| **TOPIC** | **FEDERAL TAX LAW** | **NJ TAX LAW** |
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| **Basic Information** |  |  |
| Filing Status | Does not recognize civil union status | Treats civil union status like married status |
| Municipality Code | N/A | Municipality code for current address required |
| Blind & Disabled | Extra standard deduction for blind, but not disabled | Extra exemption for blind or disabled (only 1 extra exemption if both blind and disabled) |
| College Student | Dependent if under age 24, full-time student, & younger than taxpayer (or spouse if MFJ) | Dependent if under age 24, full-time student, & younger than taxpayer (or spouse if MFJ)  Extra dependent exemption if dependent is under 22, full-time student, & taxpayer paid more than ½ of tuition & maintenance |
| Veteran | N/A | Exemption for veteran discharged under honorable circumstances |
| Date of Birth | Person born on January 1 considered born in prior year | Person born on January 1 considered born in current year |
| **Income** |  |  |
| Wages | Can claim deduction for NJSUI, NJSDI, & NJFLI if itemizing | Cannot claim deduction for NJSUI, NJSDI, or NJFLI |
|  | N/A | Can claim excess withholdings for NJSUI, NJSDI, & NJFLI on return if more than 1 employer |
| Interest | Interest on US Savings Bonds & Treasury Obligations taxable (unless used for education expenses) | Interest on US Savings Bonds & Treasury Obligations not taxable |
|  | Interest on all municipal bonds tax exempt | Interest on NJ municipal bonds tax exempt, but municipal bonds from other states are taxable (See GIT-5 for list of taxable & tax-exempt bonds) |
|  | Early withdrawal penalty on 1099-INT included in taxable interest income; adjustment to income then created by TSO for same amount | Early withdrawal penalty not included in taxable interest income |
| Exempt Interest Dividends from Mutual Fund | Exempt interest dividends shown in 1099-DIV Box 10 not taxable in Federal, but must be reported. May affect some Modified AGI calculations to determine eligibility for certain credits | Percentage of exempt interest dividends attributable to Federal obligations (including territories, DC, Puerto Rico) or to NJ bonds in a “qualified investment fund” not taxable  Percentage of exempt interest dividends attributable to bonds from other states or to NJ bonds not in a “qualified investment fund” taxable  (See GIT-5 for list of taxable & tax-exempt bonds) |
| NJ Income Tax Refund | May be partially or wholly taxable if taxpayer itemized in prior year & claimed state income taxes on Sch A | Not taxable |
| Capital Gains/Losses | Up to $3,000 of net capital losses can be used to offset other income on this year’s return; rest is carried over to next year | No net capital losses allowed on current year return; no carryover losses to next year |
|  | Capital gains on NJ exempt obligations taxable | Capital gains on NJ exempt obligations may not be taxable (See GIT-5 for list and taxability) |
| Social Security (SS)/ Railroad Retirement Benefits (RRB) Tier 1 | Up to 85% of SS & RRB Tier 1 payments may be taxable, depending on other income on return | SS & RRB benefits not taxable or reportable |
| Retirement Income | Total amount of IRA distributions reported on 1040 Line 4a; taxable amount on Line 4b  Total amount of pension/annuity income reported on 1040 Line 4c; taxable amount reported on Line 4d | Taxable amount of IRAs, Pensions & Annuities reported on NJ 1040 Line 20a  Excludable amounts of IRAs, Pensions & Annuities reported on NJ 1040 Line 20b |
|  | Military pensions from Defense Finance and Accounting SVC taxable | Military pensions not taxable; do not report on NJ 1040 Line 20b |
|  | Disability pensions:  Reported as wages if recipient is under employer minimum retirement age; considered earned income  Reported as pension if recipient is over employer minimum retirement age | Disability pensions:  Not taxable if recipient is under age 65 & totally & permanently disabled; not reportable on NJ 1040 Line 20b  Taxable as pension if recipient is age 65 or older |
|  | N/A | Can use 3-Year Rule if can recover all pension contribu- tions within 36 months of first pension payment & both employer & employee made contributions  Distributions are tax-exempt until all contributions recovered; then all distributions are taxable |
|  | IRAs/403b/457b/Thrift Savings Plan distributions totally taxable | IRA/403b/457b/Thrift Savings Plan distributions may not be totally taxable if records were kept of contributions that were taxed when originally made; use IRA Worksheet to determine taxable & tax-exempt amounts  Report taxable amount on NJ 1040 Line 20a, tax-exempt amount on Line 20b |
