning with the partner who holds the largest share.

**Column A:** Enter each partner's ownership percentage as of the close of the taxable year. If a partner disposed of all or part of an ownership interest during the year, list the partner by the ownership percentage before the disposition as of the close of the partnership's tax year.

**Column B:** Use the following codes to identify the partners residency status and type:

- RI - New Jersey Resident Individual
- NR - Nonresident Individual
- PI - Part Year Resident Individual
- RP - New Jersey Resident Partnership
- NP - Nonresident Partnership
- RC - New Jersey Corporation
- FC - Non-New Jersey Corporation
- RT - New Jersey Resident Trust
- NT - Nonresident Trust
- RE - New Jersey Resident Estate
- NE - Nonresident Estate

RO - New Jersey Resident - Other

NO - Nonresident - Other

For codes RO and NO, attach rider to explain in detail partners's entity type.

**Column C:** Enter the Social Security Number (SSN) for individual partners or the Federal Employer Identification Number (EIN) for partners which are entities other than individuals.

**Column D:** Enter every partner's name and address. For individuals, the statute requires that the address be that of the principal residence. The business name should be provided if the partner is a partnership or corporation.

## SIGNATURE

The return must be signed and dated by a general partner of the partnership or the partner designated for tax matters.

Anyone who prepares a return for a fee must sign the return as a "Paid Preparer" and enter his or her social security number. Include the company or corporation name and Federal Employer Identification Number, if applicable. A tax preparer who fails to sign the return or provide a tax identification number may incur a

# LINE BY LINE INSTRUCTIONS FOR SCHEDULE NJK-1

## SCHEDULE NJK-1

Although the partnership is not subject to tax, the partners are subject to tax on their share of the partnership's income, whether or not the income is actually distributed. Partners who are resident taxpayers of New Jersey are subject to the gross income tax on their shares of the various categories of the partnership's income, regardless of the sources from which the income was derived. Partners who are nonresident taxpayers of New Jersey are subject to the gross income tax on their shares of the various categories of the partnership's income, but only to the extent such income is allocated to New Jersey.

Schedule NJK-1 provides all partners with information regarding their share of the partnership's income. A Schedule NJK-1 must be completed for every resident partner. If the partnership has income allocated to New Jersey, then a Schedule NJK-1 must be completed for every nonresident partner.

A copy of each Schedule NJK-1 must be attached when Form NJ-1065 is filed. Retain a copy of each Schedule NJK-1 as part of the partnership's records. You are also required to furnish each partner with a copy of their Schedule NJK-1 on or before the date on which the Form NJ-1065 is required to be filed. If a partnership interest is held by a nominee on behalf of another person, the partnership is required to furnish Schedule NJK-1 to the nominee. A Schedule NJK-1 must be given to each partner who was a partner in the partnership at any time during the year.

## PART I

### GENERAL INFORMATION

#### Name and Address

Enter the name, address, and Federal Identification Number of

both the partner and partnership. For an individual partner, enter the partner's Social Security Number. For all other types of partners, enter the partner's Federal Employer Identification Number. However, if a partner is an Individual Retirement Arrangement (IRA), enter the identification number of the custodian of the IRA. Do not enter the Social Security Number of the person for whom the IRA is maintained.

If a husband and wife each had an interest in the partnership, prepare a separate Schedule NJK-1 for each of them. If a husband and wife held an interest together as one partner, prepare one Schedule NJK-1.

#### Classification of Partner

Use the same codes, as shown above, that are listed in the instructions for Column B of the partners directory.

#### Date Partner's Interest in Partnership Began

Enter the month, day, and year the partner obtained an interest in this partnership.

#### Partner's Profit, Loss, and Capital Sharing Percentages

Enter in Column (ii), the appropriate percentages as of the end of the partnership's year. However, if a partner's interest terminated during the year, enter in Column (i) the percentages that existed immediately before the termination. When the profit or loss sharing percentage has changed during the year, show the percentage before the change in Column (i) and the end-of-year percentage in Column (ii). If there are multiple changes on the profit and loss sharing percentage during the year, attach a statement giving the date and percentage before each change.



