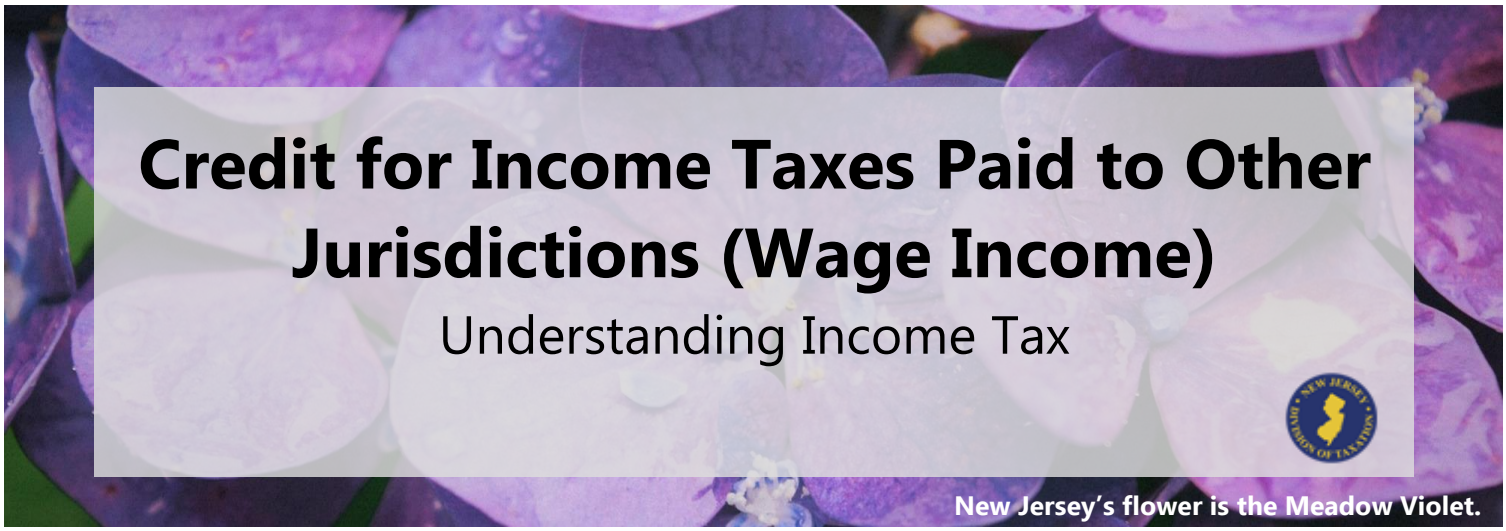


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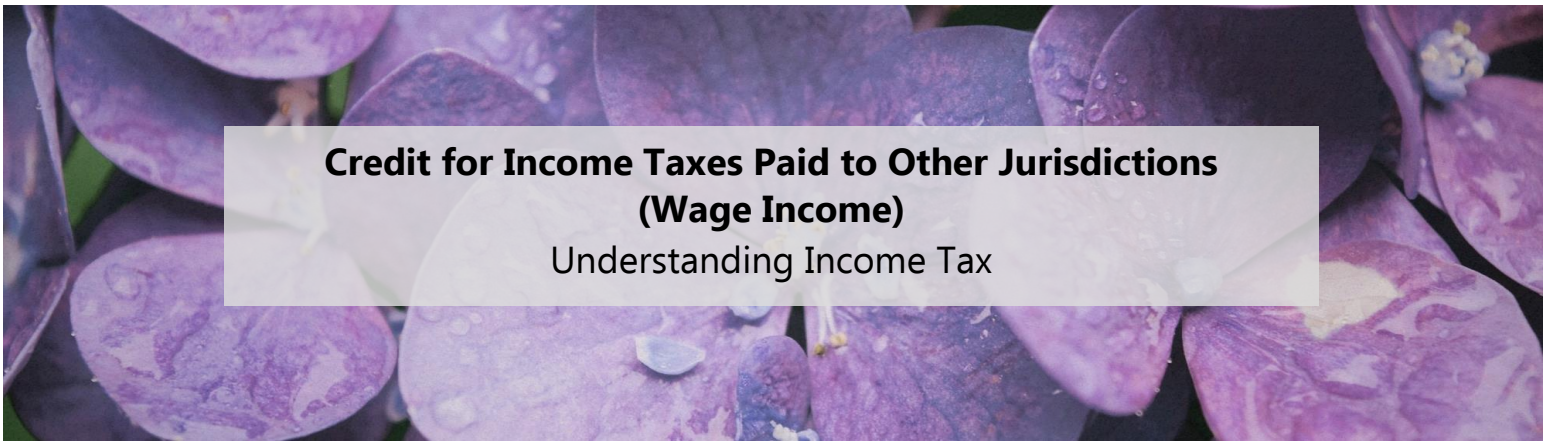
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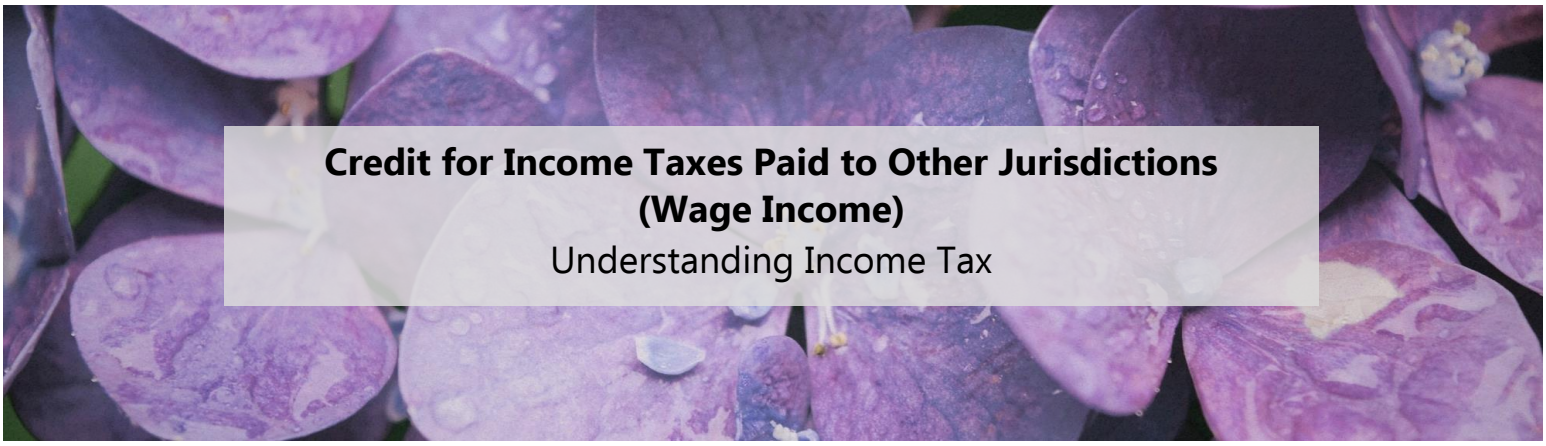
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Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

