TAX TOPICS

Pensions and Annuities

Bulletin GIT-1

Introduction

This bulletin explains how to report pension and annuity income on your New Jersey gross income tax return. It also describes the income exclusions which qualified taxpayers can use to reduce their New Jersey taxable income. The forms, schedules, and worksheets used in this bulletin to illustrate return completion are those for tax year 2011. Thus, the forms and amounts shown in the examples may not reflect current information in subsequent tax years.

Note: *Any reference in this bulletin to a spouse also refers to a partner in a civil union (CU) recognized under New Jersey law.*

General Information

Pension and annuity income is taxable and must be reported on your New Jersey income tax return. However, in some cases, the taxable amount of pension or annuity you show on your New Jersey tax return may differ from the amount taxable for Federal income tax purposes. This is because you may have to use a different method to calculate the taxable amount for your New Jersey return than the method you use for Federal income tax purposes.

All state and local government, teachers', and Federal pensions, and Keogh Plans are treated in the same manner as employee pensions and annuities from the private sector. Amounts received as "early retirement benefits" and amounts reported as pension on Schedule NJK-1, Partnership Return Form NJ-1065 are also taxable.

Social Security/Railroad Retirement Benefits/Disability

Social Security and Railroad Retirement benefits are exempt from New Jersey income tax and should not be reported as income. Payments from a public or private pension plan as a result of total and permanent disability are also exempt. However, if an individual retired before age 65 on a total and permanent disability pension and continues to receive pension payments after age 65, the disability pension is treated as ordinary pension beginning at age 65.

Military Pensions

If you are receiving a U.S. military pension or survivor's benefit payments, the military pension or survivor's benefit is not taxable for New Jersey gross income tax purposes, regardless of your age or disability status. Do not include such payments on your New Jersey return.

Military pensions are those resulting from service in the Army, Navy, Air Force, Marine Corps, or Coast Guard. This exemption does not apply to civil service pensions or annuities, even if the pension or annuity is based on credit for military service. Most military pensions and survivor's benefit payments are received from the U.S. Defense Finance and Accounting Service, while a civil service annuity is received through the U.S. Office of Personnel Management. For more information on military pensions, see Tax Topic Bulletin **GIT-7**, *Military Personnel.*

Individual Retirement Arrangements (IRAs)

An IRA is a personal savings plan in which you set aside money for retirement. Taxable amounts withdrawn from an IRA are reported on the same line of the New Jersey tax return as taxable pensions and annuities.

If you receive payments from an IRA, see Tax Topic Bulletin **GIT-2**, *IRA Withdrawals,* for information on how to calculate the taxable portion of the withdrawal for your New Jersey income tax return. For information on Roth IRAs, see Technical Bulletin **TB-44**. Do not use the methods described here for calculating the taxable portion of a withdrawal from a pension or annuity for an IRA withdrawal.

Part-Year Residents

Any person who became a resident of New Jersey or who moved out of this State during the year is considered a part-year resident. A part-year resident files a New Jersey income tax resident return which covers the period of residence in New Jersey and reports only the income he or she earned or received while a resident here. Part-year residents must prorate all exemptions, deductions, credits, and exclusions (including the pension and other retirement income exclusions) to reflect the period covered by the return. For more information, see Tax Topic Bulletin **GIT-6,** *Part-Year Residents.*

Nonresidents

Pension and annuity income received by a nonresident for work performed in New Jersey is not taxable under the New Jersey Gross Income Tax Act. If your only income from New Jersey sources is pension or annuity income, you need not file a New Jersey nonresident return. However, if you have other income from New Jersey which is taxable to a nonresident (e.g., wages, business income, gain from sale of real property in New Jersey), you are required to file a New Jersey Income Tax Nonresident Return (Form NJ-1040NR) and report any pension or annuity income in Column A along with your other taxable income.

Withholding Tax and Estimated Tax

New Jersey residents who receive pension or annuity income may request the payer to withhold New Jersey income tax from these payments. If you wish to have New Jersey income tax withheld, complete **Form NJ-W-4P**, Certificate of Voluntary Withholding of New Jersey Gross

Income Tax From Pension and Annuity Payments. Indicate the amount of tax to be withheld and give it to the payer of the pension or annuity.

Federal civilian retirees can elect to have New Jersey income tax withheld from their Federal pension payments. Federal retirees wishing to take advantage of this option should call the U.S. Office of Personnel Management, the agency which oversees Federal pensions, at 1-888-767-6738 or visit **www.opm.gov/retire**. Voluntary New Jersey withholdings are also permitted for retirees from the uniformed services.

Individuals who expect their New Jersey income tax liability to be more than $400 after taking into account all their exemptions, deductions, withholdings, and other credits for the tax year are required to make quarterly estimated tax payments. This requirement may affect taxpayers who do not have New Jersey income tax withheld from their wages and/or pension, 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 tax payments, see Tax Topic Bulletin **GIT-8**, *Estimating Income Taxes*.

Recordkeeping

Keeping records will help you prepare a complete and accurate tax return and pay the correct amount of New Jersey tax on income from your pension, annuity, or IRA.

Contributions. It is very important to keep any statements that show your contributions to your pension, annuity, or IRA. You will need this information when you start to withdraw money from the plan. You may have to pay more tax if you do not know the amount of your contributions on which New Jersey income tax has already been paid.

Income Statements. Keep all the statements from your pension, annuity, or IRA showing the amounts you have received from the plan. These include Forms W-2P and 1099-R.

Tax Returns and Worksheets. Keep copies of the tax returns you have filed and the income tax instruction booklet as part of your records. You may need information from the return or from the worksheets in the instruction booklet to prepare future tax returns. This information is also necessary if you file an amended return. Copies of your returns and other records can be helpful to your surviving spouse/civil union partner, or the executor or administrator of your estate.

Calculating Taxable Amount

Pensions and annuities fall into one of two categories: noncontributory or contributory. A noncontributory plan is one to which an individual has not made contributions, and a contributory plan is one to which an individual has made contributions. The taxable amount you report on your New Jersey income tax return will depend on whether the pension or annuity payment came from a contributory or a noncontributory plan.

Noncontributory Plans

Noncontributory plans do not require an employee to make contributions. Payments you receive from such a plan are fully taxable because you have never paid tax on any of the funds in the plan. You will report on your New

Jersey income tax return the total amount of pension or annuity shown on the Form 1099-R you receive from the payer of the pension or annuity.

Contributory Plans

Contributory pension plans are structured in such a way that an employee contributes money at set intervals and collects an annual pension upon retirement. In most cases, pension contributions are made through salary deduction and are included in the employee's gross income when the contributions are made.

The total value of the pension or annuity consists of your contributions, your employer's contributions, if any, and earnings. In general, your personal contributions to the pension or annuity are taxed when they are made. Those contributions, once taxed, will not be taxed again by New Jersey. Thus, the part of a pension or annuity payment which represents a return of contributions which have already been taxed should not be reported on your New Jersey income tax return. Any amounts you receive in excess of your previously taxed contributions are taxable and must be reported.

You must determine the taxable portion of payments you receive from a pension or annuity to which you have made contributions. For New Jersey purposes, you will use either the Three-Year Rule Method or the General Rule Method to determine the taxable and nontaxable portions of your pension or annuity. To determine which method you should use, complete the following worksheet.

NOTE: If your retirement plan is a 401(k) Plan, review the information on **Section 401(k) Plans** on page 7 before continuing.

