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# New Jersey Tax Updates

Taxation University  
[outreach.tax@treas.nj.us](mailto:outreach.tax@treas.nj.us)  
609.633.6015

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# New Jersey Tax Updates

- Tax Law Updates
  - Income Tax
  - Business Taxes
  - Property Tax Relief Programs
  - Happenings and Resources
- Income Tax - Top 5
- Understanding Sales Tax

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# Tax Law Updates

New Jersey Income Tax

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## Refund Processing

- Refunds Averaging 3 weeks
  - All Refunds Delayed Until 03/01
- We'll Send Them a Notice if We Need Any Clarification
  - 11% Fewer Notices This Season
- Might Be Time to Discuss Tax Planning :
  - Reducing Estimated Payments
  - Adjustments to NJ-W-4

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## eFiled Amended Income Tax Returns

- Amend Income Tax Returns Electronically
  - Expanded for 2016
  - Most Software Providers Allow
- Software Will Only Allow Year Picked Up and Forward

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## Veterans Exemption

- New: Tax Year 2017
- Additional \$3,000 Personal Exemption
- Qualifications:
  - Honorably Discharged / Released Veterans from:
    - Active Service in Military, Reserves, or National Guard

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### Wounded Warrior Caregiver Credit

- New For Tax Year 2018
- Refundable Credit
  - Qualified Family Caregivers
    - Of Discharged Veterans
- Lesser of:
  - \$675
  - or
  - 100% of Service Member's Federal Disability

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### Increase of Pension Exclusion

- 4 Year Phase in
- First Year - 2017

MFJ	\$20,000	→	\$40,000
MFS	\$10,000	→	\$20,000
Single/HOH	\$15,000	→	\$30,000

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### Increase of Pension Exclusion

- Total Exclusion by 2020
  - MFJ - \$100,000
  - MFS - \$50,000
  - Single/HOH - \$75,000
- Income Limits Have Not Been Changed

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## Tax Law Updates

Business Taxes

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### Online Marketplace Sellers: Voluntary Disclosure

- Out-of-State Businesses with Customer Referral Agreements
- Receive Gross Receipts >\$10,000
  - Must Register with New Jersey
  - Subject to Sales Tax in New Jersey
- Voluntary Disclosure Agreement with the Division
  - Between 8/21/2017 – 11/1/2017
  - Comply with Registration and Sales Tax Requirements

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### Online Marketplace Sellers: Voluntary Disclosure

Agreement Terms:

- We Haven't Outreached the Business Yet
- File & Pay 2017 1<sup>st</sup> & 2<sup>nd</sup> Quarter Sales Tax Returns
  - Within 45 Days
  - All Prior Quarters are Waived
- State Assesses Statutory Interest (Prime + 3%)
  - Pay Interest within 30 Days
- Register the Business within 45 Days

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### E-File Mandate - CBT

- Still Accepting Paper Returns for Current Filing Year
- Currently No Free Filing Option through Division's Website
  - It's in the Works!
- Electronic Payments Required
  - Payment Options Available on Our Website

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### Sales Tax – Limousines

- Sales Tax Repealed on Limousine Transportation Services
- Effective May 1, 2017

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### Property Tax Relief Updates

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### Property Tax Relief Programs

- Homestead Benefit
  - Homeowners Only
- Property Tax Reimbursement
  - Homeowners/Mobile Home Owners

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### 2014 Homestead Benefit

Benefit Pay-Outs

- Credits: May 2017
- Checks & Direct Deposits Began July 7, 2017

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### 2015 Homestead Benefit

- Application Mailing in September
  - File Online in Most Cases
  - Qualifications Remain the Same
- Due date 11/30/2017

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### Who's the Qualified Applicant?

Owner/Occupant as of 10/1/2015

- Life Tenant/Estate
- Family Trusts
- Multi Owner/Multi Unit
  - Did They Live in the Property?

