



# Credit for Taxes Paid to Other Jurisdictions (Wage Income)

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This document is designed to provide guidance to taxpayers about the credit for taxes paid to other jurisdictions, including Pennsylvania, Maryland, Delaware and New York, as well as cities outside New Jersey such as Philadelphia. It is accurate as of the date issued. Subsequent changes in tax law or its interpretation may affect the accuracy of this publication.

## **Introduction**

A resident taxpayer of New Jersey, including an individual, estate, or trust, who paid Income Tax both to New Jersey and to another jurisdiction outside New Jersey on the same income for the same tax year, may be eligible for a credit against the Income Tax owed to New Jersey. (See [N.J.S.A. 54A: 4-1](#) and [N.J.A.C. 18:35- 4.1](#).) This bulletin explains when a taxpayer is eligible to claim a credit for taxes paid to another jurisdiction and describes how to calculate the amount of the credit.

This bulletin also explains important concepts and terminology to help determine what income can be included in the credit calculation and how to properly calculate any credit(s) a resident is eligible to claim. The examples in this publication focus primarily on how to calculate the credit for taxes paid to another jurisdiction on salary or wage income. Special attention has been given to calculating the credit on wages from New York and Pennsylvania, as well as to situations in which cities or towns tax the wages nonresidents earn within their jurisdiction (e.g., Philadelphia Wage Tax.) The examples provided illustrate how to determine the tax credit in both simple and complex situations. (See [List of Examples](#)).

All New Jersey tax calculations shown in the examples use figures from the tax table or tax rate schedules contained in the instructions for the 2018 New Jersey resident return ([Form NJ-1040](#)). Additional information for completing [Schedule NJ-COJ](#), Form NJ-1040, also can be found in the instructions.

**Civil Unions.** Any reference in this bulletin to a spouse also refers to a spouse who entered into a valid same-sex marriage in another state or foreign nation and a partner in a [civil union \(CU\)](#) recognized under New Jersey law.

**Business/Nonwage Income.** A companion publication, Tax Topic Bulletin [GIT-3B](#), *Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)*, considers situations in which the tax credit is based on income other than wages (S corporation income, income from a partnership or sole proprietorship, capital gains/losses, etc.) and demonstrates how adjustments to income affect the credit calculation. GIT-3B also includes examples of how the fiduciary of an estate or trust calculates the credit.

## **Purpose of the Credit**

The purpose of the credit is to minimize double taxation of income that is taxed by other jurisdictions. A credit reduces the taxpayer's New Jersey Income Tax; *it does not necessarily entitle the taxpayer to a dollar-for-dollar credit for the total amount of taxes paid to the other jurisdiction.* The credit represents the amount of New Jersey Income Tax that would have been imposed if the income earned in the other jurisdiction had been earned in New Jersey, *or* the amount of tax actually paid to the other jurisdiction, *whichever is less.*

While the purpose of the credit is to minimize double taxation of income that is actually taxed by other jurisdictions, there are statutory limitations:

1. The income must have been taxed, in the same tax year, by *both* New Jersey and another qualified jurisdiction (see [Jurisdiction](#)); *and*
2. The credit cannot exceed the proportional credit limitation. (See [Proportional Credit Limitation Formula](#).)

## **How to Claim the Credit**

To claim credit for taxes paid to another jurisdiction the taxpayer must:

1. Complete Schedule NJ-COJ in its entirety. A taxpayer may have to complete more than one Schedule NJ-COJ in certain situations. (See *Completing More Than One Schedule NJ-COJ* below.) Fiduciaries of a resident [estate](#) or trust must complete [Schedule C, Form NJ-1041](#), to claim the credit.
2. If eligible to receive a property tax deduction or credit, the taxpayer must complete Worksheet I to determine whether the property tax deduction or the property tax credit provides the greater benefit.
3. Enclose Schedule NJ-COJ(s) with the NJ-1040 Income Tax Return.

## **Completing More Than One Schedule NJ-COJ**

The taxpayer may have to complete a separate Schedule NJ-COJ for each jurisdiction for which a credit is being claimed. A separate Schedule NJ-COJ must be completed for each tax imposed by a jurisdiction.

- *Two or more jurisdictions (i.e., a state and political subdivision(s) therein – such as counties or municipalities) impose tax on the same income.* For example, when both a state and a city within that state tax the same income, the taxpayer may have to complete and enclose a separate Schedule NJ-COJ for each jurisdiction. (See [Income Subject to Tax by More Than One Jurisdiction Within One State](#).)
- *Different jurisdictions impose tax on different income.* For example, if the taxpayer had wages from State A and a gain from the sale of property from State B, the taxpayer must complete a separate Schedule NJ-COJ for each state.
- *Same Jurisdiction imposes more than one type of tax.* For example, if the taxpayer had wages and business income from a city that imposes both a wage tax and a different tax on business income, the taxpayer must complete one Schedule NJ-COJ for the wage tax and a separate Schedule NJ-COJ for the tax on business income.

## **Returns of the Other Jurisdiction(s)**

New Jersey does not require that a copy of the income tax return(s) filed with the other jurisdiction(s) be enclosed with Form NJ-1040 or Form NJ-1041. However, taxpayers should keep complete copies of any returns filed with other jurisdiction(s). If a return is audited, the taxpayer will be asked to provide:

- (a) A complete copy of the income tax return(s) filed with the other jurisdiction(s) — if one was filed or required to be filed. If the taxpayer filed electronically in the other jurisdiction, a copy of the Electronic Filing Income Tax Return must be included *along with* schedules, worksheets, etc. that establish the nature and source of the income being taxed by the other jurisdiction;
- (b) If the taxpayer participated in a composite return filed in another jurisdiction, include a statement on the filing entity's letterhead, that lists the jurisdiction, the taxpayer's share of the income taxed by the other jurisdiction, and the taxpayer's share of the tax paid;
- (c) If the taxpayer was **not** required to file a return with the other jurisdiction, include the following:
  - A W-2 that lists the wage taxes paid and the name of the taxing jurisdiction;
  - A statement from the business entity that filed a tax return based on income that lists the taxpayer's share of the income taxed by the other jurisdiction. It should include the name of the tax, and the taxpayer's share of the tax paid (e.g., Philadelphia Net Profits Tax, New York City Unincorporated Business Tax).

## **Proportional Credit Limitation Formula**

The credit a taxpayer is allowed is limited to the *lesser* of the proportional credit limitation amount or the actual tax paid to the other jurisdiction. The "proportional credit limitation amount" (PCL) represents the amount of New Jersey Income Tax that would have been imposed if the income earned in the other jurisdiction had been earned in New Jersey.

In general, if the other jurisdiction's effective tax rate is higher than New Jersey's, the credit will be limited to the PCL amount. If the other jurisdiction's effective tax rate is lower than New Jersey's, the credit will be limited to the actual tax paid to the other jurisdiction.

The PCL is calculated by dividing the income actually taxed by both New Jersey and the other jurisdiction (a) by the income subject to tax by New Jersey (b). Apply the resulting percentage to the tax calculated on the total New Jersey taxable income (c). The formula is:

$$\frac{a}{b} \times c = \text{PCL}$$

The proportional credit limitation amount is then compared to the actual tax paid to the other jurisdiction. The credit allowed is the lesser of the two amounts. (See examples [2](#) and [3](#).)

When a state and a city within that state both impose a tax on the same income that New Jersey taxes, one credit calculation is done. Add together the tax paid to both jurisdictions and compare it to the proportional credit limitation amount. (See [example 4](#).)

When one jurisdiction (e.g., Philadelphia) taxes different types of income (e.g., wages and business income) at different tax rates, separate Schedule NJ-COJ credit calculations must be made for each type of income. For each calculation, the actual tax paid on that income is compared to the corresponding proportional credit

limitation amount to determine the credit allowed. The taxpayer claims the total of the credits allowed on the New Jersey return.

When different jurisdictions tax different income, a separate Schedule NJ-COJ must be completed for each jurisdiction. For example, a taxpayer has wages from Delaware and wages from New York State or wages from Delaware and a gain from the sale of land in Maryland. (See [example 5](#).)

## **Components of the Credit Calculation**

Before a credit for taxes paid to another jurisdiction(s) can be calculated, the taxpayer must understand the components of the credit calculation and how to determine each of those components for each jurisdiction and each tax for which a credit is being claimed. The taxpayer must determine:

- What constitutes a *jurisdiction*;
- Income *actually taxed* by the other jurisdiction;
- Income *properly taxed* by another jurisdiction;
- Income actually taxed by both New Jersey and the other jurisdiction;
- Income taxed by New Jersey;
- *Actual tax paid* to the other jurisdiction.

### **Jurisdiction**

For purposes of determining the credit, *jurisdiction* means any state of the United States other than New Jersey; a political subdivision of any state other than New Jersey, such as a city or a municipality, or the District of Columbia. No credit is allowed for taxes paid to the U.S. Government, Canada, Puerto Rico, or to any other foreign country or territory.

For example, a taxpayer who lives in New Jersey and works in Delaware may be eligible to claim a credit on the New Jersey resident return for taxes paid to Delaware on the wages earned there because Delaware is considered "another jurisdiction." However, a New Jersey resident who pays tax to Canada on income earned in that country is not eligible to claim a credit because a foreign country is not considered "another jurisdiction" for purposes of the credit.

### **Income Actually Taxed by Another Jurisdiction**

In general, the income actually taxed by another jurisdiction is the income sourced to the other jurisdiction, after adjustments allowed by the other jurisdiction have been made but before deducting personal exemptions and standard or itemized deductions.

### **Income Sourced to Another Jurisdiction v. "Worldwide Income"**

Some states require nonresidents to determine the actual amount of tax due. First, the nonresident calculates a *base tax* on the taxpayer's total income from all sources ("worldwide income") as if the taxpayer were a resident of that state. Then, multiply the base tax by the percentage obtained from dividing the amount of income sourced to the other state by total (worldwide) income.