“Capital Ownership” means the portion of the capital that the partner would receive if the partnership was liquidated at the end of the year by the distribution of undivided interests on partnership assets and liabilities.

## **PART II**

### **Income Information**

The amounts reported in Column A, Schedule NJK-1, represent the partner’s share of the various categories of the partnership’s income, gain or loss from all sources as reported in Column A, Form NJ-1065. The partner’s share shall be determined by the partnership agreement in the same manner as the partner’s distributive share of partnership income is determined for Federal income tax purposes. Column A, Schedule NJK-1 must be completed for every partner, regardless of residency.

The amounts reported in Column B, Schedule NJK-1 represent the partner’s share of the partnership’s income, gain or loss allocated to New Jersey as reported in Column B, Form NJ-1065. Column B, Schedule NJK-1 should be completed for all partners.

### **Line 1 - Ordinary Income (Loss) from Trade or Business Activities**

Enter on Line 1, Column A, the partner’s share of adjusted net ordinary income (loss) reported on Line 9, Column A, Form NJ-1065.

Enter on Line 1, Column B, the partner’s share of adjusted net ordinary income (loss) reported on Line 9, Column B of Form NJ-1065.

### **Line 2 - Guaranteed Payments**

Enter on Line 2, Column A, the total amount of guaranteed payments made to the partner, except for guaranteed payments made to a retired partner pursuant to a retirement agreement or pension plan that resulted from a period of service to the partnership. The portion of the guaranteed payments that were made to a retired partner pursuant to a retirement agreement or pension plan should be reported on Line 10 of this schedule and identified as pension income on an attached schedule.

Enter on Line 2, Column B, the amount from Column A, multiplied by the Business Allocation Percentage used at Line 6b, Form NJ-1065.

### **Line 3 - Partner’s 401(k) Contribution**

Enter on Line 3, Column A, the amount of the partner’s contribution to a 401(k) plan. Contributions which exceed the Federal limits and are taxable for Federal income tax purposes may not be included on this line.

Enter on Line 3, Column B, the amount from Column A multiplied by the Business Allocation Percentage used at Line 6b of Form NJ-1065.

### **Line 4 - Total Income (Loss) from Partnership**

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

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

### **Line 5a - New Jersey Taxable Interest Income**

Enter on Line 5a, Column A, the partner’s share of the taxable interest income reported on Line 11a, Column A, Form NJ-1065.

Enter on Line 5a, Column B, the partner’s share of the taxable interest income reported on Line 11a, Column B, Form NJ-1065.

### **Line 5b - New Jersey Tax Exempt Interest Income**

Enter on Line 5b, Column A, the partner’s share of New Jersey tax exempt interest income reported on Line 11b, Column A, Form NJ-1065.

Enter on Line 5b, Column B, the partner’s share of New Jersey tax exempt interest income reported on Line 11b, Column B, Form NJ-1065.

### **Line 6 - Dividends**

Enter on Line 6, Column A, the partner’s share of dividend income reported on Line 12, Column A, Form NJ-1065.

Enter on Line 6, Column B, the partner’s share of dividend income reported on Line 12, Column B, Form NJ-1065.

### **Line 7 - Net Rental Income (Loss)**

Enter on Line 7, Column A, the partner’s share of net rental income (loss) reported on Lines 13 and 14, Column A, Form NJ-1065.

Enter on Line 7, Column B, the partner’s share of net rental income (loss) reported on Lines 13 and 14, Column B, Form NJ-1065.

### **Line 8 - Royalty Income**

Enter on Line 8, Column A, the partner’s share of royalty income reported on Line 15, Column A, Form NJ-1065.

Enter on Line 8, Column B, the partner’s share of royalty income reported on Line 15, Column B, Form NJ-1065.

### **Line 9 - Net Gain (Loss) from Disposition of Property**

Enter on Line 9, Column A, the partner’s share of net gain (loss) from disposition of property reported on Lines 16a, 16b, 17a and 17b, Column A, Form NJ-1065.