Which Pension Method to Use

1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment................................ 1. ________
2. Your contributions to the plan...... 2. ________
3. Subtract line 2 from line 1 .... 3. ________
   (a) If line 3 is "0" or more, *and* both you and your employer contributed to the plan, you may use the **Three-Year Rule Method.**
   (b) If line 3 is less than "0," *or* your employer did not contribute to the plan, you must use the **General Rule Method.**

Three-Year Rule Method

You may use the Three-Year Rule Method to determine your New Jersey taxable pension income if:

1. You will receive an amount equal to or greater than your pension and annuity contributions within three years (36 months) from the date you receive your first payment from the plan, **and**

2. Your employer contributed to the plan.

When using the Three-Year Rule Method, you exclude pension and annuity payments from gross income until the payments received equal the amount you contributed to the plan. Until that time, the amounts you receive, because they are considered contributions, are not taxable and should not be reported on your New Jersey return. Once you have received (recovered) an amount equal to the amount you contributed to the pension or annuity, all amounts you receive are fully taxable.

Note: The Three-Year Rule Method has been repealed for Federal income tax purposes. If you recently retired, and are using the Three-Year Rule Method for New Jersey income tax purposes, the amount of taxable pension or annuity you report on your New Jersey return will differ from the taxable amount on your Federal return.

General Rule Method

You must use the General Rule Method to determine New Jersey taxable pension income when:

1. You will not recover all your personal contributions within three years (36 months) from the date you receive your first payment from the plan; **or**

2. Your employer did not contribute to the plan.

When you use the General Rule Method, in the first year and every year thereafter, part of your pension or annuity payment will be excludable (the portion of that year's distribution which represents your contributions) and part will be taxable. Use the General Rule Method Worksheet below to determine the taxable portion of your pension or annuity payment to be entered on your New Jersey return.

Complete this worksheet the year in which you receive your first pension payment and keep the worksheet for your records. Once you calculate the percentage on line 3, you will use it to determine the taxable amount year after year. Recalculate the percentage only if your annual pension payments decrease.

General Rule Method Worksheet

1. Your previously taxed contributions to the plan	1. ________
2. Expected return on contract*	2. ________
3. Percentage excludable (Divide line 1 by line 2)	3. ________ %
4. Amount received this year	4. ________
5. Amount excludable (Multiply line 4 by line 3)	5. ________
6. Taxable amount (Subtract line 5 from line 4. Enter here and on Line 19, Form NJ-1040 or Line 21, Column A, Form NJ-1040NR)	6. ________

The expected return on the contract is the amount receivable. If life expectancy is a factor under your plan, Federal actuarial tables must be used to compute the expected return. (The Federal actuarial tables are contained in the Internal Revenue Service's Publication 939, **General Rule for Pensions and Annuities. Contact the IRS for this publication.) If life expectancy is not a factor under your plan, the expected return is found by totaling the amounts to be received.*

Example
James Henderson retired and began to receive an annual pension of $7,000. He contributed $20,000 to his pension, and his employer also contributed. James may use the Three-Year Rule Method to calculate the taxable amount of his pension because the amount he will have received after three years from the date of the first payment ($21,000) exceeds the amount of his contributions ($20,000) by $1,000 (see line 3 of worksheet), and his employer also contributed to the plan.

Which Pension Method to Use

1. Amount of pension you will receive during the first three years (36 months) from the date of the first payment................................ 1. 21,000
2. Your contributions to the plan...... 2. 20,000
3. Subtract line 2 from line 1 .... 3. 1,000
   (a) If line 3 is "0" or more, *and* both you and your employer contributed to the plan, you may use the **Three-Year Rule Method.**
   (b) If line 3 is less than "0," *or* your employer did not contribute to the plan, you must use the **General Rule Method.**

When using the Three-Year Rule Method, Mr. Henderson will exclude the pension payments he receives from his New Jersey gross income until he has recovered an amount equal to his contributions. Then his pension payments become fully taxable.

Thus, in the first year he receives $7,000 and reports $0 taxable pension on his New Jersey return. In the second year he receives $7,000 and reports $0 as taxable. In the third year he receives $7,000 and reports $1,000 as taxable pension on his return. In the fourth year, and every year thereafter, he must report $7,000 as taxable.

Remember when completing your tax return that the recovery period described above begins with the date of the first pension payment. The "*first year,*" "*second year,*" etc. may not correspond with the beginning of the taxable year.

If a taxpayer will not recover all personal contributions within three years (36 months) from the date of the first payment from the plan, or if the employer did not contribute to the plan, then the General Rule Method must be used to determine the taxable amount of pension for New Jersey income tax purposes.

Thus, if James Henderson's contributions to his pension plan were $20,000 and his annual pension amount $4,000, he would have to use the General Rule Method because he would not recover an amount equal to his contributions within the first three years (36 months) after the first payment. Using the General Rule Method Worksheet, he would calculate the percentage of his pension payment that is excludable from New Jersey gross income each year.

Contributions Prior to Residence

Any contributions you made to a pension or annuity before you moved to New Jersey are treated in the same way as they would have been treated if you were living in New Jersey at the time you made the contributions. Contributions to plans other than 401(k) Plans are considered to have been previously taxed. Use the appropriate method to determine the taxable amount to report on your New Jersey return.

Section 401(k) Plans

Beginning on January 1, 1984, New Jersey's treatment of 401(k) Plan contributions changed. After that date employee contributions to 401(k) Plans were no longer included in taxable wages when earned. If you made contributions to a 401(k) Plan prior to January 1, 1984, your distribution will be treated differently than if all the contributions were made after this date.

1. **All contributions made after January 1, 1984.** If all contributions to your 401(k) Plan were made *after* January 1, 1984, none of the contributions were included in gross income when they were made, unless the contributions exceeded the Federal elective deferral limit. As a result, distributions from the plan are fully taxable.

2. **Contributions made before January 1, 1984.** Contributions to a 401(k) Plan made before January 1, 1984, were included in an employee's gross income when they were made. If you made contributions to a 401(k) Plan *before* January 1, 1984, or you made contributions beyond the Federal limit, you will calculate the taxable portion of your distribution by using either the Three-Year Rule Method or the General Rule Method, whichever is appropriate.

Section 457 Plans

If you participated in an eligible deferred compensation plan of a state or local government or tax-exempt organization (Section 457), your contributions to the plan were included in your New Jersey gross income when they were made. When you retire, you will only be taxed on amounts you receive in excess of those contributions.

1. **Tax years ending prior to January 1, 2002.** For tax years ending prior to January 1, 2002, distributions of deferred pay were treated as wages and reported on Line 14, Form NJ-1040 (or on the "wages" line in Column A, Form NJ-1040NR*). Taxpayers used the "State wages" figure from the W-2 form they received from the Section 457 Plan, which in most cases was different from the "Federal wages" amount.

2. **Tax years beginning on or after January 1, 2002.** For tax years beginning on and after January 1, 2002, the Federal reporting document for Section 457 Plan distributions for state and local government employees changed from Federal Form W-2 to Form 1099-R. Distributions from a Section 457 Plan of amounts in excess of previously taxed contributions are treated as pension payments and should be reported on Line 19, Form NJ-1040 (or Line 21, Column A, Form NJ-1040NR). See ***Calculating Taxable Amount*** on page 3 for information on how to determine the taxable portion of your payment.

   Section 457 Plan distributions to nongovernmental employees continue to be reported on Federal Form W-2. Such taxpayers should use the "State wages" figure from the W-2 they receive on the "wages" line of Form NJ-1040 (or on the "wages" line in Column A, Form NJ-1040NR*).