Although this method of tax calculation may result in a higher tax liability in the other jurisdiction for the nonresident, it does not increase the amount of income *subject to tax* by the other jurisdiction. Only the income sourced to that state, and not “worldwide income,” is actually taxed by the other jurisdiction. (See [example 6](#).)

As the New Jersey Tax Court stated in *Chin v. Director*, 14 NJ Tax 304 (Tax Ct. 1994): “It is clear that the use of the plaintiff’s non-New York income in determining the tax rate to be imposed on his spouse’s New York source income did not constitute taxation of that non-New York income. Accordingly, the Director properly excluded the non-New York income from the numerator of the resident credit fraction because it was not subject to tax in New York....”

The worldwide income is used to determine the tax rate to be imposed on the income sourced to the state, but is not actually taxed. Thus, only income actually sourced to the other state can be included in the numerator. (See *Chin v. Director*.)

### **Income Allocations Allowed by the Other Jurisdiction**

A jurisdiction may allow income to be allocated when it is earned partly inside and partly outside the state. For example, wages and compensation may be allocated using a ratio of days worked in the state over days worked everywhere. Since the allocation of time worked in the state reduces the wage income taxed by the other jurisdiction, it must be taken into consideration when determining the income actually taxed by the other jurisdiction. (See [example 7](#).)

### **Adjustments (Deductions) Allowed by the Other Jurisdiction**

A jurisdiction may allow subtractions or deductions from income to determine the income actually taxed by that jurisdiction. For example, IRA contributions, employee business expenses, and moving expenses may be allowed as deductions from wages. Because those deductions reduce the wage income taxed by the other jurisdiction, they must be taken into consideration when determining the income actually taxed by the other jurisdiction. (See [example 8](#).)

## Income Subject to Tax by More Than One Jurisdiction Within One State

Income can be reported only once on Schedule NJ-COJ. When the same income is taxed by one or more jurisdictions within the same state and the amount of income taxed by each jurisdiction is the same, only one credit calculation on Schedule NJ-COJ is made. (See [example 4](#).)

When the same income is taxed by one or more jurisdictions within the same state and the amount of income taxed by each jurisdiction is different, separate Schedule NJ-COJ calculations must be made. One credit is based on the amount of income taxed by all the jurisdictions. The other credit is based on the difference (*excess income*) between the amounts taxed by each jurisdiction.

For example, a taxpayer earned wages of \$15,000 in a city in another state. After adjustments, \$9,000 of that income was taxed by the other state. However, the entire \$15,000 was taxed by the city. The amount of *excess income* is \$6,000. In this case, two credit calculations must be made. The first calculation determines the credit allowed on the amount of income taxed by all the jurisdictions (\$9,000); the second calculation determines the credit allowed on the \$6,000 of *excess income* (the difference between the amounts taxed by the two jurisdictions). See [example 9](#).

## Income Properly Taxed by Another Jurisdiction

Only income properly taxed by another jurisdiction is includible in the credit calculation.

### Income Properly Taxed

In general, another jurisdiction may *properly tax* a nonresident's income from:

- Services rendered within that jurisdiction;
- Net profits from a business, trade, or profession carried on within that jurisdiction, including interest earned by the business, etc.;
- A partnership or S corporation as allocated to that jurisdiction;
- Real or tangible personal property located in that jurisdiction;
- Gambling in that jurisdiction;
- Estate or trust distributions that were derived from any of the above types of income located, allocated, or rendered within that jurisdiction.

### Income Not Properly Taxed

A nonresident's personal income from interest, dividends, or gains from intangible personal property *is not properly taxable* by another jurisdiction. A nonresident's income from interest, dividends, or gains from intangible personal property that was derived from a business, trade, or profession carried on in the other jurisdiction *is* properly taxable by that jurisdiction. For example, interest on personal savings on deposit in a bank located in another jurisdiction is not properly taxable by the other jurisdiction. In addition, jurisdictions *cannot* tax a nonresident on most retirement benefits including distributions from deferred compensation plans (e.g., 401(k) plans, 457 plans) and individual retirement accounts. (See [example 10](#).)

A taxpayer who inadvertently reported and paid tax to another jurisdiction on income *not* properly taxable by that jurisdiction is not eligible for a credit on the New Jersey resident return for the tax paid on that income. The taxpayer should follow the other jurisdiction's procedures for requesting any refund due.

### **Dual State Residents**

A taxpayer who is considered to be a resident of both New Jersey and another jurisdiction for the same period can claim a credit based on *all* income taxed on both the New Jersey and the other jurisdiction's resident returns, *except* for any income allocated to New Jersey. For example, any S corporation or partnership income allocated to New Jersey cannot be included in the credit calculation.

When the same income is reported to two states, other than New Jersey, that income is included only once on Schedule NJ-COJ.

**Example:** Raj Patel is a resident of both New York and New Jersey and has a business in Connecticut. He pays tax to Connecticut on his business income. He also must report that income on both his New Jersey and New York resident returns. He must claim a credit on the tax return for the state with the highest tax rate first. Since the New York tax rate is higher than the New Jersey rate, he must first claim a credit on his New York return for the tax paid to Connecticut. He then calculates his New Jersey credit, also based on tax paid to Connecticut. He cannot claim a credit for New York tax because he did not pay tax to New York on this income.

### **Income Actually Taxed by Both NJ and Another Jurisdiction**

#### **Income Taxable in Another Jurisdiction Exempt From Tax in NJ**

Income must be taxed by both New Jersey and the other jurisdiction to be included in the credit calculation. For example, unemployment compensation may be taxed by another jurisdiction but it is not taxable by New Jersey and cannot be included in the credit calculation.

#### **Other Jurisdiction's Additions to Income**

The other jurisdiction may require additions to income that are not required by New Jersey and, therefore, are not reported on the New Jersey return. For example, a depreciation adjustment might be added to the business income taxed by the other jurisdiction. However, if the adjustment is not required or reported on the New Jersey return, it cannot be included in the credit calculation. (See [Adjustments \(Deductions\) Allowed by the Other Jurisdiction](#).)

#### **Income Taxed by New Jersey**

The amount to be used as the denominator of the credit calculation fraction at Schedule NJ-COJ, Line 3 is the income subject to tax by New Jersey, Line 2, Schedule NJ-COJ. A taxpayer enters on Line 2, Schedule NJ-COJ the "New Jersey Gross Income" amount reported on the New Jersey resident return (Line 29 of Form NJ-1040). Line 29 is the total of all income reported on the New Jersey return less any New Jersey pension exclusion and other retirement income exclusion, but before exemptions and deductions. (See [example 1](#).)

#### **Actual Tax Paid to the Other Jurisdiction**

The actual tax paid to the other jurisdiction is the amount of tax that is due after deducting all tax credits allowed by that jurisdiction (e.g., Child and Dependent Care, New Job, Research and Development), but



before the deduction of any payments made by the taxpayer, whether made as withholdings, estimated payments, extension payments, or an overpayment from a prior year.

If the same income was taxed by both a state and a jurisdiction within that state, the actual tax paid is the total tax paid to the state plus the tax paid to the jurisdiction on that income.

### **Actual Tax Paid on Income Taxed by More Than One Jurisdiction in a State Outside NJ**

When calculating a credit in situations when a state and one or more jurisdictions within that state tax differing amounts of income, a separate Schedule NJ-COJ must be completed for each jurisdiction. The actual tax paid to the other jurisdiction(s) to be reported on each Schedule NJ-COJ must be the amount of tax paid to the other jurisdiction(s) only on the amount of income reported on Line 1 of that Schedule NJ-COJ. To prorate the tax paid to the other jurisdiction, divide the amount of income on Line 1 by the total amount of income taxed by that jurisdiction. Apply the resulting percentage to the total tax paid to the other jurisdiction. (See [example 9](#).)

## **Part-Year Residents**

A part-year resident is anyone who meets the definition of a New Jersey resident for only part of the tax year. (A part-year resident of New Jersey also is a part-year nonresident that year.) A part-year resident who is required to file a New Jersey Resident Income Tax return must report on that return all the income received during the period of New Jersey residency, whether the income was from inside or outside New Jersey. (A part-year nonresident who received income from New Jersey sources during the period of nonresidency may also be required to file a part-year nonresident return with New Jersey.) For more information on the filing responsibilities of part-year residents and part-year nonresidents, see the instructions for the New Jersey resident return (Form NJ-1040) and nonresident return (Form NJ-1040NR), or see Tax Topic Bulletin [GIT-6](#), *Part-Year Residents*.

A part-year resident who paid Income Tax both to New Jersey and to another jurisdiction outside New Jersey on income that is reported on the part-year resident return may be eligible to claim a credit for the taxes paid to the other jurisdiction. To qualify for the credit, the income on which the credit is based must have been derived from the other jurisdiction during the period of time the taxpayer was a New Jersey resident, and must be actually and properly subject to tax in both the other jurisdiction and New Jersey. Part-year residents use the same criteria and methodology as full-year residents to determine the components of the credit calculation and the amount of the credit. (See examples [11](#) and [12](#).)

## **Income From New York**

New Jersey residents who work in New York or earn other taxable income there are often taxed on an amount less than their actual New York source income as a result of the deductions allowed by New York. When calculating a credit for taxes paid to New York, only the income *actually taxed* by New York should be reflected in the calculation. Because of New York's method of calculating a nonresident taxpayer's tax, it is not possible to identify one particular line on the New York tax return that represents the income subject to tax in New York. Under no circumstances is the "worldwide income" column to be used in the credit calculation. (See [Income Sourced to Another Jurisdiction v. "Worldwide Income"](#).)

Follow the New York State Nonresident Return (Form IT-203) instructions carefully to ensure that the correct items and amounts of income are included in the New York State Amount column. If the New York IT-203 is completed correctly, the income (or loss) reported in the New York State Amount column will only include income earned from sources in that state and properly taxable to that state.