Enter on Line 9, Column B, the partner’s share of net gain (loss) from disposition of property reported on Lines 16a, 16b, 17a and 17b, Column B, Form NJ-1065.

### **Line 10 - Other Income (Loss)**

Enter on Line 10, Column A, the partner’s share of other income (loss) reported on Line 18, Column A, Form NJ-1065. If any amount is reported on this line, attach a schedule identifying the category or categories to which such income (loss) is attributable.

Enter on Line 10, Column B, the partner’s share of other income (loss) reported on Line 18, Column B, Form NJ-1065.

## **PART III**

### **Supplemental Information**

Attach a separate schedule to provide any detailed information regarding the partner’s share.

# LINE BY LINE INSTRUCTIONS FOR SCHEDULE A

If, because of Federal reporting rules, the partnership's Federal ordinary income (loss) reported on Line 1, Schedule K, Federal Form 1065, does not include all income, gain and loss earned in the ordinary course of business, complete Schedule A to ensure that "New Jersey Net Ordinary Income (Loss) from Trade or Business Activities" (Line 1, Form NJ-1065) is properly reported.

## PART I

### Column A

**Lines 2 - 9** - Enter on each line the amount of income, gain or loss reported on the corresponding line of Schedule K, Federal Form 1065.

### Column B

#### Line 1 - Ordinary Income (Loss)

Enter on this line the amount of ordinary income (loss) reported on Line 1, Schedule K, Federal Form 1065.

**Lines 2 - 9** - Enter only the portion of each amount reported in Column A that was earned in the ordinary course of business. Any income, gain or loss which is not directly attributable to the conduct of a trade or business cannot be included here and must be reported in Column C.

**Line 10** - Add the amounts reported on Lines 1-9, Column B and enter here, as well as Line 1, Form NJ-1065.

**Interest and Dividends** - Enter only the portion of your interest and dividend income which was derived in the conduct of a trade or business. Such income is deemed to have been earned in the ordinary course of business if it is:

- (1) derived from loans made in the ordinary course of a trade or business of lending money;
- (2) derived from the short term investment of necessary working capital;
- (3) derived from accounts receivable or installment obligations, but only where credit is ordinarily offered to customers;
- (4) derived from investment requirements imposed by law, deposits made in the ordinary course of business, or interest or dividend-bearing contracts held in the ordinary course of business; or
- (5) derived in the ordinary course of trading or dealing in any property which generates such income and such activity constitutes the conduct of a trade or business.

If you enter any amount of dividends or interest in Column B explain and specify your reason for doing so in Part II, below.

**Royalty Income** - Enter only the portion of your royalty income and income derived from patents and copyrights which was earned in the ordinary course of a trade or business of licensing intangible property. The partnership is considered to be engaged in a trade or business of licensing intangible property only if the taxpayer created the property or performed substantial services or incurred substantial costs with respect to the development or marketing of such property.

**Short-term and Long-term Capital Gain (Loss)** - Enter only the portion of your capital gain (loss) which was realized in the conduct of a trade or business. Such gain (loss) is not deemed to have been earned in the ordinary course of business unless the gain (loss) is realized by the partnership: (1) in the ordinary course of trading or dealing in such property and such activity constitutes the conduct of a trade or business; or (2) from the sale, exchange or disposition of property which constitutes the partnership's stock-in-trade, inventory or property held **primarily** for sale to customers in the ordinary course of a trade or business.

In no case can the amounts reported as net short-term and long-term capital gain (loss) include gain (loss) from the sale, exchange or disposition of IRC Section 1231 property.

### Column C

Subtract the amounts entered in Column B from the amounts entered in Column A and enter the results in Column C.

### Column D

Each amount reported in Column C must be reported on Form NJ-1065 according to its character and cannot be included in "New Jersey Net Ordinary Income (Loss) from trade or business activities" (Line 1, Form NJ-1065). Refer to the specified Form NJ-1065 "Line by Line" instructions to determine on which line of Form NJ-1065 the amounts reported in Column C are to be entered.