Purpose of This Publication

Resident taxpayers who paid Income Tax both to New Jersey and to an out-of-state **jurisdiction** in the same tax year may be eligible for a credit against the tax they owe to New Jersey. A taxpayer can be an individual, an estate, or a trust that pays Income Tax to another jurisdiction. The income can be earned from a business, an S corporation, or through self-employment.

This publication explains:

- How to determine what income you can include in the credit calculation;
- When you are eligible to claim a credit for taxes paid to another jurisdiction;
- How to calculate the credit amount you are eligible to claim.

The **examples** provided illustrate how to determine the tax credit in both simple and complex situations.

(See our companion publication, **Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)**, for examples of how to calculate the tax credit on business/nonwage income.)

Purpose of the Credit

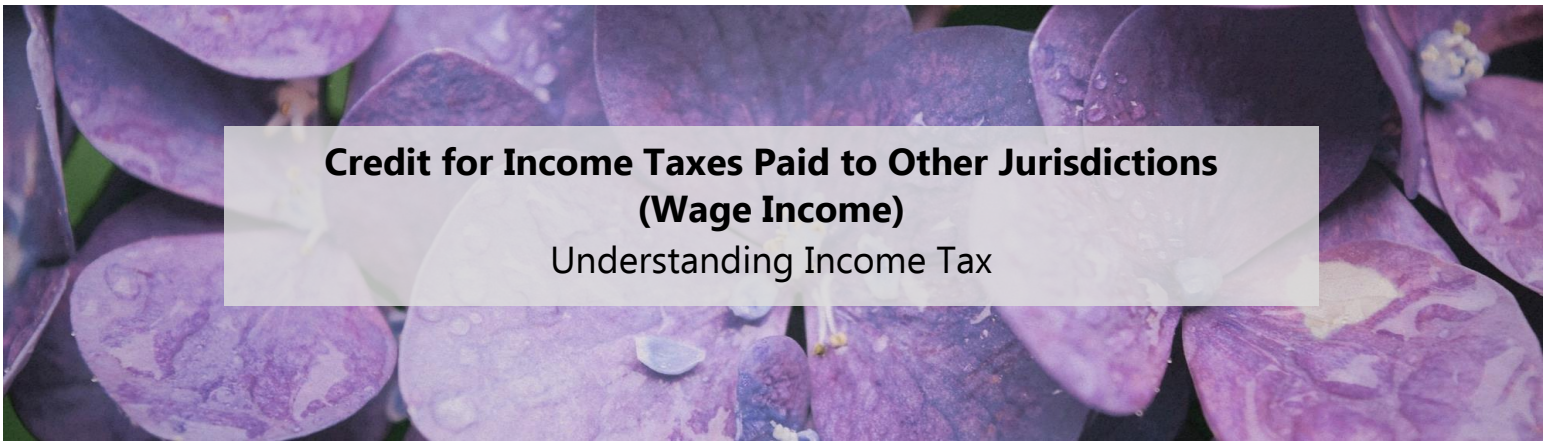
This credit minimizes double taxation of income that is already taxed by other jurisdictions. Your credit will either be the amount of New Jersey Income Tax that you would have paid if the income had been earned in New Jersey, or the amount of tax actually paid to the other jurisdiction, *whichever is less.*

These are the statutory limitations:

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

Components of the Credit Calculation

Before you can calculate any credit for taxes paid to another jurisdiction(s), you must understand the components of the credit calculation. You must also know how to determine each of those components for each jurisdiction and for each tax that you are claiming a credit. You must determine:



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

Understanding Income Tax

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

Jurisdiction

This is any state of the United States other than New Jersey, a political subdivision (e.g., county or municipality) of any state other than New Jersey, or the District of Columbia. You are not allowed to claim a credit for taxes paid to the U.S. government, Canada, Puerto Rico, or to any foreign country or territory.

Income Actually Taxed by Another Jurisdiction

Generally, this is the income sourced to the other jurisdiction, after any adjustments allowed by the other jurisdiction but before deducting personal exemptions and standard or itemized deductions.