Items such as interest earned from a New York bank account or dividends paid by a New York corporation are not taxable in New York unless such income is from property employed in a trade, business, profession, or occupation carried on in that state.

## **Income From Pennsylvania**

As a result of the Reciprocal Personal Income Tax Agreement between Pennsylvania and New Jersey, *wages, salaries, and other compensation* paid to New Jersey residents employed in Pennsylvania are not subject to Pennsylvania income tax. Thus, a New Jersey resident cannot claim a credit for taxes paid to Pennsylvania on employee compensation because the earnings are not subject to tax in Pennsylvania.

When Pennsylvania tax is withheld from a New Jersey resident's wages in error, a Pennsylvania nonresident return must be filed to receive a refund. To stop the withholding of Pennsylvania income tax, a New Jersey resident must complete a Pennsylvania Employee's Nonwithholding Application Certificate (Pennsylvania Form REV-419) and give it to his/her employer. This form can be obtained from the [Pennsylvania Department of Revenue](#).

The Reciprocal Agreement covers *only* employee compensation (wages, tips, fees, commissions, etc.). A New Jersey resident who is self-employed or who receives income other than wages (e.g., gain from sale of property) that is taxable in both states, can claim a credit for the taxes paid to Pennsylvania on that income. In no case will a credit be allowed for taxes paid in error to Pennsylvania on employee compensation. (See [example 13](#).)

## **Income From Pennsylvania Municipalities**

The New Jersey/Pennsylvania Reciprocal Agreement does not apply to the income or wage tax imposed and collected by the City of Philadelphia or any other municipality in Pennsylvania. Therefore, income subject to both New Jersey Income Tax and the wage or income tax imposed by a Pennsylvania municipality can be included in the credit calculation.

### Wages From Philadelphia

To determine the proper amount of income to enter on Line 1 of Schedule NJ-COJ, Form NJ-1040, a New Jersey resident earning wages in Philadelphia must divide the wage tax deducted (as reported in the "Local income tax" box on the W-2) by the Philadelphia nonresident tax rate as follows:

$$\frac{\text{Philadelphia Wage Tax Paid*}}{\text{Philadelphia Wage Tax Rate}} = \text{Line 1, Schedule NJ-COJ}$$

The amount reported at Line 1 cannot be more than the amount of Philadelphia wages included on Line 15, Form NJ-1040. You must use the exact amount of Philadelphia wage tax reported on the W-2 when performing this calculation. **Do not** round the figure either up or down. (See [example 14](#).)

In addition, if you contribute to a 401(k) plan, you may need to adjust line 1 and line 9a of Schedule NJ-COJ.

Unlike wages reported for New Jersey tax purposes, the amount of wages reported for Philadelphia include the 401(k) amount. Accordingly, wages from Philadelphia that are available for a credit from New Jersey must be decreased for the Schedule NJ-COJ using the following calculations:

$$\begin{array}{l} \text{New Jersey wages reported} \\ + \text{401(k) amount} \\ \hline \text{New Jersey wages with 401(k)} \end{array}$$

$$\frac{\text{Philadelphia wages with 401(k)}}{\text{New Jersey wages with 401(k)}} = \text{Percentage of 401(k) in Philadelphia wages}$$

$$\begin{array}{l} \text{Percentage of 401(k) in Philadelphia wages} \\ \times \text{401(k) amount} \\ \hline \text{401(k) in Philadelphia wages} \end{array}$$

$$\begin{array}{l} \text{New Jersey wages reported} \\ \text{(Less 401(k) in Philadelphia wages)} \\ \hline \text{Income Eligible for Philadelphia – Enter this amount on Schedule NJ-COJ, Line 1} \end{array}$$

In accordance with N.J. Reg 18:35-401(a) 6.v./ in which there is a reduction in the numerator of the credit fraction for the allowable credit, there must be a corresponding reduction in the allowable tax paid.

Therefore, the tax paid to Philadelphia must be adjusted to reflect the amount of income eligible for a credit. Then, you can determine the maximum credit allowed using the following calculation:

Income Eligible for Philadelphia

Income Taxed by Philadelphia = Percentage of Philadelphia income Eligible for Credit

Percentage of Philadelphia income Eligible for Credit

× Taxes paid to Philadelphia

Prorated Taxes paid to Philadelphia – Enter this amount on Schedule NJ-COJ, Line 9A

**Refund of Wage Tax Paid to Philadelphia**

If you filed a Philadelphia Petition for Wage Tax Refund, you must subtract your refund from the Philadelphia wage tax paid:

Taxes Withheld for Philadelphia

(Less Refund)

Total Taxes Paid to Philadelphia – Enter this amount on Schedule NJ-COJ, Line 9A

Divide Total Taxes Paid to Philadelphia by the Average Philadelphia Tax Rate (3.46105%) to determine the income taxed by Philadelphia. Report this income on Line 1 of Schedule NJ-COJ.

If you file the Philadelphia Petition for Wage Tax Refund after you file your NJ-1040 and you receive a refund of Philadelphia withholding, you must file an amended return, [Form NJ-1040X](#), with the corrected wages and taxes paid, as calculated above.

**Changes Due to Audit by Other Jurisdictions**

When an audit by another state or political subdivision changes the amount of previously reported tax paid, it will result in an adjustment to the credit claimed on the taxpayer's New Jersey return. The taxpayer is required to file an amended New Jersey return, [Form NJ-1040X](#), for the year(s) affected by the audit and pay any amount due. The taxpayer can request a refund of any overpayment resulting from the change "regardless of any otherwise applicable statute of limitations." [N.J.S.A. 54A:4-1\(e\)](#).

**Estimated Tax Payments**

Individuals and certain estates and trusts who expect their New Jersey Income Tax liability to be more than \$400 are required to make quarterly estimated tax payments. The \$400 limit comes into play after the taxpayer takes into account all exemptions, deductions, New Jersey withholdings, and other credits, including the credit for taxes paid to other jurisdictions, for the tax year. This requirement may affect taxpayers who do not have New Jersey Income Tax withheld from their wages and/or pension; those who do not have enough tax withheld; those who are self-employed; or those whose income is from sources such as interest, dividends, or capital gains, which are not covered by withholding tax. Use [Form NJ-1040-ES](#) to file estimated tax payments when due. For more information on estimated taxes, see Tax Topic Bulletin [GIT-8](#), *Estimating Income Taxes*.

**Jurisdiction Code**

New Jersey resident taxpayers who claim a credit for taxes paid to other jurisdiction(s) are required to enter at Line 42, Form NJ-1040, a two-digit code for the jurisdiction for which they are claiming a credit.

<b>Jurisdiction Codes (Line 41)</b>			
	<b>Code</b>		<b>Code</b>
Alabama	01	Nebraska	27
Arizona	03	New Hampshire	29
Arkansas	04	New Mexico	31
California	05	New York	32
Colorado	06	North Carolina	33
Connecticut	07	North Dakota	34
Delaware	08	Ohio	35
Georgia	10	Oklahoma	36
Hawaii	11	Oregon	37
Idaho	12	Pennsylvania	38
Illinois	13	Rhode Island	39
Indiana	14	South Carolina	40
Iowa	15	Tennessee	42
Kansas	16	Utah	44
Kentucky	17	Vermont	45
Louisiana	18	Virginia	46
Maine	19	West Virginia	48
Maryland	20	Wisconsin	49
Massachusetts	21	Dist. of Columbia	51
Michigan	22	Philadelphia	52
Minnesota	23	Other	53
Mississippi	24	Multiple	
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Montana	26		

For more information, see the [NJ-1040 instructions](#).

## **Avoiding Mistakes**

- Check your math.
- Enter the name of the taxing jurisdiction in the space provided on Line 1 of Schedule NJ-COJ.
- Complete and enclose a separate Schedule NJ-COJ for each taxing jurisdiction.
- Keep a completed copy of the tax return(s) filed with the other jurisdiction(s). For electronic filers, keep a copy of the Electronic Filing Income Tax return along with schedules, worksheets, etc.
- If no tax return is required by the taxing jurisdiction, keep the following as applicable:
  1. A W-2 form that indicates the name of the taxing jurisdiction and the amount of tax withheld;
  2. A statement from the business entity that filed a tax return based on income listing the taxpayer's share of the income taxed by the other jurisdiction, the name of the tax, and the taxpayer's share of the tax paid.

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\* Example includes the property tax deduction/credit calculation (Worksheet I).

**Example #1 – Determining the denominator of the credit calculation fraction.**

The denominator of the credit calculation fraction on Line 3, Schedule NJ-COJ is the amount from Line 2, Schedule NJ-COJ, which is taken directly from Line 29 of the New Jersey resident return (Form NJ-1040). This is the taxpayer’s New Jersey gross income before personal exemptions and deductions. It includes the taxable portion of all pension or annuity payments, and/or IRA withdrawals, *after* any pension and/or other [retirement income exclusions](#) allowed by New Jersey have been subtracted.

**Income Subject to Tax by New Jersey**

	<u>Taxpayer A</u> Without Pension	<u>Taxpayer B</u> With Pension Less Exclusion(s)
Wages	70,000	0
Interest	250	4,000
Dividends	400	2,500
Gains	0	1,525
Pension/Annuity/IRA	0	60,000
Pension Exclusion	0	(30,000)
Taxable Pension	<u>0</u>	<u>30,000</u>
S Corporation	21,000	0
Income Subject to Tax Before	<b><u>91,650</u></b>	<b><u>38,025</u></b>
Exemptions and Deductions		

**NOTE:** Prior to Tax Year 2001, the denominator of the credit calculation fraction included the taxable portion of any pension/annuity/IRA income *before allowable exclusions*.



**Example #2 – Determining the credit when the amount of tax paid to the other jurisdiction exceeds the proportional credit limitation amount.**

Marty Abbott lives in New Jersey but works primarily in another state. His only income for the year consisted of \$115,000 in wages, \$105,000 of which was earned in, and taxed by, the other state. Marty’s tax liability to the other state, \$4,900, exceeds the proportional credit limitation amount from Line 8, Schedule NJ-COJ. Therefore, Marty’s credit for taxes paid to the other jurisdiction is \$4,689, the proportional credit limitation amount.