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### Information For Your Client

- Are They Moving?
  - Make us Aware When They File
- Not Sure if They're Moving?
  - Make us Aware When They File
- Why is This Important?
  - Benefit Stays with the Property

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### Property Tax Reimbursement

Eligibility

- Age 65/over or Receiving Social Security Disability
- Lived in New Jersey for 10 Years
- Owned and Lived in Home for 3 Years
- Property Taxes Paid

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### Property Tax Reimbursement

- Income Guidelines
  - 2016 Income - \$87,007
  - 2015 Income - \$87,007
- Deadline Extended
  - October 18, 2017

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### Will my Client Actually Get Paid?

- Payments Began July 15<sup>th</sup>
- Budget Restrictions:
  - Payments ONLY to Incomes \$70,000 or less
- Incomes Over \$70,000
  - No Reimbursement
  - Keep Base Year
  - 2017 PTR-2 Application

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### Prior Year Filings

- Eligible Applicants
- File Form, PTR-1
  - Include Supporting Documents
- Back Dated Base Year

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## Miscellaneous Updates

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## Estate Tax Phase Out

- 2017
  - Gross Estate > \$2 Million Must File
- 2018
  - Estate Tax Eliminated

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## Payment Plans Before Being Billed

- Total Liability Paid in 24 Months
- 1<sup>st</sup> Payment Plan Request in 3 Years
- No Missing Returns
- Include All Outstanding Debts

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### Payment Plans After Being Billed

- Same Guidelines but....
- Plan handled by PCR
  - Subject to 10.7% Recovery Fee

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### Ineligible Payment Plans

- Anyone Not Qualifying by Guidelines
  - Send in Partial Payments Anyway
- No Minimum for
  - Cigarette Tax
  - Property Tax Relief

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### Changes to Billing Procedures

- Earlier Billing
  - Moved up a Month
  - Notify Your Clients While it's Fresh
- Delayed Cases to Pioneer
  - 2 Billing Notices
  - Foil Notice
  - Case Eligible for Pioneer

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### Fantasy Sports Companies

- New Fee on Professional Companies Operating Fantasy Sports Leagues
  - "Neighborhood Run" Leagues – Not Included
- Fee Administered by Gaming and Enforcement
  - 10.5% of Company's Winnings

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### Resources and Happenings

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### Extended Call Center Hours

- Monday's Only
  - 8:30am – 5:30pm
- Main Hotline
  - 609.292.6400
- Monday Holiday?
  - We'll Stay Late on Tuesday

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## Website Improvements

- Complete Redesign Underway
  - User Friendly
  - Easier Guidance
  - Improved Search Function
  - Shorter URLs
- Suggestions??
  - <https://www.surveymonkey.com/r/taxationweb>

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## Electronic Correspondence

- NJONRS
  - <http://www.state.nj.us/treasury/taxation/NJONRS.shtml>
  - Upload and Send Documents Electronically
  - Instant Receipt

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## Taxation Boot Camp

- 171 New Hires
  - Customer Service
  - Investigations
  - Audit
  - Counsel Services
  - Local Property Tax
- Core Training
  - Core Mission – Making it Easy for the Public to File and Pay
  - All Major Tax Types

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## Taxation Boot Camp

- How this Helps You
  - More Customer Focused Division
  - Improvements to Customer Service Hold Times
  - Website's Look and Usability
  - Clearer Billing and Notice Language
  - Better Audit and Investigations Experience
  - Clearer Updates on Legislation and Legal Rulings

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## Tax Practitioner Hotline

- New Jersey Tax Practitioner Hotlines:
  - Income Tax - (609)633-6657
  - Business Inquiries - (609)633-6905
- Hotline Limitations:
  - Assistance with S-Corp Election
  - Inheritance and Estate Tax Questions
  - Process Returns
- Regular Business Hours

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## Practitioner Priority E-mail

- "Contact Us" Page
- Choose "Tax Practitioner" Link
  - Priority Treatment
  - Same Day Response - Most Cases

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## Request a Speaker

- Tax Professionals Tab
  - Request a Speaker
- Group Examples
  - Tax Professionals
  - Small Businesses
  - Volunteer Income Tax Preparers
  - Senior Citizens
  - Industry Specific
- Presentations on All New Jersey Tax Topics

*Just Ask Us!*

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## Income Tax – Top 5

How to Help Your Clients Avoid Errors and Get Assistance

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## Top 5 Income Tax Problems