* Distributions received from a Section 457 Plan by a nonresident that are reported on Form W-2 are not subject to New Jersey gross income tax, and should not be reported on the "wages" line in Column B, Form NJ-1040NR, provided such income was part of a series of substantially equal periodic payments (not less frequently than annually) made for the life or life expectancy of the recipient (or the joint lives or joint life expectancies of the recipient and the designated beneficiary of the recipient), or for a period of not less than 10 years, or if it was a payment received from a retirement benefit plan after termination of employment.

Section 403(b) Plans: Postretirement Contributions

If your employer makes a contribution to your 403(b) plan after you retire, the contribution is taxable for New Jersey gross income tax purposes and must be reported as wages on your New Jersey income tax return in the year(s) that the contribution is made.

Such postretirement contributions, which have already been taxed by New Jersey, must be taken into account when determining the taxable amount of any distribution from the 403(b) plan. See ***Calculating Taxable Amount*** on page 3.

Lump-Sum Distributions and Rollovers

When you receive a lump-sum distribution of the entire balance from a qualified employee pension, annuity, profit-sharing, or other plan, the amounts you receive which are in excess of your previously taxed contributions to the plan must be included in income in the year you receive them. New Jersey has no provisions for income averaging of lump-sum distributions.

A lump-sum distribution which you roll over (transfer) into a traditional IRA or other eligible plan is excludable from New Jersey income if the rollover qualifies for deferral for Federal income tax purposes. The amount rolled over (minus previously taxed amounts) is taxable later when it is withdrawn. As under Federal law, the rollover must be made within the 60-day period after distribution. For more information, see Tax Topic Bulletin **GIT-2**, *IRA Withdrawals*.

If you convert a traditional IRA into a Roth IRA, any amount from the existing IRA that would be taxable if withdrawn must be included in your gross income.

If you made such a conversion in tax year 2010 and you made a Federal election to report the income in equal installments in 2011 and 2012, you must report one-half of the amount that is taxable for New Jersey purposes on your 2011 New Jersey return.

Survivors and Beneficiaries

In general, pension and annuity income received by a survivor or beneficiary is treated the same way as regular pension or annuity income. Thus, amounts received, whether in the form of periodic payments or in a lump sum, are taxable to the extent that they exceed the decedent's previously taxed contributions to the plan.

Upon the death of the owner of the pension or annuity, the amount paid to the surviving beneficiary is taxable to the extent that it exceeds the surviving beneficiary's contribution to the plan. The surviving beneficiary's contribution is determined as follows:

1. Where the distribution to the surviving beneficiary is subject to taxation by the New Jersey Transfer Inheritance Tax Act,* the

* Property inherited from a spouse who died on or after January 1, 1985, is not subject to inheritance tax. Transfers to parents, grandparents, children, or grandchildren of decedents who died on or after July 1, 1988, are also not subject to inheritance tax. In addition, transfers to qualified domestic partners of decedents who died on or after July 10, 2004, are not subject to inheritance tax. Finally, transfers to a civil union partner from a decedent who died on or after February 19, 2007, are not subject to inheritance tax. Contact the Division's Inheritance Tax Section at 609-292-5033 for more information.

contribution of the surviving beneficiary is the value of the annuity, pension, or retirement benefits as determined for Transfer Inheritance Tax purposes. The recipient can exclude from gross income tax the amount that represents the contribution, which is the value determined for Transfer Inheritance Tax purposes.

2. Where the beneficiary receives benefits which are not subject to Transfer Inheritance Tax, he or she is entitled to exclude from gross income the remaining previously taxed contributions of the decedent. If the decedent's contributions to the plan have already been recovered, all pension income received by the beneficiary is taxable and must be included in gross income.

Income Exclusions

New Jersey tax law provides three retirement income exclusions to enable you to reduce your taxable income: Pension Exclusion and the Other Retirement Income Exclusion Parts I and II. (Part I is the unclaimed portion of the pension exclusion and Part II is a special exclusion for taxpayers who are unable to receive Social Security or Railroad Retirement benefits.) The exclusions are not a one-time benefit. You may use the exclusions on your New Jersey income tax return every year you qualify. Both residents and nonresidents may take advantage of the retirement income exclusions if they meet the qualifications.

Pension Exclusion

Taxpayers who qualify may exclude all or a part of the income received during the year from taxable pensions, annuities, and IRA withdrawals. If you (and/or your spouse/civil union partner) are 62 years of age or older on the last day of the tax year and you did not use the Maximum Pension Exclusion amount for your filing status, or you did not use the Pension Exclusion because you did not report any income on Line 19, Form NJ-1040 or Line 21, Form NJ-1040NR, you may still qualify for other exclusions. See ***Other Retirement Income Exclusion Parts I and II*** on page 11.

You qualify for the New Jersey Pension Exclusion if:

1. You (and/or your spouse/civil union partner if filing jointly) are 62 years of age or older or disabled as defined by Social Security guidelines on the last day of the tax year (December 31 for calendar year filers); **and**

2. Your total income for the entire year is $100,000 or less.

If you qualify, the Pension Exclusion amount you may claim is the lesser of:

1. Your actual taxable pension income; **or**
2. The Maximum Pension Exclusion amount for your filing status:

$20,000	Married/CU couple, filing joint return
$15,000	Single; Head of household; Qualifying widow(er)/Surviving CU partner
$10,000	Married/CU partner, filing separate return

Your taxable pension income amount is reported on Line 19, Form NJ-1040 (Line 21, Column A, Form NJ-1040NR) and the allowable Pension Exclusion amount on Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR).

Note: The Pension Exclusion used can never be more than your actual taxable pension income amount. Remember, part-year residents must prorate the Pension Exclusion amount by the number of months as a New Jersey resident. See Tax Topic Bulletin GIT-6, *Part-Year Residents,* for more information.

Example

John and Linda Harris are both 63 years of age and file a joint return. Their combined total income is $36,000 for the tax year. Their combined taxable pension income totals $22,000.

Actual Taxable Pension Income..........$22,000
Applicable Pension Exclusion $20,000

Example

Henry Norton is 59 years of age. He is single and not disabled. His total income for the tax year is $45,000. He receives a taxable pension of $7,000 and $303 of his IRA withdrawal is taxable.

Actual Taxable Pension Income............$7,303
Applicable Pension Exclusion ....$ 0

Henry is unable to claim the Pension Exclusion because he is not age 62 or older or disabled.

Example

Jack and Mary Miller file a joint return and both qualify for the Pension Exclusion. They have a combined total income of $75,000 for the tax year. Mr. Miller receives an annual taxable pension of $21,500, and Mrs. Miller receives a $2,500 pension. She reports $0 as taxable income this year because she is using the Three-Year Rule Method and is still recovering her contributions.

Actual Taxable Pension Income..........$21,500
Applicable Pension Exclusion $20,000

Example

Ryan and Emma Sanderson are both age 67 and they file a joint return. They have a combined total income of $110,450 for the tax year, including taxable pension income of $79,000.

Actual Taxable Pension Income..........$79,000
Applicable Pension Exclusion ....$ 0

The Sandersons are not eligible for a Pension Exclusion this year because their combined total income for the entire year is more than $100,000.

Only One Spouse/Civil Union Partner Qualifies for Exclusion. When you and your spouse/civil union partner file a joint return with a combined total income of $100,000 or less, and only one of you is 62 years of age or older or disabled, you may still claim the Maximum Pension Exclusion amount. However, only the pension, annuity, or IRA withdrawal of the spouse/civil union partner who is age 62 or older or disabled may be excluded.