	<b>Income Subject to Tax</b>		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	<u>(1,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	114,000		
Tax	5,136	4,900	
<b>Numerator of the credit calculation</b>			<b>105,000</b>

**Example #2 – continued**

Marty is not eligible for a property tax deduction/credit, so he completes only Column B of Schedule NJ-COJ as follows:

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>State X</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)	1.	105,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)	2.	115,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)	3.	91.3043%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>		Column A	Column B
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	114,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	114,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	5,136
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9.	4,689
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>			

**Keep a copy of this schedule for your records**

**Example #3 – Determining the credit when the amount of tax paid to the other jurisdiction is less than the proportional credit limitation amount.**

Reiko Yamaguchi lives in New Jersey but works primarily in another state. Her only income for the year consisted of \$115,000 in wages, \$105,000 of which was earned in, and taxed by, the other state. Reiko’s tax liability to the other state, \$4,631, is less than the proportional credit limitation amount from Line 8, Schedule NJ-COJ. The credit for taxes paid to another jurisdiction is the lesser of the actual tax paid to the other jurisdiction or the proportional credit limitation amount. Reiko’s credit will be \$4,631, the actual amount of tax paid to the other state on the income being taxed both by that state and by New Jersey.

	<b>Income Subject to Tax</b>		
	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	<u>(1,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	114,000		
Tax	5,136	4,631	
<b>Numerator of the credit calculation</b>			<b>105,000</b>

**Example #3 – continued**

Reiko is not eligible for a property tax deduction/credit, so she completes only Column B of Schedule NJ-COJ as follows:

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>State X</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)	1.		105,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)	2.		115,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)	3.		91.3043%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>		<b>Column A</b>		<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		114,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.	5a.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		114,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		5,136
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9.	9a.	4,631
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

**Keep a copy of this schedule for your records**

**Example #4 – Determining the credit for income taxed both by another state and by a city within that state when the state and city are taxing the same amount of income.**

Ariel and Kandace Strickland are married, file jointly, and are full-year New Jersey residents. Kandace earned \$15,000 in New Jersey and Ariel earned \$30,000 in a city located in another state. The income actually taxed on Ariel’s nonresident return for the other state was \$30,000 and the tax paid to the state on that income was \$1,600. Her nonresident income actually taxed by the city was \$30,000, and she paid \$135 in city tax.

Income only can be reported once on Line 1, Schedule NJ-COJ. Even though Ariel paid tax to two jurisdictions, the Stricklands complete only one Schedule NJ-COJ to calculate their credit. The total tax paid to both the state and the city, \$1,735, is compared to the proportional credit limitation amount (Line 8, Schedule NJ-COJ) to determine the credit.

The Stricklands are eligible for either a property tax deduction or credit. They must first complete lines 1 and 2 of Worksheet H to determine their property tax deduction amount. Then they will complete both Columns A and B of Schedule NJ-COJ as well as Worksheet I.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>Other State</u>	<u>Other City</u>
Wages	45,000	30,000	30,000
Income Subject to Tax Before Exemptions and Deductions	45,000	30,000	30,000
Less Exemptions	<u>(2,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	43,000		
Tax	683	1,600	135
<b>Numerator of the credit calculation</b>			<b>30,000</b>

**Example #4 – continued**

The Stricklands paid \$1,865 in property taxes on their home in New Jersey, and they received a Homestead Benefit of \$85 as a credit on their 2018 property tax bill. They will enter \$1,950 (the amount of the property taxes paid plus the amount of the Homestead Benefit they received as a credit) on Line 38a, Form NJ-1040, and also on line 1 of Worksheet H. The Stricklands will complete only lines 1 and 2. They will then complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit																							
Review the eligibility requirements on page 26 before completing Worksheet H. Part-year residents, see page 30.																							
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>																							
1. <b>Property Taxes.</b> Enter the property taxes from Line 38a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. <b>(See instructions on page 30.)</b>		1. <u>1,950</u>																					
2. <b>Property Tax Deduction.</b> Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same principal residence)? <input type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same principal residence). <input checked="" type="radio"/> No. Enter the amount from line 1.		2. <u>1,950</u>																					
<b>STOP — if you are claiming a credit for taxes paid to other jurisdictions.</b> Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 32.)																							
3. Taxable Income (From Line 37 of Form NJ-1040) .....	3.	3.																					
4. Property Tax Deduction (From line 2 above).....	4.	4.	- 0 -																				
5. New Jersey Taxable Income (Subtract line 4 from line 3).....	5.	5.																					
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules).....	6.	6.																					
7. Subtract line 6, column A from line 6, column B .....	7.	7.																					
8. <b>Is the line 7 amount \$50 or more</b> (\$25 if you and your spouse file separate returns but maintained the same principal residence? <b>Part-year residents</b> , see page 30 before answering "No.") <input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px 10px 2px 20px;"><i>Form NJ-1040</i></td> <td style="padding: 2px 10px 2px 20px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 39</td> <td style="padding: 2px 10px 2px 20px;">Line 4, column A</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 40</td> <td style="padding: 2px 10px 2px 20px;">Line 5, column A</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 41</td> <td style="padding: 2px 10px 2px 20px;">Line 6, column A</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 54</td> <td style="padding: 2px 10px 2px 20px;">Make no entry</td> </tr> </table> <input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px 10px 2px 20px;"><i>Form NJ-1040</i></td> <td style="padding: 2px 10px 2px 20px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 39</td> <td style="padding: 2px 10px 2px 20px;">Make no entry</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 40</td> <td style="padding: 2px 10px 2px 20px;">Line 5, column B</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 41</td> <td style="padding: 2px 10px 2px 20px;">Line 6, column B</td> </tr> <tr> <td style="padding: 2px 10px 2px 20px;">Line 54</td> <td style="padding: 2px 10px 2px 20px;">\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)</td> </tr> </table>				<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Line 4, column A	Line 40	Line 5, column A	Line 41	Line 6, column A	Line 54	Make no entry	<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Make no entry	Line 40	Line 5, column B	Line 41	Line 6, column B	Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 4, column A																						
Line 40	Line 5, column A																						
Line 41	Line 6, column A																						
Line 54	Make no entry																						
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 5, column B																						
Line 41	Line 6, column B																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)																						
<b>(Keep for your records)</b>																							

**Example #4 – continued**

*Credit for Taxes Paid to Other Jurisdictions (Wage Income)*

The Stricklands will complete Schedule NJ-COJ and Worksheet I as follows to determine the amount of their credit for taxes paid to the other jurisdictions and whether they receive a greater benefit from the property tax deduction or the property tax credit.

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>State X and City Y</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)			1.	30,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)			2.	45,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)			3.	66.6667%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>	
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	43,000	4.	43,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	1,950	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	41,050	6.	43,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	649	7.	683
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	433	8.	455
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	1,735	9.	433
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>					

**Keep a copy of this schedule for your records**

**Example #4 – continued**

The Stricklands receive a greater benefit from the property tax credit. They enter the amounts from Lines 6 and 7, Column B, Schedule NJ-COJ on Lines 40 and 41, Form NJ-1040 as indicated in the instructions on

Worksheet I. Their credit for taxes paid to the other jurisdictions is \$455, the amount on line 2, column B, Worksheet I. Their property tax credit on Line 54, Form NJ-1040 is \$50.

<b>Worksheet I</b>																							
<b>Which Property Tax Benefit to Use</b>																							
	<b>COLUMN A</b>			<b>COLUMN B</b>																			
	1. Tax, Enter amounts from Line 7, Schedule NJ-COJ, Columns A and B here.....	1.	649		1.	683																	
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule NJ-COJ, Columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column.....	2.	433		2.	455																		
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....	3.	216		3.	228																		
4. Subtract line 3, column A from line 3, column B.....				4.	12																		
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same principal residence)?																							
<b>Part-year residents</b> , see instructions for Line 9, Schedule NJ-COJ, on page 35 before answering "No."																							
<input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 39</td> <td>Line 5, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column A, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>Make no entry</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Line 5, Column A, Schedule NJ-COJ		Line 40	Line 6, Column A, Schedule NJ-COJ		Line 41	Line 7, Column A, Schedule NJ-COJ		Line 42	Line 2, Column A, Worksheet I		Line 54	Make no entry	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 5, Column A, Schedule NJ-COJ																						
Line 40	Line 6, Column A, Schedule NJ-COJ																						
Line 41	Line 7, Column A, Schedule NJ-COJ																						
Line 42	Line 2, Column A, Worksheet I																						
Line 54	Make no entry																						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 39</td> <td>Make no entry</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column B, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Make no entry		Line 40	Line 6, Column B, Schedule NJ-COJ		Line 41	Line 7, Column B, Schedule NJ-COJ		Line 42	Line 2, Column B, Worksheet I		Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 6, Column B, Schedule NJ-COJ																						
Line 41	Line 7, Column B, Schedule NJ-COJ																						
Line 42	Line 2, Column B, Worksheet I																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)																						
<b>(Keep for your records)</b>																							



**Example #5 – Determining the credit when income is taxed by two different states outside New Jersey.**

Ernesto and Maricella Aldape are married, file jointly and are full-year New Jersey residents. Ernesto’s wages of \$12,000 were earned in New York State. Their New York income subject to tax (from nonresident return Form IT-203) was \$10,500 and the tax paid to New York was \$600. Maricella worked in Delaware where she earned wages of \$8,000 and paid \$130 in Delaware income tax. The Aldapes are not eligible for a property tax deduction/credit.