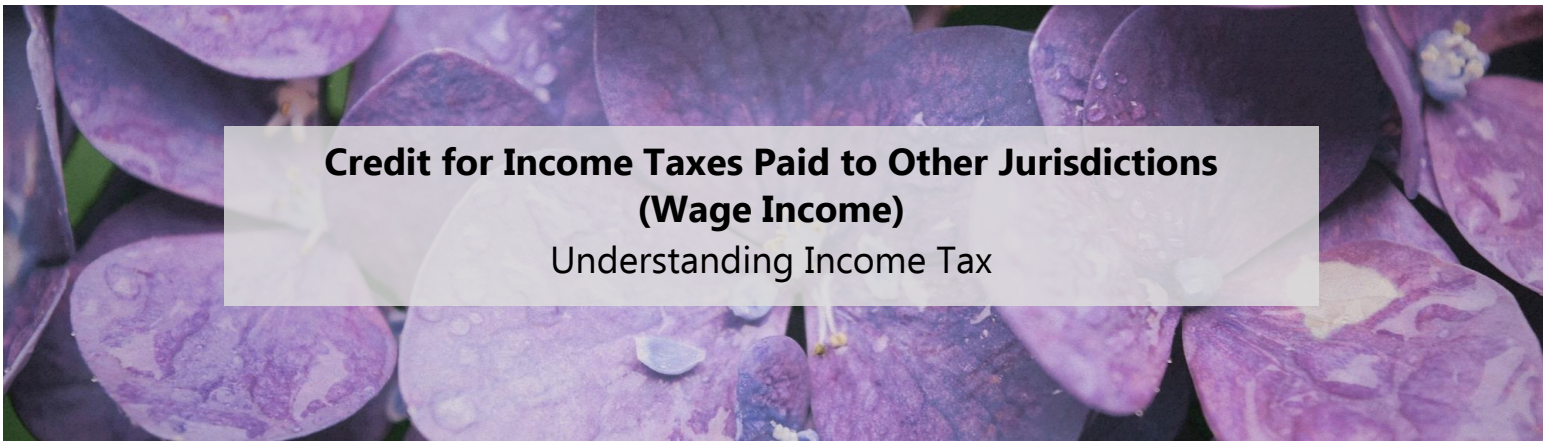
Income Sourced to Another Jurisdiction v. "Worldwide Income"

Some jurisdictions require you to determine the actual amount of tax due. First, you calculate a base tax on your total income from all sources (worldwide income) as if you were a resident of that state. Second, divide the amount of income sourced to the other state by worldwide income, which gives you a percentage. Then, multiply the base tax by the percentage you calculated.

This method of tax calculation may result in you having higher tax liability in the other jurisdiction. However, it does not increase the amount of income subject to tax by the other jurisdiction. The other jurisdiction actually taxes only the income sourced to that state, and not worldwide income. (See **example 6**.)

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

The worldwide income is used to determine the tax rate to be imposed on income sourced to the jurisdiction, but not actually taxed. Thus, only income actually sourced to the other state can be included on line 1, Schedule NJ-COJ. (See *Chin v. Director*.)



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

Understanding Income Tax

Income Allocations Allowed by the Other Jurisdiction

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

Adjustments (Deductions) Allowed by the Other Jurisdiction

In some cases, a jurisdiction does not allow subtractions or deductions from income. Do not include on line 1, Schedule NJ-COJ any expenses allocated to the other jurisdiction that were used to reduce the income on line 2 but were not allowed in the other jurisdiction. Examples can include interest paid to finance the purchase of an interest in a partnership and expenses paid by the partner that were not reimbursed by the partnership. They are not permitted as deductions in some states, but can be used to reduce taxable income in New Jersey. (See **example 8**.)

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

You can report income only once on the Schedule NJ-COJ. You can make only one credit calculation on Schedule NJ-COJ when the same income is taxed by one or more jurisdictions within the same state, and the amount of income taxed by each jurisdiction is the same. (See **example 4**.)

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

For example, you earned wages of $15,000 in a city in another state. After adjustments, $9,000 of that income was taxed by the other state. However, the entire $15,000 was taxed by the city. The amount of excess income is $6,000. In such a case, you must make two credit calculations. The first calculation determines the credit allowed on the $9,000 taxed by all the jurisdictions; the second calculation determines the credit allowed on the $6,000 of excess income. (See **example 9**.)

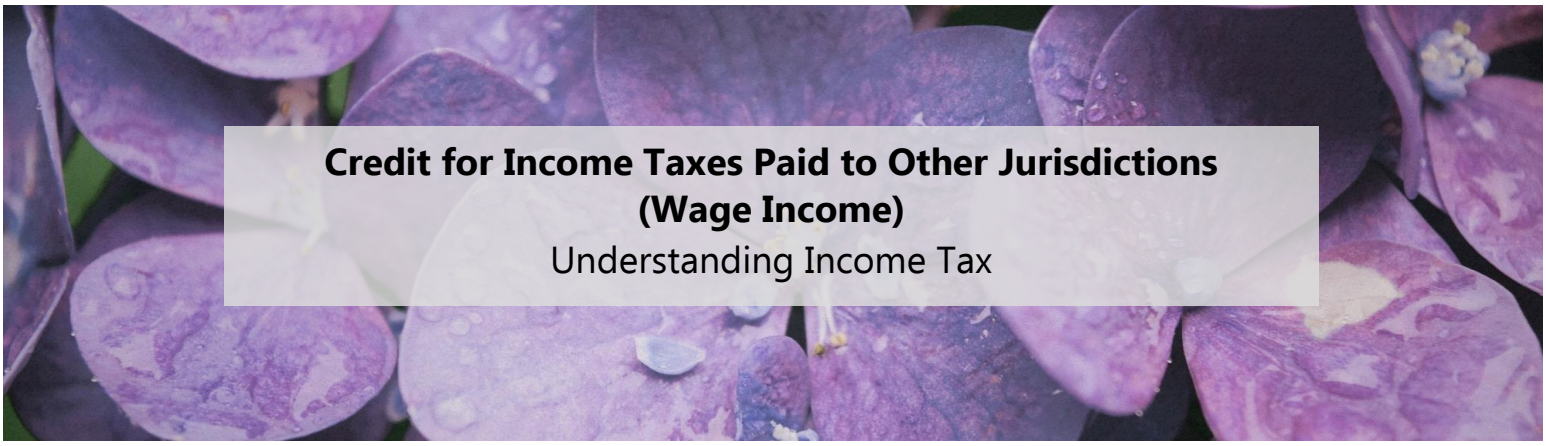
Income Properly Taxed by Another Jurisdiction

You can include only income properly taxed by another jurisdiction in the credit calculation.