Example

Ben and Sara Lewis file a joint return for the tax year. Their combined total income is $68,000. Mr. Lewis is 63 and receives a taxable pension of $20,500. His wife is 60 years old, not disabled, and receives a taxable pension of $8,000.

Actual Taxable Pension Income..........$28,500
Applicable Pension Exclusion $20,000

Example
George and Jane Martin file a joint return. Their combined total income for the tax year is $27,000. George is 64 and receives taxable pension income of $6,900. Jane is 61, not disabled, and receives taxable pension income of $8,000.

Actual Taxable Pension Income..........$14,900
Applicable Pension Exclusion .... $ 6,900

The Martins can only utilize $6,900 of their Pension Exclusion because of their combined $14,900 taxable pension income only $6,900 belongs to George, the spouse who is age 64. The balance of their pension income belongs to Jane ($8,000). None of Jane's pension income can be excluded because she is not age 62 or older or disabled. However, George may be able to use the balance of the Pension Exclusion to exclude additional income. See the instructions for the Other Retirement Income Exclusion Parts I and II below.

Other Retirement Income Exclusion Parts I and II

If you (and/or your spouse/civil union partner if filing jointly) are 62 years of age or older on the last day of the tax year, you may be able to exclude other types of income (wages, interest, dividends, etc.) from your total income. There are two parts to the Other Retirement Income Exclusion: Part I, the unclaimed portion of your pension exclusion, and Part II, a special exclusion for taxpayers who are unable to receive Social Security or Railroad Retirement benefits. Each part has different eligibility requirements.

Both parts of the exclusion are claimed at the line on your return labeled "Other Retirement Income Exclusion" (Line 27b, Form NJ-1040 or Line 27b, Column A and Column B, Form NJ-1040NR). Taxpayers who qualify may be able to claim both Part I and Part II of the Other Retirement Income Exclusion (ORIE) in addition to the Pension Exclusion. To calculate the total Other Retirement Income Exclusion amount for which you are eligible, complete the Other Retirement Income Exclusion Worksheet. See ***Other Retirement Income Exclusion Worksheet*** on page 15.

Part I: Unclaimed Pension Exclusion

If you and/or your spouse/civil union partner did not claim the Maximum Pension Exclusion amount, you may be able to use the unclaimed portion of your Pension Exclusion to exclude other types of income (wages, interest, dividends, etc.) on your return. You may have claimed less than the Maximum Pension Exclusion amount because your actual taxable pension income was less than the Maximum Pension Exclusion amount for your filing status, or because you did not report any taxable pension, annuity, or IRA withdrawal income on your return.

To qualify for Part I of the Other Retirement Income Exclusion, you must satisfy *all* of the following conditions:

1. You (and/or your spouse/civil union partner if filing jointly) must be 62 years of age or older on the last day of the tax year; **and**

2. Your total income from Line 26, Form NJ-1040 (or Line 26, Column A, Form NJ-1040NR) for the entire year must be $100,000 or less; **and**

3. Your earned income (combined if filing jointly) from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income must be $3,000 or less; **and**

4. You did not use the Maximum Pension Exclusion amount ($20,000, $15,000, or $10,000, depending on filing status).

The actual amount of Part I of the Other Retirement Income Exclusion differs from taxpayer to taxpayer, since it is the difference between the amount of Pension Exclusion you claimed on Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) and the Maximum Pension Exclusion amount for your filing status.

Note: If you did not use the Pension Exclusion because you did not report any taxable pension income on your return, you may still take advantage of Part I of the Other Retirement Income Exclusion if you meet the qualifications.

Example

Robert Evans is 69 years old and single. His total income for the tax year was $42,000. He received a $3,000 taxable pension and claimed $3,000 as Pension Exclusion. His income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $2,308. He qualifies for Part I of the Other Retirement Income Exclusion.

Maximum Pension Exclusion	$15,000
Less: Pension Exclusion claimed	$ 3,000
Unused Pension Exclusion	$12,000
ORIE Part I	$12,000

Example

Linda Martin is over age 62 and her filing status is head of household. Her total income was $22,000 for the tax year. She received a pension but reported $0 as taxable pension income this year because she is using the Three-Year Rule Method and is still recovering her pension contributions. Her income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $2,675. She qualifies for Part I of the Other Retirement Income Exclusion.

Maximum Pension Exclusion	$15,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$15,000
ORIE Part I	$15,000

Example

Ann and Jim Anderson are both 63 years of age and file a joint return. Their combined total income was $75,000 for the tax year. They do not have any pension income. The Andersons' joint income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals $1,872. They qualify for Part I of the Other Retirement Income Exclusion.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$20,000
ORIE Part I	$20,000

Example

Peter Johnson is 67 years old and his filing status is married/CU partner, filing separate return. His total income for the tax year was $18,000. He received $10,000 in taxable pension income and claimed $10,000 as Pension Exclusion.

Maximum Pension Exclusion	$10,000
Less: Pension Exclusion claimed	$10,000
Unused Pension Exclusion	$ 0
ORIE Part I	$ 0

Peter does not qualify for Part I of the Other Retirement Income Exclusion because he has already claimed the Maximum Pension Exclusion amount.

Example
Arthur and Helen McCann file a joint return for the tax year. Both are over 62 years of age. Their combined total income was $32,000. Mr. McCann has a taxable pension of $6,200 and he also earned $1,500 in net profits from his business. Mrs. McCann had wages of $2,306 from her part-time job.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$ 6,200
Unused Pension Exclusion	$13,800
ORIE Part I	$ 0

The McCanns cannot take advantage of Part I of the Other Retirement Income Exclusion even though they did not utilize their Maximum Pension Exclusion of $20,000 because their joint income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income is greater than $3,000.

Example
Matthew and Elizabeth Clarke are both over age 65. They file a joint return on which they report a combined total income of $103,200 for the tax year. Their taxable pension income was $57,000. They also had $22,200 in taxable interest income and $24,000 in taxable dividends.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$20,000
ORIE Part I	$ 0

The Clarkes are not eligible for Part I of the Other Retirement Income Exclusion (nor were they eligible for the Pension Exclusion) because their combined total income for the entire year was more than $100,000.

Only One Spouse/Civil Union Partner Qualifies for Exclusion. When you and your spouse/civil union partner file a joint return and only one of you is 62 years of age or older, any Pension Exclusion that was not claimed may be used as Part I of the Other Retirement Income Exclusion provided that (1) the joint *total income* for the entire year is $100,000 or less, (2) the joint *earned income* (total of: wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income) is $3,000 or less, and (3) the exclusion is applied **only** to the income of the qualified (age 62 or older) spouse/civil union partner.

Example
Martha (age 58) and Eric (age 63) Peterson file a joint return for the tax year. They have a combined total income of $30,000. Martha receives a taxable pension of $18,000 and Eric receives a taxable pension of $6,000. Interest from their joint savings account totals $4,000. Eric has wages of $1,500 and Martha has wages of $500.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$ 6,000
Unused Pension Exclusion	$14,000
ORIE Part I	$ 3,500

In this example, only $3,500 of the $14,000 unused Pension Exclusion may be utilized as Part I of the Other Retirement Income Exclusion because only $3,500 of the total gross income belongs to Eric, the spouse who is age 63 ($1,500 wages and $2,000 interest). The balance belongs to Martha ($500 wages, $2,000 interest, and $18,000 pension). None of Martha's income can be excluded because she is not 62 or older.