Since they are claiming a credit for taxes paid to more than one jurisdiction, the Aldapes must complete two separate Schedule NJ-COJs: one for New York State and one for Delaware. They will complete Column B (only) of each schedule as if no other state were involved. To determine the total credit for taxes paid to other jurisdictions for Line 42, Form NJ-1040, they add the amounts from Line 9, Column B of each Schedule NJ-COJ.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>New York</u>	<u>Delaware</u>
Wages	20,000	12,000	8,000
Interest	1,000		
Dividends	2,000		
New York Adjustments		(1,500)	
Income Subject to Tax Before Exemptions and Deductions	23,000	10,500	8,000
Less Exemptions	<u>(2,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	21,000		
Tax	298	600	130
<b>Numerator of the credit calculation</b>		<b>(a) 10,500</b>	<b>(b) 8,000</b>

- (a) Schedule NJ-COJ income taxed by New York
- (b) Schedule NJ-COJ income taxed by Delaware

**Example #5 – continued**

**(a) Credit for taxes paid to New York on income taxed by that state.**

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: _____ <u>New York State</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	10,500	
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	23,000	
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	45.6522%	
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>	
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		4.	21,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)				
	5a.				
5.		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		6.	21,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	298
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		8.	136
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.				
	9a.	600			
9.		9.		9.	136
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>					

**Keep a copy of this schedule for your records**

**Example #5 – continued**

**(b) Credit for taxes paid to Delaware on income taxed by that state.**

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: _____ <u>Delaware</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	8,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	23,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	34.7826%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		4. 21,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.		5. - 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		6. 21,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7. 298
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		8. 104
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	130	9. 104
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

**Keep a copy of this schedule for your records**

The total credit for taxes paid to both jurisdictions is \$240 (\$136 from Line 9 of the first Schedule NJ-COJ plus \$104 from Line 9 of the second Schedule NJ-COJ).

**Example #6 – Determining the numerator of the credit calculation fraction when the other jurisdiction uses income from all sources to determine the tax due.**

Glenn and Constance Freeman are New Jersey residents. Glenn works in New York. His salary is \$65,000. Constance teaches at a school in New Jersey. Her salary is \$35,000. They also have income from interest, dividends, and capital gains. Although only Glenn’s salary is subject to tax by New York, the Freemans must determine their New York tax liability as if they were New York residents. First, they must calculate the tax on their total income from all sources (federal amount). Then, they must multiply the resulting “base tax” by the proportion that their total New York source income (Glenn’s salary) bears to their total income from all sources.

Determining the tax liability of a nonresident in this manner may result in an increase in the average *rate* at which the income derived from the other jurisdiction is taxed, but it does not affect the *amount* of income actually being taxed by the other jurisdiction.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>Federal Amount</u>	<u>New York</u>
Wages	100,000	100,000	65,000
Interest	100	100	0
Dividends	50	50	0
Gains	340	340	0
Income Subject to Tax Before Exemptions and Deductions	100,490	100,490	65,000
Less Exemptions	<u>(2,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	98,490		
Tax	2,666		3,900
<b>Numerator of the credit calculation</b>			<b>65,000</b>

**Example #6 – continued**

The Freemans are not eligible for a property tax deduction/credit, so they complete Schedule NJ-COJ, Form NJ-1040 as shown below to determine the amount of their credit for taxes paid to New York.

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>New York State</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)				1.  65,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)				2.  100,490
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)				3.  64.6831%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>		<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		4.	98,490
5.	Enter in Box 5a the amount from Worksheet H, Line 1.  Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		6.	98,490
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	2,666
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		8.	1,724
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	3,900	9.	1,724
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>					

**Keep a copy of this schedule for your records**

**Example #7 – Determining the numerator of the credit calculation fraction when the taxpayer allocates income in the other jurisdiction.**

Dominic Sands is a single, full-year New Jersey resident who works in another state. However, Dominic is required to work one day each week in New Jersey. His total wages for the year were \$125,000. His W-2 showed all his income as earned in the other state; it did not reflect the days worked in New Jersey. Dominic must allocate his total wages between the other jurisdiction and New Jersey based on the percentage of time worked in each locality. The numerator of the credit calculation is limited to income actually taxed by both jurisdictions, \$100,000.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>Other Jurisdiction</u>	<u>Both</u>
Wages	125,000	100,000	100,000
Income Subject to Tax Before Exemptions and Deductions	125,000	100,000	100,000
Less Exemptions	<u>(1,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	124,000		
Tax	5,773	4,800	
<b>Numerator of the credit calculation</b>			<b>100,000</b>

**Example #7 – continued**

Dominic is not eligible for a property tax deduction/credit, so he completes Schedule NJ-COJ, Form NJ-1040 as shown below.

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>State X</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	100,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	125,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	80.0000%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	4.	124,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	6.	124,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	5,773
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	8.	4,618
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	9.	4,800 4,618
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

**Keep a copy of this schedule for your records**

**Example #8 – Determining the numerator of the credit calculation fraction when the other jurisdiction allows an adjustment to (reduce) income that is not allowed by New Jersey.**

Hien Nguyen, a New Jersey resident, works in New York where he earned wages of \$115,000. Hien paid alimony of \$20,000. In New York, the alimony payment is an adjustment to income that reduces the numerator of the credit calculation fraction whereas in New Jersey, the alimony is a deduction and does **not** reduce the denominator of the credit calculation fraction. (The denominator of the credit calculation fraction includes New Jersey income from all sources after subtracting any applicable pension and/or other retirement income exclusion allowed by New Jersey but before subtracting any personal exemptions or deductions such as alimony payments.) The schedule below shows how to determine the amount of income subject to tax in both jurisdictions when there is an adjustment to income allowed by the other jurisdiction.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>New York</u>
Wages	115,000	115,000
New York Adjustments (Alimony)		(20,000)
Income Subject to Tax Before	115,000	95,000
Exemptions and Deductions		
Less Exemptions	(1,000)	
Deductions (Alimony)	(20,000)	
New Jersey Taxable Income	94,000	
(From Line 37, Form NJ-1040)		
Tax	3,863	3,736
<b>Numerator of the credit calculation</b>		<b>95,000</b>



**Example #8 – continued**

Hien is not eligible for a property tax deduction/credit. His Schedule NJ-COJ will look like this:

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: _____ <u>New York State</u> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	95,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	115,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	82.6087%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		4. 94,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.		5. - 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		6. 94,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7. 3,863
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		8. 3,191
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	3,736	9. 3,191
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

**Keep a copy of this schedule for your records**

**Example #9 – Determining the credit for income taxed both by another state and by a city within that state when the city taxes more income than the state.**

Wilfred and Latanya Emerson are married, file jointly, and are full-year New Jersey residents. Latanya earned wages of \$15,000 in New Jersey. Wilfred worked in a city located in another state where he earned wages of \$30,000. The income actually taxed on Wilfred’s nonresident return for the other state was \$20,000 and the tax paid to the state was \$1,600. His nonresident income actually taxed by the city was \$30,000 and he paid \$135 in city tax. The Emersons must complete two separate Schedule NJ-COJs, one for the amount of income that was taxed by both the other state and city, and one for the amount of income taxed only by the city (*excess income*). The total credit allowed is the sum of the two separate Schedule NJ-COJ calculations.

The Emersons are not eligible for a property tax deduction or credit and complete only Column B of each Schedule NJ-COJ.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>Other State</u>	<u>Other City</u>
Wages	45,000	20,000	30,000
Income Subject to Tax Before Exemptions and Deductions	45,000	20,000	30,000
Less Exemptions	<u>(2,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	43,000		
Tax	683	1,600	135
<b>Numerator of the credit calculation</b>		<b>(a) 20,000</b>	<b>b) 10,000</b>

- (a) Schedule NJ-COJ for income taxed by both jurisdictions
- (b) Schedule NJ-COJ for income taxed only by the city

**Example #9 – continued**

**(a) Credit for taxes paid on the amount of income taxed by both the state and city.**

The Emersons enter \$20,000 on Line 1 of the first Schedule NJ-COJ. This is the amount of income taxed by both jurisdictions. The entry on Line 9 of this schedule is the lesser of the amount on Line 8 (the proportional credit limitation amount for \$20,000) or the amount from Box 9a (the total tax actually paid to both the state *and* the city on \$20,000). The tax actually paid to both the state and the city on \$20,000 is \$1,690 (\$1,600 paid to the state plus \$90 paid to the city). The tax paid to the city on \$20,000 is calculated as follows:  $\$135 \times (\$20,000 \div \$30,000) = \$90$ .

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage Taxes  
Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>State X and City Y</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	20,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	45,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	44.4444%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	4.	43,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1.  Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	6.	43,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	683
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	8.	304
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	9.	1,690  304
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

Example #9 – continued

**(b) Credit for taxes paid to the city on excess income (i.e., income taxed by the city but not by the state).**

The Emersons enter \$10,000 on Line 1 of the second Schedule NJ-COJ. This is the *excess income* taxed only by the city. The entry on Line 9 of this schedule is the lesser of the amount on Line 8 (the proportional credit limitation amount for \$10,000) or the amount from Box 9a (the tax actually paid to the city on \$10,000). The tax paid to the city on \$10,000 is calculated as follows:  $\$135 \times (\$10,000 \div \$30,000) = \$45$ .

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage Taxes  
Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: _____ City Y _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)			1.	10,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)			2.	45,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)			3.	22.2222%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>	
4.	Taxable Income (From Line 37, Form NJ-1040)	4.		4.	43,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.		6.	43,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	683
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.		8.	152
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	45	9.	45
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>					

The total credit for taxes paid to both jurisdictions for Line 42, Form NJ-1040 is \$349 (\$304 from Line 9 of the first Schedule NJ-COJ plus \$45 from Line 9 of the second Schedule NJ-COJ).