- Property Tax Deduction
- Credit for Taxes Paid to Other Jurisdictions
- Calculating Pension Income
- Earned Income Tax Credit
- Fraudulent Tax Returns

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# Property Tax Deductions

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## Property Tax Deduction

- Reviewed Annually
- Analyzed Property Tax Deduction Notices
  - 28,000 Notices

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## Property Tax Deduction

Common Errors:

- Multiple Owners/Unit
- Vacation/Second Homes
- Federal vs. State Reporting
- Property Tax Reimbursement Base Year
- Reply and Verify Property Tax Information

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## Credit for Taxes Paid to Other Jurisdictions

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### Rule #1

- Income Must Be Taxable to Both New Jersey and The Other Jurisdiction
- Adjustments May Be Needed To:
  - Remove Income NOT Taxed in New Jersey

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### Rule #2

- Credit Allowed Only for Taxes Based on Income
  - Other Taxes Paid Ineligible
    - e.g. Philadelphia Business Income and Receipts Tax
  - Business Income Allocated to New Jersey Ineligible

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### Rule #3

Income Is ONLY Included ONCE on Schedule A

If Income Is Taxed By Multiple Jurisdictions:

- Same Income Taxed by All = 1 Schedule A
- If Income Taxed by Each Is Different, use More than One Schedule A.

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### Rule #4

Prorate the Taxes Paid to the Other Jurisdiction If You:

- Reduced the Income Taxed by the Other Jurisdiction on Line 1 Schedule A
  - Income on Line 1 Sched A  
Total Taxed by Other Juris
  - \$40,000  
\$50,000
  - Sched A Box 9a = \$1,320

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### Changes due to Audit by Other Jurisdictions

**If an Audit Changes the Taxes Paid:**

- The COJ Must Be Adjusted
  - File an Amended Return, NJ-1040X

**If the Audit Causes an Overpayment:**

- Request a Refund *“Regardless of Any Otherwise Applicable Statute of Limitations.”*
  - Include Supporting Documentation of Audit
  - *Only Applies if Other Jurisdiction’s Return Was Filed Timely.*

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## Calculating Pension, Annuity, & IRA Income

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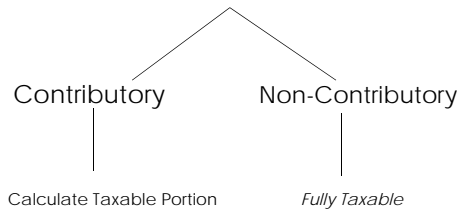
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## Pensions & Annuities



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## New Jersey Pension Treatment

- No 'Simplified' Method
- Client *Needs* Contribution Records
- Often Varies from Federal Treatment

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### Three-Year Rule

- Employee Contributions Recovered in 36 Months
- Both Employee and Employer contributed
- No Pension Income Reported Until Contributions are Recovered

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### General Rule

- Percentage is Used Based on Proportionate Share of Contributions to Total Value of the Pension
- Applied Each Year to the Pension Amount

*\*Use Worksheet B, pg. 23, for General Rule Method*

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### Quick Tips – Pension Calculation

- Your Client Needs Contribution Records
  - No Records = No Excludable Contributions
- Recover contributions within 36 months
  - You may use Three-year or General Rule
  - Advise your client of their options
- Won't Recover Contributions within 36 Months
  - You MUST Use General Rule

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### IRA Withdrawals

- Use Worksheet C, Page 24
- Client Record Keeping
  - IRA Contributions
  - Prior Year Worksheet C
- Roth Distributions
  - Exempt if 'Qualified' - page 23

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### Quick Tips – IRA Calculation

- Your Client Needs Contribution Records
  - No Records = No Excludable Contributions
- May Combine Multiple IRAs on One Worksheet

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### Taxable Pension (Line 19a)

- Line 19a is for the Total of:
  - Taxable Pensions (after reduction by Three-Year or General Rule)
  - Taxable Annuities
  - Taxable IRAs

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### Excludable Retirement Income (Line 19b)

- Line 19b Is for the Total of:
  - Excludable Pension
  - Excludable Annuity
  - Excludable IRA
- Think Contributions!