Income Properly Taxed

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

- Services rendered within that jurisdiction;



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

Income Not Properly Taxed

A nonresident's personal income from interest, dividends, or gains from intangible personal property *is not* properly taxable by another jurisdiction. If you are a nonresident, income from interest, dividends, or gains from intangible personal property (such as life insurance or securities investments) that was derived from a business, trade, or profession carried on in the other jurisdiction *is* properly taxable by that jurisdiction. For example, interest on a personal savings account in a bank located in another jurisdiction is not properly taxable by that jurisdiction. In addition, other jurisdictions *cannot* tax you on most retirement benefits, including distributions from deferred compensation plans, (e.g., 401(k) Plans, 457 Plans) and IRAs. (See **example 10**.)

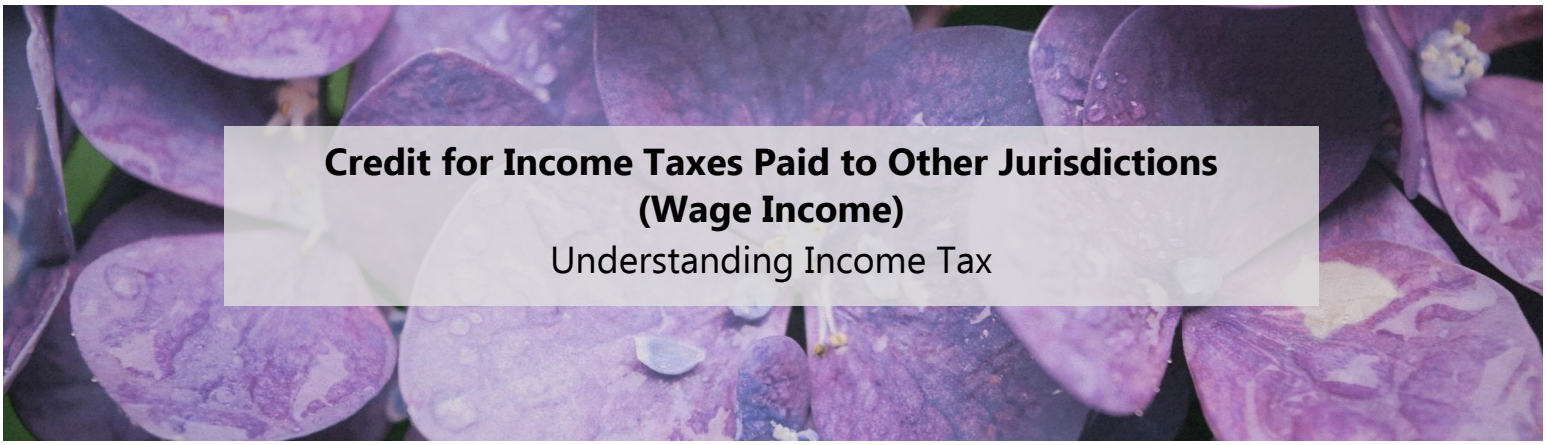
If you reported and paid tax to another jurisdiction on income not properly taxable by that jurisdiction, you must follow the other jurisdiction's procedures for requesting any refund due.

Dual State Residents

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

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

Example: An individual is a resident of both New York and New Jersey and has a business in Connecticut. They pay tax to Connecticut on their business income. They must also report that income on both the New Jersey and New York resident returns. They must claim a credit on the New York return for the tax paid to Connecticut. They also must claim a credit on the New Jersey return for the tax paid to Connecticut. They cannot claim a credit for New York tax because they did not pay tax to New York on this income.



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

Understanding Income Tax

Income Actually Taxed by Both NJ and Another Jurisdiction

Income Taxable in Another Jurisdiction Exempt From Tax in NJ

Income must be taxed by both New Jersey and the other jurisdiction to be included on Schedule NJ-COJ. For example, unemployment compensation may be taxed by another jurisdiction but it is not taxable by New Jersey so you cannot include this income on line 1 of Schedule NJ-COJ.

Other Jurisdiction's Additions to Income

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

Income Taxed by New Jersey

Enter on Schedule NJ-COJ, line 2, the New Jersey Gross Income amount reported on Form NJ-1040, line 29. This is the total of all income reported on the New Jersey return after any pension or other retirement income exclusion but before exemptions and deductions. (See **example 1**.)

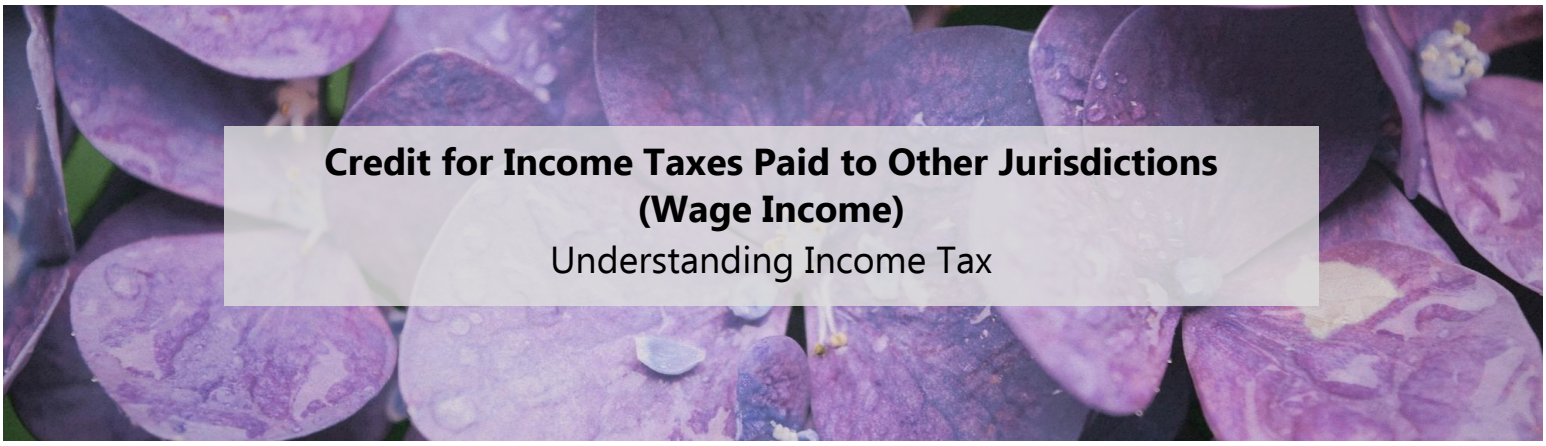
Actual Tax Paid to the Other Jurisdiction