|  | Qualified Charitable Distribution (QCD) made directly from IRA to charity not taxable | QCD from IRA follows normal pension taxability rules |
|  | If employee made Federal after-tax contributions to a pension, a portion of those contributions can be excluded from taxation each year once distributions begin. Use Bogart Annuity Calculator to determine taxable and excludable amounts of distribution  Report gross amount of distribution on 1040 Line 4c & taxable amount on 1040 Line 4d | Same as Federal (unless 3-year rule is used)  Report taxable amount of distribution on NJ 1040 Line 20a & excludable amount of distribution on Line 20b |
|  | Government employee pension contributions are pre-tax when made, so distributions are taxable | Government employee pension contributions are after-tax when made, so can use Bogart Annuity Calculator to determine taxable & tax-exempt portions of distributions. Be sure to use total pension contributions when doing calculation (not 1099-R Box 9b)  Report taxable amount on NJ 1040 Line 20a, tax-exempt amount on Line 20b |
|  | Up to $3,000 of Public Safety Officer (PSO) health & long-term care premiums can be subtracted from pension distribution amount if paid directly from pension  Premiums cannot be claimed as medical expenses on Sch A | PSO health & long-term care insurance premiums cannot be subtracted from pension distribution amount  Premiums can be claimed on medical expenses on NJ 1040 Line 31 (in excess of 2% threshold) |
|  | Railroad Retirement Benefits (RRB) Tier 2 payments taxable | RRB Tier 2 payments not taxable; do not report on NJ 1040 Line 20b |
| Unemployment | Unemployment income taxable | Unemployment income not taxable or reportable |
| Alimony Received | For divorce agreements executed prior to 2019, alimony received is taxable  For divorce agreements executed starting in 2019 (or modified starting in 2019 if both parties agree), alimony received is not taxable | For all divorce agreements, alimony received is taxable |
| Gambling Winnings/ Losses | Gambling winnings reported as Other Income; gambling losses (up to amount of winnings) claimed as Miscellaneous Expenses on Sch A only if itemizing | Gambling losses (up to amount of winnings) subtracted from gambling winnings; net is reported on NJ 1040 Line 24 |
|  | Gambling winnings not reported on a W-2G are reported as Other Income | Non-W-2G winnings flow through to NJ’s Other Income line in TaxSlayer. They should be removed from that line and combined with any W-2G winnings on NJ 1040 Line 24 Gambling Winnings |
| Cancellation of Credit Card Debt | Cancellation of credit card debt reported as Other Income | Cancellation of credit card debt not taxable or reportable |
| Property Tax Recoveries | Homestead Benefit (HB) credits and Property Tax Reimbursement (PTR) checks are taxable as Other Income if the taxpayer itemized in the appropriate prior year and received a tax benefit by claiming property taxes on Sch A. Use the State Tax Refund Worksheet to determine the correct taxable amount | HB and PTR payments are not taxable or reportable |
| Jury Duty Pay Returned to Employer | Total jury duty pay is reported as Other Income  If employer pays salary during jury duty and requires that employee turn over some or all of jury duty pay to employer, the amount turned over can be claimed as an adjustment to income | Net jury duty pay is reported as Other Income (total jury duty pay minus amount turned over to employer)  Since total jury duty pay flows through from Federal to NJ, subtract amount turned over to employer from Other Income |
| **Adjustments/Deductions/ Credits** |  |  |
| Alimony Paid | For divorce agreements executed prior to 2019, alimony paid can be claimed as an adjustment to reduce your AGI  For divorce agreements executed starting in 2019 (or modified starting in 2019 if both parties agree), alimony paid cannot be claimed as an adjustment | For all divorce agreements, alimony paid can be claimed to reduce your income |
| Medical Expenses | If itemizing, can claim medical expenses that exceed 7.5% of AGI on Sch A | Can claim medical expenses that exceed 2% of NJ Gross Income on NJ 1040 Line 31  NOTE: Self-employed health insurance premiums are not subject to the 2% threshold |
|  | Cafeteria Plan (Sec 125) medical premiums withheld from paycheck are not included in Federal W-2 wages (pre-tax)  Cannot also be claimed as itemized deduction on Sch A | Cafeteria Plan (Sec 125) medical premiums withheld from paycheck are included in W-2 NJ wages (after-tax)  Can be claimed as medical expenses on NJ 1040 Line 31 |