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### Quick Tips – Excludable Pension

Line 19a  
+  
Line 19b  
=  
Total Retirement Income Distribution

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### Earned Income Tax Credit

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## Earned Income Tax Credit (EITC)

- Eligibility
  - All New Jersey Residents Who Qualify for Federal EIC Are Eligible to Apply
    - Subject to Review
- 2016 Calculated Amount
  - 35% of Federal EIC amount

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## EITC Notices

- Your Client May Receive a Notice If They've:
  - Added New Dependents
  - Reported Business Income
  - Claimed Part-Year Residency, etc.
- Respond with Requested Documentation
  - Online: [NJONRS](#)
  - By Mail
- Allow Up to Ninety Days for Processing

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## Fraudulent Tax Returns

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## Common Areas of Fraudulent Reporting

- Fraudulent Social Security Numbers
  - Stolen Identity
  - Deceased Taxpayers
  - Incarcerated Individuals
- Fictitious W-2s
  - Information Obtained Using a Phishing Scam
  - Creating Fake Businesses
- Omitting Income
  - Business Income (Inflated Expenses)
  - Nonresident Income

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## If You Suspect Fraud...

- Report it to the Office of Criminal Investigation:
  - 24 Hour Tip Line 609/588-5001
  - Complete the [TAXCHEAT](#) Form Online
  - Mail Your TIP to:
    - New Jersey Department of the Treasury
    - Office of Criminal Investigation
    - PO Box 284
    - Trenton, NJ 08695-0284

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## New Jersey Sales Tax

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 **New Jersey Sales Tax**

- Collecting Sales Tax
  - Taxable Products & Services
  - Out of State Sales
  - Use Tax
- Exemption Certificates
- Filing Sales & Use Tax Returns
- Special Sales & Use Tax Areas

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 **Collecting Sales Tax**

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 Collecting Sales Tax

The New Jersey Sales Tax Rate:

2017 - 6.875%

01/01/2018 - 6.625%

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Sales Tax Rule #1



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 Products Are *Taxable*



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### Unless the Law Says They're *Not*

- Clothing & Footwear
- Includes:
  - Dresses, Shirts, Pants, etc.
  - Protective Wear for Work
- Excludes:
  - Sport/Recreational Wear
  - Accessories

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### Unless the Law Says They're *Not*

- Paper Products
  - Household Use
- All Newspapers
- Magazines Sold by Subscription
- Medicine
  - FDA Determines
- Food & Food Ingredients

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### Reduced Sales Tax: Boats

- Sales Tax Reduced to 3.5%
  - Cap at \$20,000
  - Includes Leases and Rentals
- Residents May Use Out of State Boats without Use Tax
  - Must be Less than 30 Days
  - Can't be for Business Purposes

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### Sales Tax Rule #2




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### Taxable Services

- Services to Products
  - Repairing, Altering, Maintaining
- Hotel/Motel
- Admission Charges
  - Sporting Events, Rides, Movie Theaters, etc.
- Prepared Food

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### Taxable Services

- |                 |                                |
|-----------------|--------------------------------|
| • Storage Space | • Information Services         |
| • Tanning       | • Initiation & Membership Fees |
| • Massage       | • Parking or Storing Vehicles  |
| • Tattooing     | • Investigation & Security     |

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 Taxable Services

- Storage Space →
- Tanning
- Massage
- Tattooing

• Secure areas  
• Rooms  
• Units  
• For storing or retrieving property

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 Taxable Services

- Storage Space
- Tanning →
- Massage
- Tattooing

Includes  
Temporary  
Tanning Applications

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 Taxable Services

- Storage Space
- Tanning
- Massage →
- Tattooing

• Bodywork  
• Somatic Services  
• Unless medically prescribed

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 Taxable Services

- Storage Space
- Tanning
- Massage
- Tattooing

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- Permanent body art
- Cosmetic make-up applications
  - Exempt: Reconstructive Breast Surgery w/ Prescription

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 Taxable Services

- Information Services
- Initiation & Membership Fees
- Parking or Storing Vehicles
- Investigation & Security

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Charges for:

- Furnishing
- Collecting
- Compiling
- Analyzing

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 Taxable Services

- Information Services
- Initiation & Membership Fees
- Parking or Storing Vehicles
- Investigation & Security