The actual tax paid to the other jurisdiction is the amount of tax that is due after deducting all tax credits allowed by that jurisdiction (e.g., child and dependent care, new job, research and development), but before the deduction of any payments made, such as withholdings, estimated payments, extension payments, credit for pass through entity tax payments, or an overpayment from a prior year.

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

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

There may be situations in which a state and one or more jurisdictions within that state tax differing amounts of income. When calculating a credit in those instances, you must complete a separate Schedule NJ-COJ for each jurisdiction. You can report only the actual tax paid to the other jurisdiction(s) on the amount of income reported on line 1 of your Schedule NJ-COJ. To prorate the tax paid to the other jurisdiction, divide the amount of income on line 1 by the total amount of income taxed by that jurisdiction. Apply the resulting percentage to the total tax paid to the other jurisdiction. (See **example 9**.)



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

Understanding Income Tax

How to Claim the Credit

You must do the following to claim credit for taxes paid to another jurisdiction:

1. Complete **Schedule NJ-COJ** in its entirety. You may have to **complete more than one Schedule NJ-COJ** in certain situations. Fiduciaries of a resident **estate** or trust must complete **Schedule C, Form NJ-1041**;
2. Complete Worksheet I in the NJ-1040 Instructions if eligible to receive a property tax deduction or credit;
3. Enclose Schedule NJ-COJ(s) with the NJ-1040 Income Tax return.

Proportional Credit Limitation Formula

The proportional credit limitation (PCL) amount represents the amount of Income Tax New Jersey would have imposed if the income you earned in the other jurisdiction had been earned in New Jersey.

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

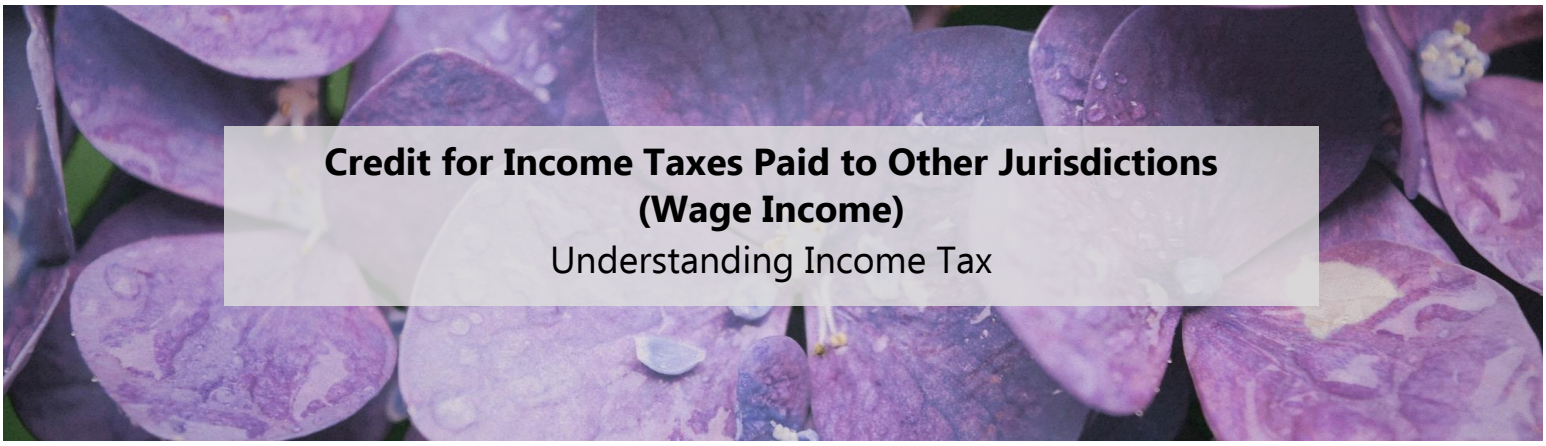
$$\frac{a}{b} \times c = \text{PCL}$$

You then must compare the PCL amount to the actual tax paid to the other jurisdiction. You can claim a credit of the lesser of the two amounts. (See examples **2** and **3**.)

Completing More Than One Schedule NJ-COJ

Complete a separate Schedule NJ-COJ for each jurisdiction for which you are claiming a credit, or for each tax imposed by a jurisdiction. You must file separate schedules when:

- *Two or more jurisdictions (i.e., a state and political subdivision(s) therein – such as counties or municipalities) tax the same income.* For example, when both a state and a city within that state tax the same income, you may have to complete and enclose a separate Schedule NJ-COJ for each jurisdiction. (See **example 4**);
- *Different jurisdictions tax different income.* For example, if you had wages from State A and a gain from the sale of property from State B, you must complete a separate Schedule NJ-COJ for each state;



Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)
Understanding Income Tax

- *The same jurisdiction imposes more than one type of tax.* For example, if you had wages and business income from a city that imposes both a wage tax and a different tax on business income, you must complete one Schedule NJ-COJ for the wage tax and a separate Schedule NJ-COJ for the tax on business income.