Part II: Special Exclusion

In addition to the Pension Exclusion and Part I of the Other Retirement Income Exclusion, New Jersey provides a special exclusion for taxpayers who are unable to receive Social Security or Railroad Retirement benefits. This special exclusion is calculated in Part II of the Other Retirement Income Exclusion Worksheet. This benefit is not related to the Pension Exclusion and, if you qualify, you may claim it whether or not you use the Pension Exclusion and/or Other Retirement Income Exclusion, Part I.

You qualify for this additional exclusion if:

1. You (and/or your spouse/civil union partner if filing jointly) were 62 years of age or older on the last day of the tax year; **and**

2. You (and your spouse/civil union partner if filing jointly) are unable to receive Social Security or Railroad Retirement benefits, but would have been eligible for benefits had you fully participated in either program.

You must work a minimum of 40 quarters with Social Security coverage to be eligible to receive Social Security benefits. If you worked the required amount of time but contributed to the Social Security program for less than 40 quarters, you cannot receive Social Security benefits and may be eligible for Part II of the Other Retirement Income Exclusion.

Note: Since most taxpayers will receive Social Security or Railroad Retirement benefits, relatively few taxpayers are entitled to the Part II exclusion.

Individuals who have contributed to the Social Security or Railroad Retirement funds so that they would be eligible to receive Social Security or Railroad Retirement benefits are not eligible for the Part II exclusion, regardless of whether they are actually collecting any benefits. Also, when a joint return is filed, if one spouse/civil union partner is covered by either the Social Security or the Railroad Retirement program, *neither* spouse/civil union partner is entitled to claim the Part II exclusion.

Taxpayer(s) eligible for the Part II exclusion may use one of the following amounts depending on the filing status:

$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/Surviving CU partner

$3,000 Single; Married/CU partner, filing separate return

Part II of the Other Retirement Income Exclusion is also claimed on the "Other Retirement Income Exclusion" line on the return (Line 27b, Form NJ-1040 or Line 27b, Columns A and B, Form NJ-1040NR). The Part II exclusion amount is added to any amount of unclaimed pension exclusion (calculated in Part I of the Other Retirement Income Exclusion Worksheet) to arrive at the total for Line 27b. A married/civil union couple filing jointly, if qualified, could exclude a total of $26,000 (Pension Exclusion plus Other Retirement Income Exclusion Parts I and II).

When a married/civil union couple files jointly and only one spouse/civil union partner is 62 or older, only the income of the spouse/civil union partner who is 62 or older may be excluded.

Example
Fred (age 65) and Clara (age 62) Smith are married and file a joint return for the tax year. Their combined total income is $27,000. Their combined taxable pension income is $19,000, joint interest is $6,000, and dividends are $2,000. The Smiths had no wages, business profits, partnership, or S corporation income. They are not covered by either the Social Security or Railroad Retirement program, but they would have been eligible for benefits if they had been enrolled in either plan.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$19,000
Unused Pension Exclusion	$ 1,000
ORIE Part I	$ 1,000
ORIE Part II	$ 6,000
Total ORIE	$ 7,000

Example
Josh and Amanda Burke are both 83 years of age and they file a joint return. They report a combined total income of $104,000 for the tax year. Their combined taxable pension and annuity income is $96,000, joint interest is $6,000, and dividends are $2,000. They are not covered by either the Social Security or Railroad Retirement program, but they would have been eligible for benefits if they had been enrolled in either plan.

Maximum Pension Exclusion	$20,000
Less: Pension Exclusion claimed	$ 0
Unused Pension Exclusion	$20,000
ORIE Part I	$ 0
ORIE Part II	$ 6,000
Total ORIE	$ 6,000

The Burkes do not qualify for the Pension Exclusion or Part I of the Other Retirement Income Exclusion because their combined total income is more than $100,000. However, they are eligible for the $6,000 Part II exclusion and will report that amount on the Other Retirement Income Exclusion line (Line 27b, Form NJ-1040 or Line 27b, Columns A and B, Form NJ-1040NR).

Example
Agatha Reilly is single and over age 65. She contributed to the Social Security program for over 30 years, but has chosen to delay receiving Social Security benefits until age 70.

Agatha does not qualify for Part II of the Other Retirement Income Exclusion because she contributed to the Social Security fund so that she would be eligible to receive Social Security, despite the fact that she is not actually collecting any benefits now.

Other Retirement Income Exclusion Worksheet

If you and/or your spouse/civil union partner are 62 years of age or older on the last day of the tax year, when you come to the line on your tax return labeled “Other Retirement Income Exclusion” (Line 27b, Form NJ-1040 or Line 27b, Columns A and B, Form NJ-1040NR), complete the Other Retirement Income Exclusion Worksheet to calculate the total exclusion amount you are eligible to claim here. Do not complete the worksheet unless you (or your spouse/civil union partner if you are filing a joint return) are 62 or older. *You do not qualify for the exclusions in Part I and Part II of the Other Retirement Income Exclusion Worksheet unless you or your spouse/civil union partner are 62 years of age or older.*

Part-Year Residents. If you were a New Jersey resident for only part of the year, do not complete the Other Retirement Income Exclusion Worksheet. Instead, total the amount of earned income (wages, net profits from business, partnership income, and S corporation income) you received for the entire year. If you and/or your spouse/civil union partner are age 62 or older and your earned income for the entire year is $3,000 or less and you did not use your entire prorated pension exclusion, you may be able to use the unclaimed pension exclusion at Line 27b, Form NJ-1040 or NJ-1040NR provided your total income (combined income if filing jointly) for the entire year is $100,000 or less before subtracting any pension exclusion.

If you (and your spouse/civil union partner, if filing jointly) are eligible for Part II of the Other Retirement Income Exclusion (see ***Part II: Special Exclusion*** on page 14), you may claim the additional exclusion amount whether or not you used all of your prorated pension exclusion.

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

Example

Harry Meehan is single and 66 years of age. He receives taxable pension income of $6,000 and claims $6,000 as Pension Exclusion. Harry cannot receive Social Security, but he would have been eligible for benefits if he had been covered by the program. His other income includes: $12,108 taxable interest, $981 dividends, $14,600 net profits from business, and $142 gambling winnings. Harry completes the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (tax year 2011)

Age Requirement: 62 or older

Part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is total income from Line 26, Form NJ-1040 (Line 26, Column A, Form NJ-1040NR) for the entire year **MORE than $100,000?**

○ Yes. Do not complete Part I. Enter "0" on line 8 and continue with Part II.

● No. Continue with line 1.

1. **Wages.** Enter the amount from Line 14, Form NJ-1040 (Line 14, Column A, Form NJ-1040NR) 1. 0
2. **Net Profits From Business.** Enter the amount from Line 17, Form NJ-1040 (Line 17, Column A, Form NJ-1040NR) 2. 14,600
3. **Distributive Share of Partnership Income.** Enter the amount from Line 20, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR) 3. 0
4. **Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 21, Form NJ-1040 (Line 23, Column A, Form NJ-1040NR) 4. 0
5. Add lines 1, 2, 3, and 4 .... 5. 14,600

   Is the amount on line 5 MORE than $3,000?

   ● Yes. Enter "0" on line 8 and continue with Part II.