**Example #10 – Determining the numerator of the credit calculation fraction when part of New Jersey income is taxed by the other jurisdiction.**

Hakim Shadid is single and a full-year New Jersey resident. Hakim claims one dependent child beside himself and his filing status is head of household. The amount of wages taxed by the other jurisdiction is \$12,500, and the income tax paid to the other jurisdiction is \$400. Hakim also reported \$2,000 in interest, \$3,000 in dividends, and \$21,000 in capital gains on his New Jersey return. Since the interest, dividends, and capital gains were not derived from a business, trade, or profession carried on in the other jurisdiction, they are not reportable to the other jurisdiction and are not includible in the numerator of the credit calculation fraction.

The credit for taxes paid to the other jurisdiction can never exceed the proportion that the out-of-state income bears to the total New Jersey taxable income multiplied by the New Jersey tax. In this example, only 32.4675% of Hakim’s income was subject to the other jurisdiction’s tax.

**Income Subject to Tax**

	New Jersey	Other Jurisdiction	Both
Wages	12,500	12,500	12,500
Interest	2,000		
Dividends	3,000		
Capital Gains	21,000		
Income Subject to Tax Before Exemptions and Deductions	38,500	12,500	12,500
Less Exemptions	(2,500)		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	36,000		
Tax	560	400	
<b>Numerator of the credit calculation</b>			<b>12,500</b>

**Example #10 – continued**

Hakim is not eligible for a property tax deduction/credit, so he completes Schedule NJ-COJ, Form NJ-1040 as shown below.

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage  
Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: _____ <b>Name of Jurisdiction</b> _____ Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)	1.	12,500
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)	2.	38,500
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)	3.	32.4675%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>		<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	36,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	36,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	560
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	182
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9.	182
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>			

**Keep a copy of this schedule for your records**

**Example #11 – Determining the credit when a part-year resident moves to New Jersey during the tax year and continues to work outside New Jersey.**

Jhanvi Banerjee lived in Baltimore County, Maryland, from January 1 through March 31, then moved to New Jersey on April 1. She worked in Baltimore County for the entire year where she earned wages of \$100,000. Jhanvi must file two returns with Maryland: a resident return for the period from January 1 through March 31, and a nonresident return for the period April 1 to December 31. She also must file a part-year resident return in New Jersey and report her income between April 1 and December 31. Since the income taxed by New Jersey was earned in, and taxed by, Maryland, Jhanvi is eligible for a credit for taxes paid to another jurisdiction.

	<b>Income Subject to Tax</b>		
	<u>New Jersey Resident Return</u>	<u>Maryland Resident Return</u>	<u>Maryland Nonresident Return</u>
Wages	100,000	100,000	100,000
Subtractions:			
Income as a nonresident	(25,000)	(75,000)	
Income as a resident			(25,000)
Income Subject to Tax Before Exemptions and Deductions	75,000	25,000	75,000
Less Standard Deduction (Maryland only):			
Resident $2,000 \times (25,000 \div 100,000)$		(500)	
Nonresident $2,000 \times (75,000 \div 100,000)$			(1,500)
Less Exemptions:			
Maryland			
Resident $2,100 \times (25,000 \div 100,000)$		(525)	
Nonresident $2,100 \times (75,000 \div 100,000)$			(1,575)
New Jersey $1,000 \times (9 \div 12)$	(750)	_____	_____
Taxable Income <small>(For New Jersey, From Line 37, Form NJ-1040)</small>	74,250	23,975	71,925
State Tax	2,611	1,107	3,433
Local Tax (Baltimore County – 2.83%)	0	678	0
Local Tax	2,611	1,785	3,433
<b>Numerator of the credit calculation</b>			<b>75,000</b>

**Example #11 – continued**

Jhanvi’s principal residence in New Jersey is a condominium on which she paid \$3,600 in property taxes during the nine months she lived here. She did not receive a Homestead Benefit during 2018, so she will enter this amount on Line 38a, Form NJ-1040, and also on line 1 of Worksheet H. Jhanvi will complete only lines 1 and 2. She will then complete Schedule NJ-COJ and Worksheet I.

<b>Worksheet H - Property Tax Deduction/Credit</b>			
<b>Review the eligibility requirements on page 26 before completing Worksheet H.</b> Part-year residents, see page 30.			
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>			
1.	<b>Property Taxes.</b> Enter the property taxes from Line 38a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. <b>(See instructions on page 30.)</b>	1. <u>3,600</u>	
2.	<b>Property Tax Deduction.</b> Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same principal residence)? <input type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same principal residence). <input checked="" type="radio"/> No. Enter the amount from line 1.	2. <u>3,600</u>	
<b>STOP — if you are claiming a credit for taxes paid to other jurisdictions.</b> Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 32.)			
3.	Taxable Income (From Line 37 of Form NJ-1040) .....	3.	3.
4.	Property Tax Deduction (From line 2 above).....	4.	- 0 -
5.	New Jersey Taxable Income (Subtract line 4 from line 3) .....	5.	
6.	Tax on line 5 amount (From Tax Table or Tax Rate Schedules).....	6.	
7.	Subtract line 6, column A from line 6, column B .....	7.	
8.	<b>Is the line 7 amount \$50 or more</b> (\$25 if you and your spouse file separate returns but maintained the same principal residence? <b>Part-year residents</b> , see page 30 before answering “No.” <input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return. <div style="display: flex; justify-content: space-between; margin-left: 40px;"> <div style="text-align: left;"> <i>Form NJ-1040</i>                              Line 39                              Line 40                              Line 41                              Line 54                         </div> <div style="text-align: left;"> <i>Enter amount from:</i>                              Line 4, column A                              Line 5, column A                              Line 6, column A                              Make no entry                         </div> </div> <input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return. <div style="display: flex; justify-content: space-between; margin-left: 40px;"> <div style="text-align: left;"> <i>Form NJ-1040</i>                              Line 39                              Line 40                              Line 41                              Line 54                         </div> <div style="text-align: left;"> <i>Enter amount from:</i>                              Make no entry                              Line 5, column B                              Line 6, column B                              \$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)                         </div> </div>		
<b>(Keep for your records)</b>			





Jhanvi claims the refundable property tax credit of \$37.50 (\$50 maximum credit, prorated for the period of residency—in Jhanvi’s case, 9 out of 12 months or 75% of the year).

<b>Worksheet I</b>																							
<b>Which Property Tax Benefit to Use</b>																							
	<b>COLUMN A</b>			<b>COLUMN B</b>																			
1. Tax, Enter amounts from Line 7, Schedule NJ-COJ, Columns A and B here.....	1.	2,412		1.	2,611																		
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule NJ-COJ, Columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column.....	2.	2,412		2.	2,611																		
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....	3.	-0-		3.	-0-																		
4. Subtract line 3, column A from line 3, column B.....				4.	-0-																		
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same principal residence)?																							
<b>Part-year residents</b> , see instructions for Line 9, Schedule NJ-COJ, on page 35 before answering "No."																							
<input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 39</td> <td>Line 5, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column A, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>Make no entry</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Line 5, Column A, Schedule NJ-COJ		Line 40	Line 6, Column A, Schedule NJ-COJ		Line 41	Line 7, Column A, Schedule NJ-COJ		Line 42	Line 2, Column A, Worksheet I		Line 54	Make no entry	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 5, Column A, Schedule NJ-COJ																						
Line 40	Line 6, Column A, Schedule NJ-COJ																						
Line 41	Line 7, Column A, Schedule NJ-COJ																						
Line 42	Line 2, Column A, Worksheet I																						
Line 54	Make no entry																						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.																							
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<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 6, Column B, Schedule NJ-COJ																						
Line 41	Line 7, Column B, Schedule NJ-COJ																						
Line 42	Line 2, Column B, Worksheet I																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)																						
<b>(Keep for your records)</b>																							

**Example #12 – Determining the credit when a part-year resident who lived and worked in another state moves to New Jersey and changes jobs to a New Jersey employer.**

Wyatt Spencer lived and worked in Baltimore County, Maryland, from January 1 to March 31. His wages while a Maryland resident were \$25,000. Wyatt moved to New Jersey on April 1 and began a new job here, earning \$75,000 for the rest of the year. Wyatt files a New Jersey resident return for the nine-month period of residency here, reporting only the income earned from April 1 to December 31. Since the income earned while a Maryland resident is not subject to tax in New Jersey and the income earned while a New Jersey resident is not subject to tax in Maryland, the same income is not being taxed by both jurisdictions. Therefore, there is no credit for taxes paid to other jurisdictions.

	<b>Income Subject to Tax</b>	
	<u>New Jersey Resident Return</u>	<u>Maryland Resident Return</u>
Wages	75,000	25,000
Income Subject to Tax Before Exemptions and Deductions	75,000	25,000
Less Standard Deduction		
Maryland: $2,000 \times (25,000 \div 100,000)$		(500)
Less Exemptions:		
Maryland: $2,100 \times (25,000 \div 100,000)$		(525)
New Jersey: $1,000 \times (9 \div 12)$	(750)	
Taxable Income	74,250	23,975
<small>(For New Jersey, From Line 37, Form NJ-1040)</small>		
State Tax	2,611	1,107
Local Tax (Baltimore County – 2.83%)	_____	678
Local Tax	2,611	1,785
<b>Numerator of the credit calculation</b>		<b>0.00</b>

**Example #13 – Determining the credit for income, other than wages, earned in Pennsylvania.**

Molly Thatcher is a single, 66-year-old New Jersey resident who earned \$50,000 in wages from her Pennsylvania employer. Molly is also a member of a Pennsylvania partnership. Her share of the partnership's income for the tax year is \$30,000. Molly paid \$5,150 in property taxes for the year on the residence she owns in New Jersey and is, therefore, eligible for a property tax deduction or credit.

Molly's partnership income is subject to tax by both New Jersey and Pennsylvania. Therefore, she can claim a credit on her New Jersey resident return for any income tax paid to Pennsylvania on this income. However, under the provisions of the New Jersey/Pennsylvania Reciprocal Personal Income Tax Agreement, Molly's wages are not subject to tax in Pennsylvania and cannot be included in the numerator of the credit calculation fraction.