### Lines 7 and 8 - Other Portfolio and Other Income

If you entered an amount on Line 7 or 8, Column C, you must determine the category in which the income must be reported. If you determine that such income is taxable under the Gross Income Tax Act but no separate line is provided on Form NJ-1065, such income must be reported on Line 18, Form NJ-1065. If an amount is reported on Line 18, Form NJ-1065, a schedule must be attached identifying the category or categories of income to which such amount belongs.

## PART II

If Schedule A is completed, the partnership must provide explanation detailing why income, gain or loss not included in ordinary income (loss) on Line 1, Schedule K, Federal Form 1065 should be included in "New Jersey Net Ordinary Income (Loss) from trade or business activities", Line 10, Column B, Schedule A of the Form NJ-1065.

# General Instructions for Business Allocation Schedule

If business activities are carried on both inside and outside New Jersey, business income may be allocated to determine the amount of income from New Jersey sources. Carrying on business activities outside New Jersey means maintaining, operating or occupying a regular place of business outside New Jersey, such as an office, shop, store, warehouse, factory, agency or other place where the business affairs are systematically and regularly conducted.

The business may not allocate income if it has only an occasional or isolated business transaction outside the State. Likewise, if the business has no regular place of business outside

New Jersey, it may not allocate income, even though its representatives travel outside the State for the purposes of performing duties connected with the trade or business, and make sales or perform services for persons or corporations located outside the State.

**Be sure that Form NJ-NR-A is firmly attached to Form NJ-1040NR, NJ-1041, or NJ-1065, and that the name and address on the Business Allocation Schedule agree exactly with the name and address on the return to which it is attached.**

## *Line by Line Instructions for Business Allocation Schedule*

### Section 1 - Business Locations

Use Section 1 to list the locations where the business activities are conducted. In Columns (a) and (b) list the exact locations at which the business carries on activities both inside and outside the State. List **all** business locations. In Column (c) describe the places listed in Columns (a) and (b) (i.e., branch office, agency, factory, warehouse, etc.). In Column (d) indicate whether the business rents or owns each location listed. Attach additional sheets if necessary.

### Section 2 - Average Values

Use Section 2 to determine the average value of your business assets.

The *average value of property owned* is determined by adding (1) the book value of the property at the beginning of the taxable year and (2) the book value of the property at the end of the taxable year and dividing the sum by two.

The *average value of property rented or leased* is valued at eight times the annual rent. Rent includes any amounts paid in addition to, or accrued in lieu of rent for the period covered by the return (such as interest, taxes, insurance and repairs).

#### Line 1 - Real Property Owned

##### Column A

Enter on Line 1, Column A, the average value of the real property listed in Section 1 that was owned for the period covered by the return. Include property located both inside and outside New Jersey.

##### Column B

Enter on Line 1, Column B, the average value of the real property listed in Section 1 that was owned in the State. Include only property located in New Jersey.

#### Line 2 - Real and Tangible Property Rented

##### Column A

Enter on Line 2, Column A, the average value of property, both real and tangible that was rented for the period covered by the return. Include property located both inside and outside New Jersey.

##### Column B

Enter on Line 2, Column B, the average value of property, both real and tangible that was rented in the State. Include only property located in New Jersey.

#### Line 3 - Tangible Personal Property Owned

##### Column A

Enter on Line 3, Column A, the average value of the tangible personal property that was owned and used in the business for the period covered by the return. Include property located both inside and outside New Jersey.

##### Column B

Enter on Line 3, Column B, the average value of the tangible personal property that was owned and used in the business in the State. Include only property located in New Jersey.

#### Line 4 - Totals

##### Column A

Add Lines 1-3 of Column A and enter the total on Line 4, Column A.

##### Column B

Add Lines 1-3 of Column B and enter the total on Line 4, Column B.