   ○ No. Continue with line 6.
6. **Enter:** **if filing status is:**

   $20,000 Married/CU couple, filing joint return

   $15,000 Single; Head of household; Qualifying widow(er)/surviving CU partner

   $10,000 Married/CU partner, filing separate return .... 6. ______
7. **Pension Exclusion Claimed.** Enter the amount from Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) .... 7. ______
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter "0." Continue with Part II. 8. 0

Part II - Special Exclusion

9a. Are you (and/or your spouse/civil union partner, if filing jointly) now receiving, or will you (and/or your spouse/civil union partner if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

☒ No — Continue with item 9b

☐ Yes — Enter "0" on line 9 and continue with line 10

9b. Would you (and your spouse/civil union partner if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

☐ No — Enter "0" on line 9 and continue with line 10

☒ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter: **if filing status is:**

$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner

$3,000 Single; Married/CU partner, filing separate return 9. 3,000

10. **Other Retirement Income Exclusion.** Add lines 8 and 9. Enter here and on Line 27b, Form NJ-1040, (Line 27b, Column A and Column B, Form NJ-1040NR). If the amount here is zero, make no entry on Line 27b, Form NJ-1040 .... 10. 3,000

Harry did not claim the Maximum Pension Exclusion amount for his filing status ($15,000). He used only $6,000 as Pension Exclusion. He cannot use the unclaimed portion of the Pension Exclusion because his earned income (line 5 of worksheet) is more than $3,000. However, he is still eligible to claim the $3,000 special exclusion (Part II of the Other Retirement Income Exclusion).

The income section of Harry Meehan's New Jersey resident return for tax year 2011 looks like this:

FORM NJ-1040

14. Wages, salaries, tips, and other employee compensation (Enclose W-2) Be sure to use State wages from Box 16 of your W-2(s). See instructions.	14	
15a. Taxable interest income (See instructions) (Enclose Federal Schedule B if over $1,500)	15a	12,108.00
15b. Tax-exempt interest income (See instructions) (Enclose Schedule) DO NOT include on Line 15a	15b	
16. Dividends	16	981.00
17. Net profits from business (Enclose copy of Federal Schedule C, Form 1040)	17	14,600.00
18. Net gains or income from disposition of property (Schedule B, Line 4)	18	
19. Pensions, Annuities, and IRA Withdrawals (See instructions)	19	6,000.00
20. Distributive Share of Partnership Income (See instructions) (Enclose Schedule)	20	
21. Net pro rata share of S Corporation Income (See instructions) (Enclose Schedule)	21	
22. Net gain or income from rents, royalties, patents & copyrights (Schedule C, Line 3)	22	
23. Net Gambling Winnings (See instructions)	23	142.00
24. Alimony and separate maintenance payments received	24	
25. Other (Enclose Schedule) (See instructions)	25	
26. Total Income (Add Lines 14, 15a, and 16 through 25)	26	33,831.00
27a. Pension Exclusion (See instructions)	27a	6,000.00
27b. Other Retirement Income Exclusion (See worksheet and instructions)	27b	3,000.00
27c. Total Exclusion Amount (Add Line 27a and Line 27b)	27c	9,000.00
28. **New Jersey Gross Income** (Subtract Line 27c from Line 26) See instructions.	28	24,831.00

Example

Alexander and Charlotte McSherry are both over age 65. They are married and file a joint return. The McSherrys are not covered by either the Social Security or Railroad Retirement programs, but they would have been eligible for benefits if they had been enrolled in either plan. Their other income consists of $8,200 taxable interest, $5,000 tax-exempt interest, $11,000 pension income, $1,500 partnership income, and $95,000 net gain from the sale of their vacation home. They complete the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (tax year 2011)

Age Requirement: 62 or older

Part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is total income from Line 26, Form NJ-1040 (Line 26, Column A, Form NJ-1040NR) for the entire year **MORE than $100,000?**

● Yes. Do not complete Part I. Enter “0” on line 8 and continue with Part II.
○ No. Continue with line 1.

1. **Wages.** Enter the amount from Line 14, Form NJ-1040 (Line 14, Column A, Form NJ-1040NR) .... 1. ______
2. **Net Profits From Business.** Enter the amount from Line 17, Form NJ-1040 (Line 17, Column A, Form NJ-1040NR) .... 2. ______
3. **Distributive Share of Partnership Income.** Enter the amount from Line 20, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR) .... 3. ______
4. **Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 21, Form NJ-1040 (Line 23, Column A, Form NJ-1040NR) .... 4. ______
5. Add lines 1, 2, 3, and 4 .... 5. ______

   Is the amount on line 5 MORE than $3,000?

   ○ Yes. Enter “0” on line 8 and continue with Part II.
   ○ No. Continue with line 6.
6. **Enter:** **if filing status is:**

   $20,000 Married/CU couple, filing joint return
   $15,000 Single; Head of household; Qualifying widow(er)/surviving CU partner
   $10,000 Married/CU partner, filing separate return .... 6. ______
7. **Pension Exclusion Claimed.** Enter the amount from Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) .... 7. ______
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter “0.” Continue with Part II. 8. 0

Part II - Special Exclusion

9a. Are you (and/or your spouse/civil union partner, if filing jointly) now receiving, or will you (and/or your spouse/civil union partner if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

☒ No — Continue with item 9b
☐ Yes — Enter “0” on line 9 and continue with line 10

9b. Would you (and your spouse/civil union partner if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

☐ No — Enter “0” on line 9 and continue with line 10
☒ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter: **if filing status is:**

$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner
$3,000 Single; Married/CU partner, filing separate return 9. 6,000

10. **Other Retirement Income Exclusion.** Add lines 8 and 9. Enter here and on Line 27b, Form NJ-1040, (Line 27b, Column A and Column B, Form NJ-1040NR). If the amount here is zero, make no entry on Line 27b, Form NJ-1040 .... 10. 6,000

The McSherrys cannot claim the Pension Exclusion, or Part I of the Other Retirement Income Exclusion, because their combined total income is more than $100,000. However, they are eligible to claim Part II of the Other Retirement Income Exclusion.

The McSherrys complete the income section of their New Jersey resident return for tax year 2011 like this:

FORM NJ-1040

14. Wages, salaries, tips, and other employee compensation (Enclose W-2)................... Be sure to use State wages from Box 16 of your W-2(s). See instructions.	14	
15a. Taxable interest income (See instructions)... (Enclose Federal Schedule B if over $1,500)	15a	8,200.00
15b. Tax-exempt interest income (See instructions)............. (Enclose Schedule) DO NOT include on Line 15a	15b	5,000.00
16. Dividends..	16	
17. Net profits from business (Enclose copy of Federal Schedule C, Form 1040)............	17	
18. Net gains or income from disposition of property (Schedule B, Line 4)........................	18	95,000.00
19. Pensions, Annuities, and IRA Withdrawals (See instructions).....................................	19	11,000.00
20. Distributive Share of Partnership Income (See instructions) (Enclose Schedule).......	20	1,500.00
21. Net pro rata share of S Corporation Income (See instructions) (Enclose Schedule)...	21	
22. Net gain or income from rents, royalties, patents & copyrights .... (Schedule C, Line 3)	22	
23. Net Gambling Winnings (See instructions)...	23	
24. Alimony and separate maintenance payments received	24	
25. Other (Enclose Schedule) (See instructions)...	25	
26. Total Income (Add Lines 14, 15a, and 16 through 25)..	26	115,700.00
27a. Pension Exclusion (See instructions)	27a	
27b. Other Retirement Income Exclusion (See worksheet and instructions).................	27b	6,000.00
27c. Total Exclusion Amount (Add Line 27a and Line 27b)	27c	6,000.00
28. **New Jersey Gross Income** (Subtract Line 27c from Line 26)................................... See instructions.	28	109,700.00

Example

George (age 69) and Louise (age 65) Pell are married and file a joint return. Both receive Social Security. Their combined taxable pension income is $8,414 and they claim that amount as Pension Exclusion on their return. They also received $11,800 taxable interest, $1,950 wages, $2,915 dividends, $850 in net pro rata share of S corporation income, and an $18,000 net gain from the sale of stock. The Pells complete the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (tax year 2011)

Age Requirement: 62 or older

Part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is total income from Line 26, Form NJ-1040 (or Line 26, Column A, Form NJ-1040NR) for the entire year **MORE than $100,000?**

- ○ Yes. Do not complete Part I. Enter “0” on line 8 and continue with Part II.
- ● No. Continue with line 1.