**Income Subject to Tax**

	<u>New Jersey</u>	<u>Pennsylvania</u>	<u>Both</u>
Wages	50,000		
Partnership Income (PA)	30,000	30,000	30,000
Income Subject to Tax Before Exemptions and Deductions	80,000	30,000	30,000
Less Exemptions	<u>(2,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	78,000		
Tax	2,844	840	
<b>Numerator of the credit calculation</b>			<b>30,000</b>

**Example #13 – continued**

Molly paid \$5,150 in property taxes during 2018 on her qualified New Jersey residence. She did not receive a Homestead Benefit during 2018, so she will enter \$5,150 on Line 38a, Form NJ-1040 and also on line 1 of Worksheet H. Molly will complete only lines 1 and 2. She will then complete Schedule NJ-COJ and Worksheet I.

<b>Worksheet H - Property Tax Deduction/Credit</b>																							
<b>Review the eligibility requirements on page 26 before completing Worksheet H.</b> Part-year residents, see page 30.																							
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>																							
1.	<b>Property Taxes.</b> Enter the property taxes from Line 38a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. <b>(See instructions on page 30.)</b>	1.	<u>5,150</u>																				
2.	<b>Property Tax Deduction.</b> Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same principal residence)? <input type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same principal residence). <input checked="" type="radio"/> No. Enter the amount from line 1.	2.	<u>5,150</u>																				
<b>STOP — if you are claiming a credit for taxes paid to other jurisdictions.</b> Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 32.)																							
3.	Taxable Income (From Line 37 of Form NJ-1040) .....	<b>Column A</b>	<b>Column B</b>																				
4.	Property Tax Deduction (From line 2 above).....	4.	- 0 -																				
5.	New Jersey Taxable Income (Subtract line 4 from line 3) .....	5.																					
6.	Tax on line 5 amount (From Tax Table or Tax Rate Schedules).....	6.																					
7.	Subtract line 6, column A from line 6, column B .....	7.																					
8.	<b>Is the line 7 amount \$50 or more</b> (\$25 if you and your spouse file separate returns but maintained the same principal residence? <b>Part-year residents</b> , see page 30 before answering "No.") <input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px;"><i>Form NJ-1040</i></td> <td style="padding: 2px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px;">Line 39</td> <td style="padding: 2px;">Line 4, column A</td> </tr> <tr> <td style="padding: 2px;">Line 40</td> <td style="padding: 2px;">Line 5, column A</td> </tr> <tr> <td style="padding: 2px;">Line 41</td> <td style="padding: 2px;">Line 6, column A</td> </tr> <tr> <td style="padding: 2px;">Line 54</td> <td style="padding: 2px;">Make no entry</td> </tr> </table> <input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px;"><i>Form NJ-1040</i></td> <td style="padding: 2px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px;">Line 39</td> <td style="padding: 2px;">Make no entry</td> </tr> <tr> <td style="padding: 2px;">Line 40</td> <td style="padding: 2px;">Line 5, column B</td> </tr> <tr> <td style="padding: 2px;">Line 41</td> <td style="padding: 2px;">Line 6, column B</td> </tr> <tr> <td style="padding: 2px;">Line 54</td> <td style="padding: 2px;">\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)</td> </tr> </table>			<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Line 4, column A	Line 40	Line 5, column A	Line 41	Line 6, column A	Line 54	Make no entry	<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Make no entry	Line 40	Line 5, column B	Line 41	Line 6, column B	Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 4, column A																						
Line 40	Line 5, column A																						
Line 41	Line 6, column A																						
Line 54	Make no entry																						
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
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Line 40	Line 5, column B																						
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Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)																						
<b>(Keep for your records)</b>																							



**Example #13 – continued**

Molly receives a greater benefit from the property tax deduction. She enters the amounts from Lines 5, 6, and 7, Column A, Schedule NJ-COJ on Lines 39, 40, and 41, Form NJ-1040 as indicated in the instructions on Worksheet I. Her credit for taxes paid to other jurisdictions for Line 42, Form NJ-1040 is \$840, the amount on line 2, column A, Worksheet I. Her property tax deduction on Line 39, Form NJ-1040 is \$5,150. Molly's Worksheet I looks like this:

<b>Worksheet I</b>																							
<b>Which Property Tax Benefit to Use</b>																							
	<b>COLUMN A</b>			<b>COLUMN B</b>																			
1. Tax, Enter amounts from Line 7, Schedule NJ-COJ, Columns A and B here.....	1.	2,534		1.	2,844																		
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule NJ-COJ, Columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column .....	2.	840		2.	840																		
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....	3.	1,694		3.	2,004																		
4. Subtract line 3, column A from line 3, column B.....				4.	310																		
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same principal residence)?																							
<b>Part-year residents</b> , see instructions for Line 9, Schedule NJ-COJ, on page 35 before answering "No."																							
<input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 39</td> <td>Line 5, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column A, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>Make no entry</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Line 5, Column A, Schedule NJ-COJ		Line 40	Line 6, Column A, Schedule NJ-COJ		Line 41	Line 7, Column A, Schedule NJ-COJ		Line 42	Line 2, Column A, Worksheet I		Line 54	Make no entry	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 5, Column A, Schedule NJ-COJ																						
Line 40	Line 6, Column A, Schedule NJ-COJ																						
Line 41	Line 7, Column A, Schedule NJ-COJ																						
Line 42	Line 2, Column A, Worksheet I																						
Line 54	Make no entry																						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td></td> </tr> <tr> <td>Line 39</td> <td>Make no entry</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column B, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Make no entry		Line 40	Line 6, Column B, Schedule NJ-COJ		Line 41	Line 7, Column B, Schedule NJ-COJ		Line 42	Line 2, Column B, Worksheet I		Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 6, Column B, Schedule NJ-COJ																						
Line 41	Line 7, Column B, Schedule NJ-COJ																						
Line 42	Line 2, Column B, Worksheet I																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)																						
<b>(Keep for your records)</b>																							

**Example #14 – Determining the credit for wage income earned in Philadelphia.**

Micah Harrison is a 33-year-old, single, full-year New Jersey resident who is not disabled. He earned wages of \$44,000 in Philadelphia and contributed \$4,400 to his 401(k) plan. He determines the amount of income subject to tax by Philadelphia for Line 1, Schedule NJ-COJ as follows:

**January 1, 2018 – June 30, 2018**

Philadelphia Wage Tax	727.73	
		=\$21,000
Philadelphia Wage Tax Rate	.034654	

**July 1, 2018 – December 31, 2018**

Philadelphia Wage Tax	795.04	
		=\$23,000
Philadelphia Wage Tax Rate	.034567	

**Income Taxed by Philadelphia** \$44,000

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**Income Subject to Tax**

		<u>New Jersey</u>	<u>Phila.</u>	<u>Both</u>
Wages	44,000		44,000	
Less 401(k) contributions	<u>(4,400)</u>	39,600		39,600
Interest		1,500		
Dividends		450		
Income Subject to Tax Before Exemptions and Deductions		41,550	44,000	39,600
Less Exemptions		<u>(1,000)</u>		
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>		40,550		
Tax		749	1,523	
<b>Numerator of the credit calculation</b>				<b>39,600</b>

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**Example #14 – continued**

Micah paid \$7,200 in rent for the year on his apartment in New Jersey and is eligible for a property tax deduction or credit. He will enter 18% of his rent on Line 38a, Form NJ-1040 and also on line 1 of Worksheet H. Micah will complete only lines 1 and 2. He will then complete Schedule NJ-COJ and Worksheet I.

<b>Worksheet H - Property Tax Deduction/Credit</b>																							
Review the eligibility requirements on page 26 before completing Worksheet H. Part-year residents, see page 30.																							
<i>Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.</i>																							
1.	<b>Property Taxes.</b> Enter the property taxes from Line 38a, Form NJ-1040. Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. <b>(See instructions on page 30.)</b>	1.	1,296																				
2.	<b>Property Tax Deduction.</b> Is the amount on line 1 of this worksheet \$15,000 or more (\$7,500 or more if you and your spouse file separate returns but maintained the same principal residence)? <input type="radio"/> Yes. Enter \$15,000 (\$7,500 if you and your spouse file separate returns but maintained the same principal residence). <input checked="" type="radio"/> No. Enter the amount from line 1.	2.	1,296																				
<b>STOP — if you are claiming a credit for taxes paid to other jurisdictions.</b> Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I. (See instructions on page 32.)																							
3.	Taxable Income (From Line 37 of Form NJ-1040) .....	3.																					
4.	Property Tax Deduction (From line 2 above).....	4.	- 0 -																				
5.	New Jersey Taxable Income (Subtract line 4 from line 3) .....	5.																					
6.	Tax on line 5 amount (From Tax Table or Tax Rate Schedules).....	6.																					
7.	Subtract line 6, column A from line 6, column B .....	7.																					
8.	<b>Is the line 7 amount \$50 or more</b> (\$25 if you and your spouse file separate returns but maintained the same principal residence? <b>Part-year residents</b> , see page 30 before answering "No.") <input type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px;"><i>Form NJ-1040</i></td> <td style="padding: 2px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px;">Line 39</td> <td style="padding: 2px;">Line 4, column A</td> </tr> <tr> <td style="padding: 2px;">Line 40</td> <td style="padding: 2px;">Line 5, column A</td> </tr> <tr> <td style="padding: 2px;">Line 41</td> <td style="padding: 2px;">Line 6, column A</td> </tr> <tr> <td style="padding: 2px;">Line 54</td> <td style="padding: 2px;">Make no entry</td> </tr> </table> <input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return. <table style="margin-left: 40px; border: none;"> <tr> <td style="padding: 2px;"><i>Form NJ-1040</i></td> <td style="padding: 2px;"><i>Enter amount from:</i></td> </tr> <tr> <td style="padding: 2px;">Line 39</td> <td style="padding: 2px;">Make no entry</td> </tr> <tr> <td style="padding: 2px;">Line 40</td> <td style="padding: 2px;">Line 5, column B</td> </tr> <tr> <td style="padding: 2px;">Line 41</td> <td style="padding: 2px;">Line 6, column B</td> </tr> <tr> <td style="padding: 2px;">Line 54</td> <td style="padding: 2px;">\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)</td> </tr> </table>			<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Line 4, column A	Line 40	Line 5, column A	Line 41	Line 6, column A	Line 54	Make no entry	<i>Form NJ-1040</i>	<i>Enter amount from:</i>	Line 39	Make no entry	Line 40	Line 5, column B	Line 41	Line 6, column B	Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 4, column A																						
Line 40	Line 5, column A																						
Line 41	Line 6, column A																						
Line 54	Make no entry																						
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 5, column B																						
Line 41	Line 6, column B																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year residents</b> must prorate this amount. (See instructions on page 30.)																						
<b>(Keep for your records)</b>																							

**Example #14 – continued**

The entry in Box 9a is the tax paid to Philadelphia on \$39,600, which is calculated as follows:  
 $\$1,523 \times (\$39,600 \div \$44,000) = \$1,371$ .