### Section 3 - Business Allocation Percentage

Use Section 3 to determine the business allocation percentage that must be applied to business income. The Business Allocation Percentage must be applied to business income from all sources in order to determine the amount from New Jersey sources.

#### Line 1 - Average Values of Property

##### Line 1a - In New Jersey

Enter on Line 1a the average values of the business property in New Jersey from Line 4, Column B, Section 2.

##### Line 1b - Everywhere

Enter on Line 1b the average values of the business property from everywhere (both inside and outside New Jersey) from Line 4, Column A, Section 2.

## Line by Line Instructions (continued)

---

### **Line 1c - Percentage in New Jersey**

Divide the amount on Line 1a by the amount on Line 1b. The result will be 100% or less. Enter the result on Line 1c.

### **Line 2 - Total Receipts from All Sales, Services and Other Business Transactions**

#### **Line 2a - In New Jersey**

Enter on Line 2a the total of receipts from all sales made, services performed and business transactions conducted in New Jersey during the period covered by the return. This includes sales made and services performed by partners, employees, agents, agencies or independent contractors of the business situated at or sent out from, the offices of the business (or its agencies) located in New Jersey. For example, if a salesperson working out of the New Jersey office covers the states of New Jersey, New York and Pennsylvania, all sales made are to be allocated to New Jersey and reported on Line 2a.

#### **Line 2b - Everywhere**

Enter on Line 2b the total of receipts from all sales made, services performed and business transactions conducted both inside and outside New Jersey during the period covered by the return.

### **Line 2c - Percentage in New Jersey**

Divide the amount on Line 2a by the amount on Line 2b. The result will be 100% or less. Enter the result on Line 2c.

### **Line 3 - Wages, Salaries and Other Personal Compensation Paid During the Year**

#### **Line 3a - In New Jersey**

Enter on Line 3a the total of wages, salaries and other personal compensation paid to employees in connection with operations carried on in New Jersey during the period covered by the return.

Compensation is paid in connection with operations carried on in New Jersey if work is based in an office or other place of business located in New Jersey. Include only amounts paid to employees on Line 3a. **Do not include payments to independent contractors, independent sales agents, etc.**

#### **Line 3b - Everywhere**

Enter on Line 3b the total compensation paid to employees both inside and outside New Jersey during the period covered by the return. **Do not include payments to independent contractors, independent sales agents, etc.**

### **Line 3c - Percentage in New Jersey**

Divide the amount on Line 3a by the amount on Line 3b. The result will be 100% or less. Enter the result on Line 3c.

### **Line 4 - Sum of New Jersey Percentages**

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

### **Line 5 - Business Allocation Percentage**

Divide the total on Line 4 by three and enter the result on Line 5. Also enter this percentage on the appropriate line of the following returns:

- Part V, Form NJ-1040NR
- Line 6b, Form NJ-1065
- Schedule F, Form NJ-1041

If one of the fractions (property, receipts or payroll) is missing, the other two percentages are added and the sum is divided by two. If two of the fractions are missing, the remaining percentage may be used as the allocation factor. A fraction is not missing merely because its numerator is zero, but is missing if its denominator is zero.

---

## Filing NJ-1065 Information on Diskette

The New Jersey Division of Taxation accepts NJ-1065 Partnership Directory and NJK-1 information on diskette. The NJ-1065 Partnership Return, Schedule A and Schedule NJ-NR-A must be filed on the paper return. The diskette must be filed with the NJ-1065 Partnership Return.

The diskette filing of Partnership Directory and NJK-1 information is permitted for partnerships with a minimum of twenty-five partners. The diskette filing will reduce the burden on large partnerships of filing voluminous paper documents and enable the Division of Taxation to more efficiently process the information.

The New Jersey Division of Taxation requires 3 1/2" MS-DOS compatible diskettes.

To be accepted, a diskette must meet the specifications established by the Division of Taxation. A copy of the specifications can be obtained by writing to the following address:

New Jersey Division of Taxation  
Diskette Specifications  
PO Box 288  
Trenton, NJ 08646-0288