Part-Year Residents

A part-year resident is a New Jersey resident for only part of the tax year. If you are a part-year resident who is required to file a New Jersey Resident Income Tax return, you must report on that return all the income received during your period of New Jersey residency, whether the income was from inside or outside New Jersey. If you received income from New Jersey sources during your period of nonresidency, you also may be required to file a part-year nonresident return with New Jersey. (See **Part-Year Residents and Nonresidents** to determine if you need to file a return.)

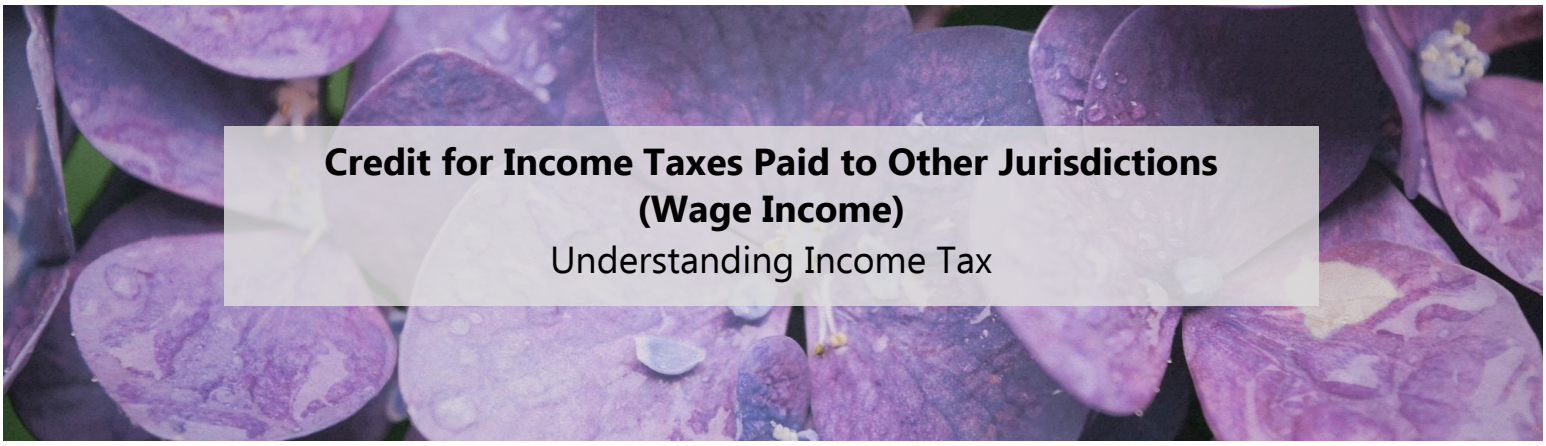
Part-year residents may be able to claim a credit for taxes paid to other jurisdictions. You must have been a part-year resident who paid Income Tax both to New Jersey and to an out-of-state jurisdiction on income that is reported on the part-year resident return. You may be eligible to claim a credit as long as the income was derived from the other jurisdiction during the period of time you were a New Jersey resident, and is actually and properly subject to tax in both the other jurisdiction and New Jersey. As a part-year resident, you should use the same criteria and methodology as full-year residents to determine the components of the credit calculation and the credit amount.

For more information on the filing responsibilities of part-year residents and part-year nonresidents, see the instructions for the New Jersey resident return (**Form NJ-1040**) and nonresident return (**Form NJ-1040NR**), or see **Part-Year Residents**. (See examples **11** and **12**.)

Income From New York

If you are a New Jersey resident who works in New York or earns other taxable income there, you are often taxed on an amount less than your actual New York source income as a result of the deductions allowed by New York. When calculating a credit for taxes paid to New York, you should only use the income actually taxed by New York in the calculation. Because of New York's method of calculating a nonresident taxpayer's tax, it is not possible to identify one particular line on the New York tax return that represents the income subject to tax in New York.

Do not use the "worldwide income" column in the credit calculation. (See ***Income Sourced to Another Jurisdiction v. "Worldwide Income"***.)



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

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

Income From Pennsylvania

Pennsylvania and New Jersey have a Reciprocal Personal Income Tax Agreement. That means wages, salaries, and other compensation paid to New Jersey residents employed in Pennsylvania are not subject to Pennsylvania income tax. Residents of each state pay taxes to their state of residency, not to the state where they work. Thus, a New Jersey resident cannot claim a credit for taxes paid to Pennsylvania on employee compensation because the earnings are not subject to tax in Pennsylvania.

If you are a New Jersey resident, and Pennsylvania tax is withheld from your wages in error, you must file a Pennsylvania nonresident return to receive a refund. To stop the withholding of Pennsylvania income tax, you must complete a **Pennsylvania Employee's Nonwithholding Application Certificate** and give it to your employer. You can get this form from the **Pennsylvania Department of Revenue**.