|  | Flexible Spending Account (FSA) and Health Savings Account (HSA) contributions are pre-tax. Therefore, distributions used for medical expenses cannot be claimed as itemized deductions on Sch A | FSA and HSA contributions are after-tax for NJ. Therefore, distributions used for medical expenses can be claimed as medical expenses on NJ 1040 Line 31 |
|  | Can claim medical expenses for a nondependent if that person would have been your dependent except that (1) he/ she received gross income of $4,200 or more, (2) he/she filed a joint return, or (3) you (or your spouse if filing MFJ) could be claimed on someone else’s return  (This could include a child under age 27 who is still covered under parents’ health insurance but cannot be claimed as a dependent) | Cannot claim any medical expenses that you paid for a nondependent  Insurance premiums for child under age 27 who is still covered under parents’ health insurance cannot be claimed unless child can be claimed as a dependent |
| Property Taxes | Can claim a property tax deduction on Sch A for taxes paid on multiple properties | Can claim either a property tax credit or deduction (whichever is better) only for taxes paid on your principal residence |
|  | Cannot claim a property tax deduction on Sch A for rent paid | Can claim 18% of the rent paid for either a property tax credit or deduction (whichever is better) |
|  | Claim the net amount of property taxes paid in current year (amount billed after Veterans or Senior Citizens deduction(s) are applied, but prior to any Homestead Benefit credits received for a prior year) | Claim the gross amount of property taxes paid (amount billed before Veterans or Senior Citizens (SC) deduction(s) are applied, but prior to any Homestead Benefit credits received for a prior year)  If PTR recipient, claim gross amount of base year; if not a PTR recipient, claim gross amount of current year |
|  | See NJ Special Handling for more detail on sources and for details on gross vs net property taxes | |
| Earned Income Credit (EIC) | TaxSlayer calculates amount of EIC based on income, filing status & number of qualifying children | NJ Earned Income Tax Credit (EITC) is calculated as 39% of Federal EIC |
| Child & Dependent Care Credit | TaxSlayer calculates amount of Child & Dependent Care credit based on income, number of qualifying dependents, & care expenses | The amount of NJ Child & Dependent Care credit is between 10% - 50% of Federal credit, depending on NJ taxable income |
|  | No limit on AGI for Child & Dependent Care credit. Limit on amount of expenses used to calculate credit | NJ taxable income must be $60,000 or less to be eligible for NJ Child & Dependent Care credit |
| Income Taxes Paid to State Other than NJ | If itemizing, income taxes that are imposed by a state, local, or foreign jurisdiction can be claimed on Sch A  Total state & local taxes paid that can be claimed are limited to $10,000 | NJ offers a credit if you paid income or wage tax on the same income in the same year to both NJ & to another jurisdiction outside NJ. You cannot claim a credit for income tax paid to the Federal government, Canada, Puerto Rico, or any other foreign country or territory  Credit cannot be more than the amount you would have paid if you earned the income in NJ |
| Other Credits | Federal allows following credits (assuming eligibility requirements are met):   * Education credits (American Opportunity Credit & Lifetime Learning Credit) * Credit for Elderly or Disabled * Foreign Tax Credit * Retirement Savings Contribution Credit * Child Tax Credit/Additional Child Tax Credit * Credit for Other Dependents | No corresponding NJ credits |
|  | No corresponding Federal credits | NJ allows following credits:   * Wounded Warrior Caregiver Credit * Gold Star Family Counseling Credit |
| **Taxes** | Claim NJ income tax payments on Sch A in the Federal tax year in which payments were made | Claim NJ income tax payments in tax year in which tax was imposed |
|  | May owe self-employment taxes (Social Security & Medicare taxes) on self-employment income reported on Sch C | N/A |
|  | May owe Social Security & Medicare taxes on tips earned, if not withheld by employer | N/A |
|  | N/A | If not fully taxed at time of sale, use tax is owed by NJ residents who buy products out of state, online, or via mail, & then bring the products to NJ or have them shipped here for use  Amount owed is the amount of NJ sales tax that should have been paid if purchased in NJ minus sales tax actually paid at time of sale |
|  | May owe additional 10% penalty on distributions from qualified retirement plans, IRAs, and some annuities prior to age 59 ½ | N/A |
|  | May owe 50% penalty if Required Minimum Distribution (RMD) from IRA is not taken every year, beginning 4/1 of year after taxpayer turns 70 ½ | N/A |