1. **Wages.** Enter the amount from Line 14, Form NJ-1040 (Line 14, Column A, Form NJ-1040NR) 1. 1,950
2. **Net Profits From Business.** Enter the amount from Line 17, Form NJ-1040 (Line 17, Column A, Form NJ-1040NR) 2. 0
3. **Distributive Share of Partnership Income.** Enter the amount from Line 20, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR) 3. 0
4. **Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 21, Form NJ-1040 (Line 23, Column A, Form NJ-1040NR) 4. 850
5. Add lines 1, 2, 3, and 4 .... 5. 2,800

   Is the amount on line 5 MORE than $3,000?

   - ○ Yes. Enter “0” on line 8 and continue with Part II.
   - ● No. Continue with line 6.

6. **Enter:** **if filing status is:**

   $20,000 Married/CU couple, filing joint return

   $15,000 Single; Head of household; Qualifying widow(er)/surviving CU partner

   $10,000 Married/CU partner, filing separate return 6. 20,000
7. **Pension Exclusion Claimed.** Enter the amount from Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) 7. 8,414
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter “0.” Continue with Part II. 8. 11,586

Part II - Special Exclusion

9a. Are you (and/or your spouse/civil union partner, if filing jointly) now receiving, or will you (and/or your spouse/civil union partner if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

- ☐ No — Continue with item 9b
- ☒ Yes — Enter “0” on line 9 and continue with line 10

9b. Would you (and your spouse/civil union partner if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

- ☐ No — Enter “0” on line 9 and continue with line 10
- ☐ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter: **if filing status is:**

$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner

$3,000 Single; Married/CU partner, filing separate return.................... 9. 0

10. **Other Retirement Income Exclusion.** Add lines 8 and 9. Enter here and on Line 27b, Form NJ-1040, (Line 27b, Column A and Column B, Form NJ-1040NR). If the amount here is zero, make no entry on Line 27b, Form NJ-1040 .... 10. 11,586

The Pells complete the income section of their New Jersey resident return for tax year 2011 like this:

FORM NJ-1040

14. Wages, salaries, tips, and other employee compensation (Enclose W-2). Be sure to use State wages from Box 16 of your W-2(s). See instructions.	14	1,950.00
15a. Taxable interest income (See instructions) (Enclose Federal Schedule B if over $1,500)	15a	11,800.00
15b. Tax-exempt interest income (See instructions) (Enclose Schedule) DO NOT include on Line 15a	15b	
16. Dividends	16	2,915.00
17. Net profits from business (Enclose copy of Federal Schedule C, Form 1040)	17	
18. Net gains or income from disposition of property (Schedule B, Line 4)	18	18,000.00
19. Pensions, Annuities, and IRA Withdrawals (See instructions)	19	8,414.00
20. Distributive Share of Partnership Income (See instructions) (Enclose Schedule)	20	
21. Net pro rata share of S Corporation Income (See instructions) (Enclose Schedule)	21	850.00
22. Net gain or income from rents, royalties, patents & copyrights (Schedule C, Line 3)	22	
23. Net Gambling Winnings (See instructions)	23	
24. Alimony and separate maintenance payments received	24	
25. Other (Enclose Schedule) (See instructions)	25	
26. Total Income (Add Lines 14, 15a, and 16 through 25)	26	43,929.00
27a. Pension Exclusion (See instructions)	27a	8,414.00
27b. Other Retirement Income Exclusion (See worksheet and instructions)	27b	11,586.00
27c. Total Exclusion Amount (Add Line 27a and Line 27b)	27c	20,000.00
28. **New Jersey Gross Income** (Subtract Line 27c from Line 26). See instructions.	28	23,929.00

Example

Mary and Pete Corcoran are both 70 years of age and they file a joint return. Their combined income consists of $19,806 in Social Security benefits, $18,039 taxable interest, $5,000 tax-exempt interest, $9,987 taxable dividends, $2,800 in gambling winnings, $1,500 in partnership income, $1,000 in net pro rata share of S corporation income, and $8,607 net gain from their rental property. Neither spouse receives a pension. The Corcorans complete the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (tax year 2011)

Age Requirement: 62 or older

Part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is total income from Line 26, Form NJ-1040 (Line 26, Column A, Form NJ-1040NR) for the entire year **MORE than $100,000?**

⬭ Yes. Do not complete Part I. Enter "0" on line 8 and continue with Part II.
⬬ No. Continue with line 1.

1.	**Wages.** Enter the amount from Line 14, Form NJ-1040 (Line 14, Column A, Form NJ-1040NR)	1.	0
2.	**Net Profits From Business.** Enter the amount from Line 17, Form NJ-1040 (Line 17, Column A, Form NJ-1040NR)	2.	0
3.	**Distributive Share of Partnership Income.** Enter the amount from Line 20, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR)	3.	1,500
4.	**Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 21, Form NJ-1040 (Line 23, Column A, Form NJ-1040NR)	4.	1,000
5.	Add lines 1, 2, 3, and 4	5.	2,500

Is the amount on line 5 MORE than $3,000?

⬭ Yes. Enter "0" on line 8 and continue with Part II.
⬬ No. Continue with line 6.

6. **Enter:** **if filing status is:**
   - $20,000 Married/CU couple, filing joint return
   - $15,000 Single; Head of household; Qualifying widow(er)/surviving CU partner
   - $10,000 Married/CU partner, filing separate return 6. 20,000
7. **Pension Exclusion Claimed.** Enter the amount from Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) 7. 0
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter "0." Continue with Part II. 8. 20,000

Part II - Special Exclusion

9a. Are you (and/or your spouse/civil union partner, if filing jointly) now receiving, or will you (and/or your spouse/civil union partner if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

☐ No — Continue with item 9b
☒ Yes — Enter "0" on line 9 and continue with line 10

9b. Would you (and your spouse/civil union partner if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

☐ No — Enter "0" on line 9 and continue with line 10
☐ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter: **if filing status is:**
- $6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner
- $3,000 Single; Married/CU partner, filing separate return 9. 0

10. **Other Retirement Income Exclusion.** Add lines 8 and 9. Enter here and on Line 27b, Form NJ-1040, (Line 27b, Column A and Column B, Form NJ-1040NR). If the amount here is zero, make no entry on Line 27b, Form NJ-1040 ..... 10. 20,000

The Corcorans complete the income section of their New Jersey resident return for tax year 2011 like this:

FORM NJ-1040

14	Wages, salaries, tips, and other employee compensation (Enclose W-2). Be sure to use State wages from Box 16 of your W-2(s). See instructions.	
15a	Taxable interest income (See instructions) (Enclose Federal Schedule B if over $1,500)	18,039.00
15b	Tax-exempt interest income (See instructions) (Enclose Schedule) DO NOT include on Line 15a	5,000.00
16	Dividends	9,987.00
17	Net profits from business (Enclose copy of Federal Schedule C, Form 1040)	
18	Net gains or income from disposition of property (Schedule B, Line 4)	
19	Pensions, Annuities, and IRA Withdrawals (See instructions)	
20	Distributive Share of Partnership Income (See instructions) (Enclose Schedule)	1,500.00
21	Net pro rata share of S Corporation Income (See instructions) (Enclose Schedule)	1,000.00
22	Net gain or income from rents, royalties, patents & copyrights (Schedule C, Line 3)	8,607.00
23	Net Gambling Winnings (See instructions)	2,800.00
24	Alimony and separate maintenance payments received	
25	Other (Enclose Schedule) (See instructions)	
26	Total Income (Add Lines 14, 15a, and 16 through 25)	41,933.00
27a	Pension Exclusion (See instructions)	
27b	Other Retirement Income Exclusion (See worksheet and instructions)	20,000.00
27c	Total Exclusion Amount (Add Line 27a and Line 27b)	20,000.00
28	**New Jersey Gross Income** (Subtract Line 27c from Line 26). See instructions.	21,933.00

Example

Herbert (age 66) and Marion (age 63) Green live in Nyack, New York. They are married and file a joint return. Herbert is retired and received Social Security benefits of $12,478 and reportable annuity income of $9,624. They also received $3,600 taxable interest, $7,100 in dividends, and a $17,500 net gain from the sale of New Jersey real estate. Marion works in Englewood, New Jersey and earned wages of $2,836. The Greens complete the Other Retirement Income Exclusion Worksheet as follows:

Other Retirement Income Exclusion Worksheet (tax year 2011)

Age Requirement: 62 or older

Part-year residents, do **not** complete this worksheet.

Part I - Unclaimed Pension Exclusion

Is total income from Line 26, Form NJ-1040 (Line 26, Column A, Form NJ-1040NR) for the entire year **MORE than $100,000?**

○ Yes. Do not complete Part I. Enter "0" on line 8 and continue with Part II.
● No. Continue with line 1.

1. **Wages.** Enter the amount from Line 14, Form NJ-1040 (Line 14, Column A, Form NJ-1040NR) 1. 2,836
2. **Net Profits From Business.** Enter the amount from Line 17, Form NJ-1040 (Line 17, Column A, Form NJ-1040NR) 2. 0
3. **Distributive Share of Partnership Income.** Enter the amount from Line 20, Form NJ-1040 (Line 22, Column A, Form NJ-1040NR) 3. 0
4. **Net Pro Rata Share of S Corporation Income.** Enter the amount from Line 21, Form NJ-1040 (Line 23, Column A, Form NJ-1040NR) 4. 0
5. Add lines 1, 2, 3, and 4 .... 5. 2,836

Is the amount on line 5 MORE than $3,000?

○ Yes. Enter "0" on line 8 and continue with Part II.
● No. Continue with line 6.

6. **Enter:** **if filing status is:**
   $20,000 Married/CU couple, filing joint return
   $15,000 Single; Head of household; Qualifying widow(er)/surviving CU partner
   $10,000 Married/CU partner, filing separate return 6. 20,000
7. **Pension Exclusion Claimed.** Enter the amount from Line 27a, Form NJ-1040 (Line 27a, Column A, Form NJ-1040NR) 7. 9,624
8. **Unclaimed Pension Exclusion.** Subtract line 7 from line 6. If zero, enter "0." Continue with Part II. 8. 10,376

Part II - Special Exclusion

9a. Are you (and/or your spouse/civil union partner, if filing jointly) now receiving, or will you (and/or your spouse/civil union partner if filing jointly) ever be eligible to receive Social Security or Railroad Retirement Benefits?

☐ No — Continue with item 9b
☒ Yes — Enter "0" on line 9 and continue with line 10

9b. Would you (and your spouse/civil union partner if filing jointly) be receiving or ever be eligible to receive Social Security or Railroad Retirement Benefits if you had participated in either program?

☐ No — Enter "0" on line 9 and continue with line 10
☐ Yes — Enter on line 9 the amount of exclusion for your filing status shown below and continue with line 10

Enter: **if filing status is:**
$6,000 Married/CU couple, filing joint return; Head of household; Qualifying widow(er)/surviving CU partner
$3,000 Single; Married/CU partner, filing separate return.......... 9. 0

10. **Other Retirement Income Exclusion.** Add lines 8 and 9. Enter here and on Line 27b, Form NJ-1040, (Line 27b, Column A and Column B, Form NJ-1040NR). If the amount here is zero, make no entry on Line 27b, Form NJ-1040 .... 10. 10,376

The Greens complete Lines 14-28 on page 1 and Part I on page 3 of their New Jersey nonresident return for tax year 2011 as follows:

FORM NJ-1040NR (Page 1)

		(Column A) AMOUNT OF GROSS INCOME (EVERYWHERE)	(Column B) AMOUNT FROM NEW JERSEY SOURCES
14. Wages, salaries, tips, and other employee compensation	14	2,836	2,836
15. Interest	15	3,600	0
16. Dividends	16	7,100	0
17. Net profits from business (Enclose copy of Federal Schedule C, Form 1040)	17		
18. Net gains or income from disposition of property (From Line 59)	18	17,500	17,500
19. Net gains or income from rents, royalties, patents, and copyrights (From Line 62)	19		
20. Net gambling winnings (See instructions)	20		
21. Pensions, Annuities, and IRA Withdrawals	21	9,624	
22. Distributive Share of Partnership Income	22		
23. Net pro rata share of S Corporation Income	23		
24. Alimony and separate maintenance payments received	24		
25. Other—State Nature and Source ____________________	25		
26. TOTAL INCOME (Add Lines 14 through 25)	26	40,660	20,336
27a. Pension Exclusion (See instructions)	27a	9,624	
27b. Other Retirement Income Exclusion (See worksheet and instructions)	27b	10,376	10,376
27c. Total Exclusion Amount (Add Line 27a and Line 27b)	27c	20,000	10,376
28. Gross Income (Subtract Line 27c from Line 26)	28	20,660	9,960

(Page 3)

PART I **NET GAINS OR INCOME FROM DISPOSITION OF PROPERTY** List the net gains or income, less net loss, derived from the sale, exchange, or other disposition of property including real or personal whether tangible or intangible.

(a) Kind of property and description	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Gross sales price	(e) Cost or other basis as adjusted (see instructions) and expense of sale	(f) Gain or (loss) (d less e)
56. Six acre lot in Park Ridge, NJ	3/11/11	11/18/11	77,500	60,000	17,500
57. Capital Gains Distribution				57	
58. Other Net Gains				58	
59. Net Gains (Add Lines 56, 57, and 58) (Enter here and on Line 18) (If Loss, enter ZERO)				59	17,500

For More Information

By Phone

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

Online

- Division of Taxation Web site: **www.state.nj.us/treasury/taxation/**
- E-mail: **nj.taxation@treas.state.nj.us**
- Subscribe to *NJ Tax E-News,* the Division of Taxation's online information service, at: **www.state.nj.us/treasury/taxation/listservice.shtml**

In Writing

New Jersey Division of Taxation
Technical Information Branch
PO Box 281
Trenton, NJ 08695-0281

Forms and Publications

- Visit the Division of Taxation's Web site:
  Forms — **www.state.nj.us/treasury/taxation/forms.shtml**
  Publications — **www.state.nj.us/treasury/taxation/pubs.shtml**
- Call NJ TaxFax at **609-826-4500** from your fax machine's phone.
- 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.

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
TECHNICAL SERVICES
TECHNICAL INFORMATION BRANCH
PO BOX 281
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GIT-1 Pensions and Annuities

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