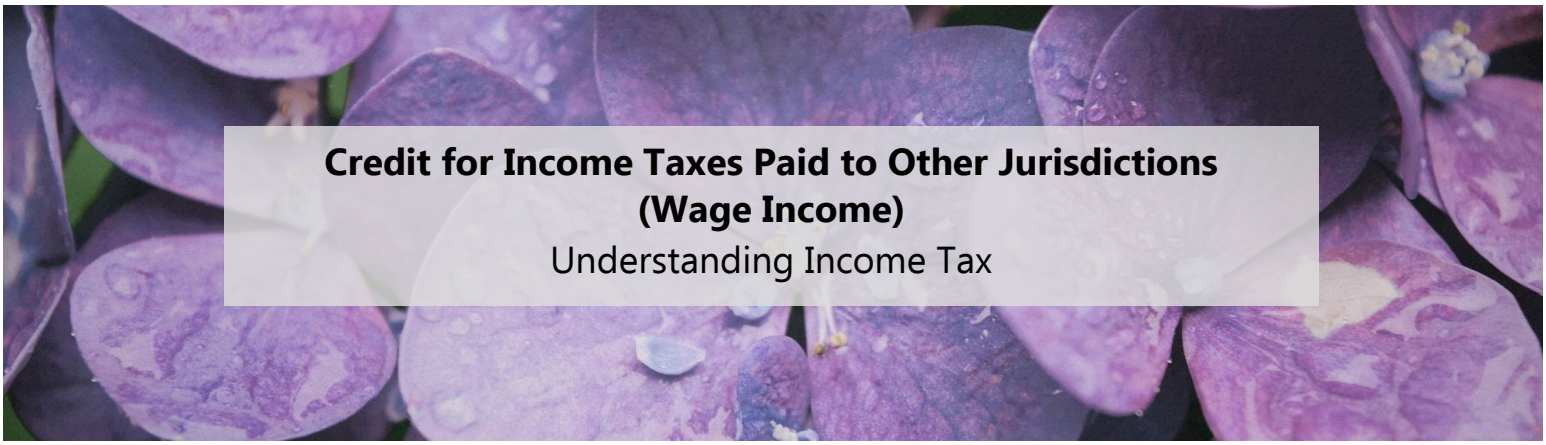
The Reciprocal Agreement covers *only* employee compensation (wages, tips, fees, commissions, etc.). If you are self-employed or receiving income other than wages (e.g., gain from the sale of property) that is taxable in both states, you can claim a credit for taxes paid to Pennsylvania on that income. We do not allow a credit for taxes paid in error to Pennsylvania on employee compensation. (See **example 13**.)

Income From Pennsylvania Municipalities

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

Wages From Philadelphia

New Jersey residents earning wages in Philadelphia can determine the income to enter on line 1 of Schedule NJ-COJ, by dividing the wage tax deducted (as reported in the "Local income tax" box on the W-2) by the Philadelphia nonresident tax rate as follows:



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

Understanding Income Tax

Philadelphia Wage Tax Paid*
Philadelphia Wage Tax Rate = Line 1, Schedule NJ-COJ

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

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

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

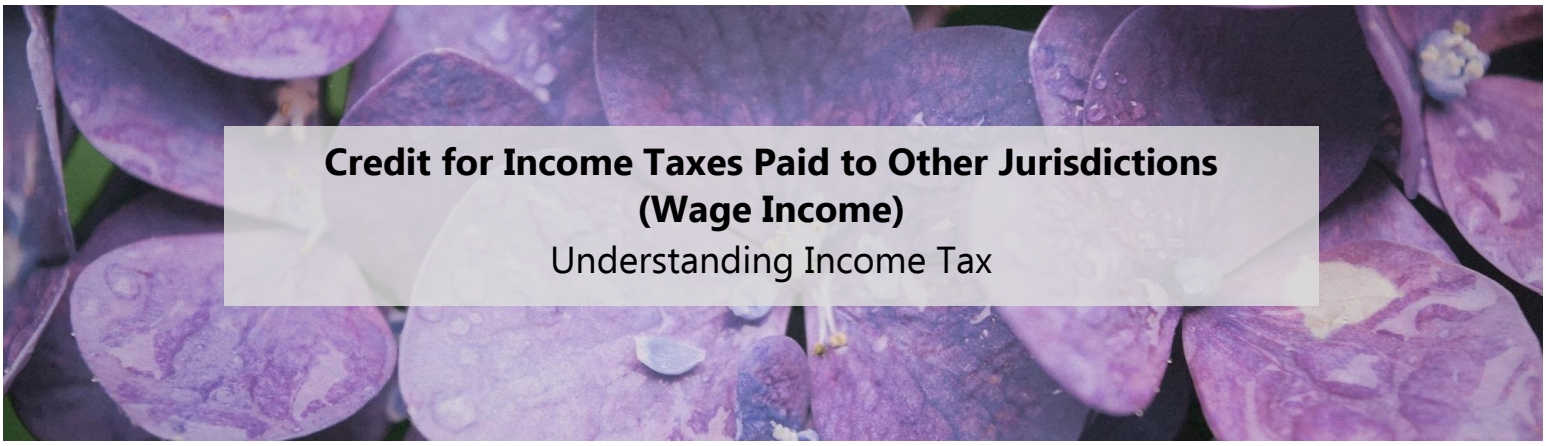
New Jersey wages reported
+ 401(k) amount
New Jersey wages with 401(k)

Philadelphia wages with 401(k)
New Jersey wages with 401(k) = Percentage of 401(k) in Philadelphia wages

Percentage of 401(k) in Philadelphia wages
× 401(k) amount
401(k) in Philadelphia wages

New Jersey wages reported
(Less 401(k) in Philadelphia wages)
Income Eligible for Philadelphia – Enter this amount on Schedule NJ-COJ, line 1

According to the law, when there is a reduction on line 1, Schedule NJ-COJ, there must be a corresponding reduction in the allowable tax paid.



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

Income Eligible for Philadelphia
Income Taxed by Philadelphia = Percentage of Philadelphia income eligible for credit

Percentage of Philadelphia income Eligible for Credit
× Taxes paid to Philadelphia
Prorated Taxes paid to Philadelphia – Enter this amount on Schedule NJ-COJ, box 9A