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- Health/Fitness
- Athletic/Sporting
- Shopping Club

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### Taxable Services

- Parking Lots
- Garages

Excludes Municipal Parking Charges

- Information Services
- Initiation & Membership Fees
- Parking or Storing Vehicles
- Investigation & Security

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### Taxable Services

- Detective
  - Fingerprinting
  - Polygraph
  - Skip Tracing
- Guard and Patrol
  - Armored Car
- Security Systems

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- Information Services
- Initiation & Membership Fees
- Parking or Storing Vehicles
- Investigation & Security

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### Out of State Sales & Use Tax

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### Out of State Sales

- Customer Receives Product Outside of New Jersey
  - No Sales Tax
- Customer Receives Product Inside New Jersey
  - Sales Tax Due

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### Use Tax

1. Out of State Purchases for Use in New Jersey

**AND**

2. Items Taken from Inventory for Personal Use

Subject to 6.875 % Use Tax  
**OR**  
Difference between 6.875% &  
The Other State's Sales Tax Rate

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### Exemption Certificates

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### ST-3 Resale Certificate

Most Common Exemption Certificate

- Exempts Purchasers When:
  - Not the End User *and*
  - Product Resold in its Present Form
- OR
- Incorporated as Part of Another Product

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### ST-4 Exempt Use Certificate

- Wrapping Materials for Delivery
- Cameras and Photographic Development
- Products used in Film/Video
- Aircraft and Repair Services
- Government Purchases under \$150

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### ST-5 Exempt Organization

Used by 501(c)3 Organizations

- Completed Reg-1E
- All Purchases
  - Exclusive Use of the Organization
  - Using Organization Funds

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### ST-8 Certificate of Exempt Capital Improvement

- Exempt Capital Improvement
  - Increases Capital Value
  - Property Taxes Typically Increase
  - Permanently Affixed to the Property
- Completed by Property Owners for the Contractor
  - Applies Only to the Labor Portion of the Bill

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### Filing & Paying Sales and Use Tax

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## Filing Sales & Use Tax Returns

**Quarterly (ST-50)**

- Even if \$0.00 Tax Due
- Due 20<sup>th</sup> of Month Following Quarter

**Monthly (ST-51)**

- \$30,000.00 in Tax the Prior Year *and*
- \$500.00 or More in First and/or Second Month

**Seasonal Businesses:** Only File for Active Quarters

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## Changes to the ST-50

- Clearer Language
- Two Additional Lines Added
  - Sales Tax Calculated
  - Sales Tax Collected

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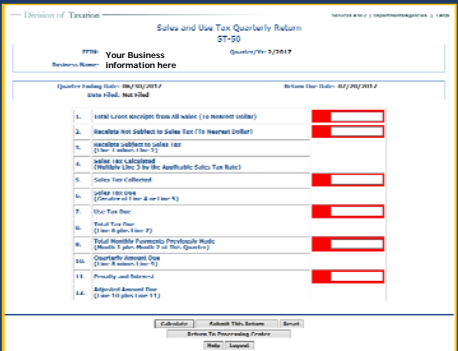
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## Special Sales & Use Tax Areas

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## Special Sales Tax Areas

- Urban Enterprise Zones (UEZ)
- Salem County Reduced Sales Tax
- Atlantic County Luxury Tax
- Cape May County Tourism Tax

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## Urban Enterprise Zones

- UEZ Phase Out
  - Not being extended beyond current extension date
- 32 UEZ Zones
  - Start date will determine end date
- Initial 5 zones ended 11:59 PM 12/31/2016
  - Bridgeton
  - Camden
  - Newark
  - Plainfield
  - Trenton

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### Sales Tax Resources

- Sales Tax Publications Online
- Get a Letter Ruling:

New Jersey Division of Taxation  
Regulatory Services  
PO Box 269  
Trenton, NJ 08695-0269

FAX: (609) 989-0113

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### Need Assistance?

New Jersey Tax Practitioner Hotlines:

- Income Tax - (609)633-6657
- Business Inquiries - (609)633-6905

Taxation University:

- [outreach.tax@treas.nj.gov](mailto:outreach.tax@treas.nj.gov)
- 609.633.6015

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