Micah completes his Schedule NJ-COJ and Worksheet I as follows.

**Schedule NJ-COJ**  
 (Previously Schedule A)

Credit for Income or Wage  
 Taxes Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>City of Philadelphia</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	39,600
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	41,500
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	95.3069%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	4.	40,550
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	5.	- 0 -
	1,296		5.	1,296
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	6.	40,550
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	749
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	8.	714
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	9.	714
	1,371		9.	660
If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.  If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.				

**Example #14 – continued**

Micah is better off claiming the \$50 property tax credit since his balance of tax after taking credit for the taxes he paid to Philadelphia is only \$3 less when taking the property tax deduction than it would be without the deduction.

<b>Worksheet I</b>																							
<b>Which Property Tax Benefit to Use</b>																							
	<b>COLUMN A</b>			<b>COLUMN B</b>																			
1. Tax, Enter amounts from Line 7, Schedule NJ-COJ, Columns A and B here.....	1.	692		1.	749																		
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule NJ-COJ, Columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column .....	2.	660		2.	714																		
3. Balance of Tax Due. Subtract line 2 from line 1 in each column.....	3.	32		3.	35																		
4. Subtract line 3, column A from line 3, column B.....				4.	3																		
5. Is the line 4 amount \$50 or more (\$25 if you and your spouse file separate returns but maintained the same principal residence)?																							
<b>Part-year residents</b> , see instructions for Line 9, Schedule NJ-COJ, on page 35 before answering "No."																							
<input checked="" type="radio"/> Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td style="width: 40%;"></td> </tr> <tr> <td>Line 39</td> <td>Line 5, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column A, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column A, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>Make no entry</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Line 5, Column A, Schedule NJ-COJ		Line 40	Line 6, Column A, Schedule NJ-COJ		Line 41	Line 7, Column A, Schedule NJ-COJ		Line 42	Line 2, Column A, Worksheet I		Line 54	Make no entry	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Line 5, Column A, Schedule NJ-COJ																						
Line 40	Line 6, Column A, Schedule NJ-COJ																						
Line 41	Line 7, Column A, Schedule NJ-COJ																						
Line 42	Line 2, Column A, Worksheet I																						
Line 54	Make no entry																						
<input type="radio"/> No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.																							
<table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><i>Form NJ-1040</i></td> <td style="width: 30%;"><i>Enter amount from:</i></td> <td style="width: 40%;"></td> </tr> <tr> <td>Line 39</td> <td>Make no entry</td> <td></td> </tr> <tr> <td>Line 40</td> <td>Line 6, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 41</td> <td>Line 7, Column B, Schedule NJ-COJ</td> <td></td> </tr> <tr> <td>Line 42</td> <td>Line 2, Column B, Worksheet I</td> <td></td> </tr> <tr> <td>Line 54</td> <td>\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)</td> <td></td> </tr> </table>						<i>Form NJ-1040</i>	<i>Enter amount from:</i>		Line 39	Make no entry		Line 40	Line 6, Column B, Schedule NJ-COJ		Line 41	Line 7, Column B, Schedule NJ-COJ		Line 42	Line 2, Column B, Worksheet I		Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)	
<i>Form NJ-1040</i>	<i>Enter amount from:</i>																						
Line 39	Make no entry																						
Line 40	Line 6, Column B, Schedule NJ-COJ																						
Line 41	Line 7, Column B, Schedule NJ-COJ																						
Line 42	Line 2, Column B, Worksheet I																						
Line 54	\$50 (\$25 if you and your spouse file separate returns but maintained the same principal residence). <b>Part-year</b> residents must prorate this amount. (See instructions for Line 9, Schedule NJ-COJ, on page 35.)																						
<b>(Keep for your records)</b>																							

**Example #15 – Determining the numerator of the credit calculation fraction when the other jurisdiction allows an adjustment to (reduce) income that is not allowed in New Jersey, and when the other jurisdiction taxes income that is not taxed by New Jersey.**

Sam Spack and Dan Deveru are each single New Jersey residents who work in New York State and earn wages of \$30,000 while contributing \$2,000 to an IRA. Sam also has unemployment income from New York of \$4,000. The schedules below illustrate how to determine the amount of income subject to tax in both jurisdictions, specifically when there is an adjustment to income allowed by the other jurisdiction, an adjustment for income excluded from the denominator, and an adjustment for tax paid to the other jurisdiction.

The unemployment income of \$4,000 Sam received is subject to New York tax but not New Jersey tax. Since it is not included in the denominator of the credit calculation fraction (income subject to tax by New Jersey), it cannot be included in the numerator (income taxed by both New Jersey and New York).

<b>(a) Sam Spack</b>	<b>Income Subject to Tax</b>			
	<u>New Jersey</u>		<u>New York</u>	<u>Both</u>
Wages	30,000	30,000		
New York Adjustments (IRA)		<u>(2,000)</u>	28,000	28,000
Unemployment			4,000	
Income Subject to Tax Before Exemptions and Deductions	30,000		32,000	28,000
Less Exemptions	<u>(1,000)</u>			
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	29,000			
Tax	438		1,415	
<b>Numerator of the credit calculation</b>				<b>28,000</b>

*Example #15 – continued*

<b>(b) Dan Deveru</b>	<b>Income Subject to Tax</b>			
	<u>New Jersey</u>		<u>New York</u>	<u>Both</u>
Wages	30,000	30,000		
New York Adjustments (IRA)		(2,000)	28,000	28,000
Income Subject to Tax Before Exemptions and Deductions	30,000		28,000	28,000
Less Exemptions	<u>(1,000)</u>			
New Jersey Taxable Income <small>(From Line 37, Form NJ-1040)</small>	29,000			
Tax	438		1,238	
<b>Numerator of the credit calculation</b>				<b>28,000</b>

**Example #15 – continued**

For Sam and Dan, the amount to be used in the numerator is the same: \$28,000. Since the amount reported in Box 9a must be the tax actually paid to New York on \$28,000, Sam calculates the amount as follows:  $\$1,415 \times (\$28,000 \div \$32,000) = \$1,238$ .

Neither Sam nor Dan is eligible for a property tax deduction/credit. They will each complete a Schedule NJ-COJ like this:

**Schedule NJ-COJ**  
(Previously Schedule A)

Credit for Income or Wage Taxes  
Paid to Other Jurisdiction

1.	Income properly taxed by <b>both</b> New Jersey and other jurisdiction. (Instructions page 33) Jurisdiction Name: <u>New York State</u> Do not combine the same income taxed by more than one jurisdiction. (The amount on Line 1 <b>cannot exceed</b> the amount on Line 2.)		1.	28,000
2.	Income subject to tax by New Jersey (From Line 29, NJ-1040)		2.	30,000
3.	Maximum allowable credit percentage. Divide Line 1 by Line 2. (Instructions page 35)		3.	93.3333%
See page 26 to determine if you are eligible for a property tax benefit. <b>If you are not eligible, only complete Column B.</b>			<b>Column A</b>	<b>Column B</b>
4.	Taxable Income (From Line 37, Form NJ-1040)	4.	4.	29,000
5.	Enter in Box 5a the amount from Worksheet H, Line 1. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	5.	- 0 -
6.	New Jersey Taxable Income (Subtract Line 5 from Line 4)	6.	6.	29,000
7.	Tax on Line 6 amount (From Tax Table or Tax Rate Schedules)	7.	7.	438
8.	Allowable Credit (Multiply Line 7 by Line 3)	8.	8.	409
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in Box 9a the income or wage tax paid to other jurisdiction (instructions page 35)  <b>Credit Allowed.</b> Enter the lesser of Line 8 or Box 9a. This amount cannot exceed your New Jersey tax on Line 41.	9a.	9.	1,238  409
<p>If you are <b>not eligible</b> for a property tax benefit, enter the amount from Line 9, Column B on Line 42 Form NJ-1040. Make no entry on Lines 39 or 54, Form NJ-1040.</p> <p>If you are <b>eligible</b> for a property tax benefit, you must completed Worksheet I on page 34 to determine whether you receive a greater benefit by claiming a Property Tax Deduction or taking the Property Tax Credit.</p>				

## **For More Information**

### **Online**

- Division of Taxation [website](#);
- [Email](#) general State tax questions.  
Do not include confidential information such as Social Security or federal tax identification numbers, liability or payment amounts, dates of birth, or bank account numbers in your email;
- Subscribe to [NJ Tax E-News](#), the Division of Taxation's online information service.

### **By Phone**

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

### **In Person**

Visit a New Jersey Division of Taxation Regional Information Center. For the address of the center nearest you, visit our [website](#) or call the Automated Tax Information System at 1-800-323-4400.

## **Forms and Publications**

- Visit the Division of Taxation's website for [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) to have printed forms or publications mailed to you.
- **NOTE:** Due to budgetary constraints, supplies are limited and only certain forms and publications can be ordered through this system.