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

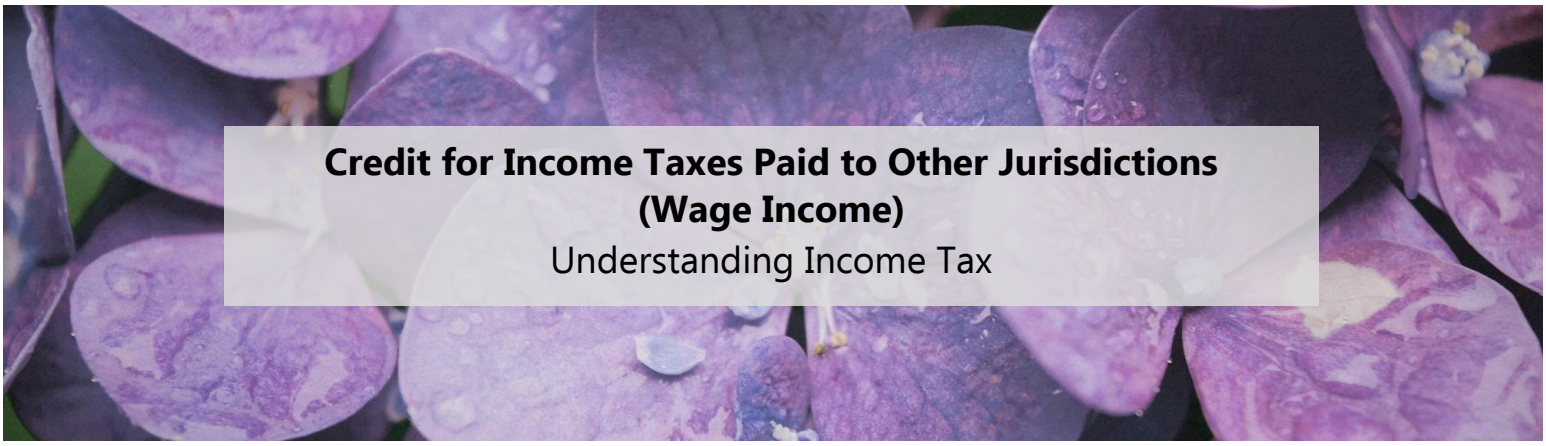
Taxes Withheld for Philadelphia
(Less Refund)
Total Taxes Paid to Philadelphia – Enter this amount on Schedule NJ-COJ, box 9A

Divide Total Taxes Paid to **Philadelphia** by the Average Philadelphia Tax Rate (3.44%) to determine the income taxed by Philadelphia. Report this income on line 1 of Schedule NJ-COJ.

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

Changes Due to Audit by Other Jurisdictions

When an audit by another jurisdiction changes the amount of previously reported tax paid, it will result in an adjustment to the credit you claimed on your New Jersey return. You are required to file an amended New Jersey return, **Form NJ-1040X**, for the year(s) affected by the audit and pay any amount due. If the audit results in an overpayment, you can request a refund "regardless of any otherwise applicable statute of limitations," provided you claimed the credit for that state or municipality on your original return. N.J.S.A. 54A:4-1(e).



Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)
Understanding Income Tax

If You Are Audited By New Jersey

New Jersey does not require you to enclose a copy of the income tax return(s) filed with the other jurisdiction(s) if you file a paper return. However, you should keep complete copies of any returns filed with other jurisdiction(s). If we audit your return, you will be asked to provide:

(a) A complete copy of the income tax return(s) filed with the other jurisdiction(s), if one was filed or required to be filed, *along with* schedules, worksheets, etc., that show the nature and source of the income being taxed;

(b) Documentation to prove you participated in a composite return filed in another jurisdiction. This can include a statement on the filing entity's letterhead that lists the jurisdiction, your share of the income taxed by the other jurisdiction, and your share of the tax paid;

(c) The following if you **were not** required to file a return with the other jurisdiction:

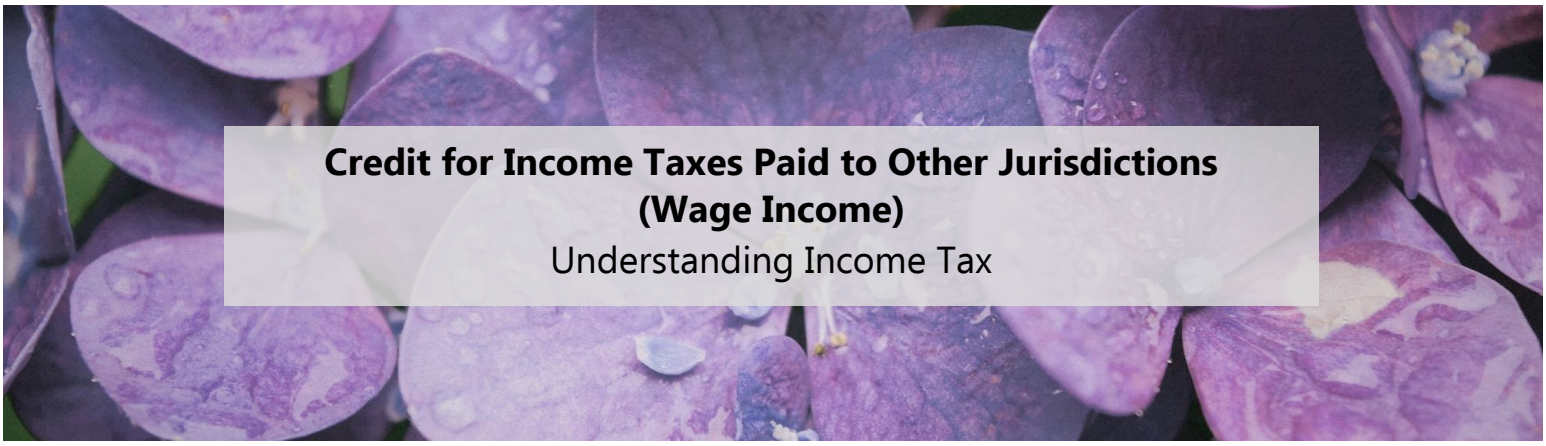
- A W-2 that lists the wage taxes paid and the name of the taxing jurisdiction;
- A statement from the business entity that filed a tax return based on income that lists your share of the income taxed by the other jurisdiction. It should include the name of the tax, and your share of the tax paid (e.g., Philadelphia Net Profits Tax, New York City Unincorporated Business Tax).

Estimated Tax Payments

Individuals and certain estates and trusts who expect their New Jersey Income Tax liability to be more than $400 are required to make quarterly estimated tax payments. Use **Form NJ-1040-ES** to file estimated tax payments when due. (For more information on estimated taxes, see **Estimating Income Taxes**.)

Jurisdiction Code

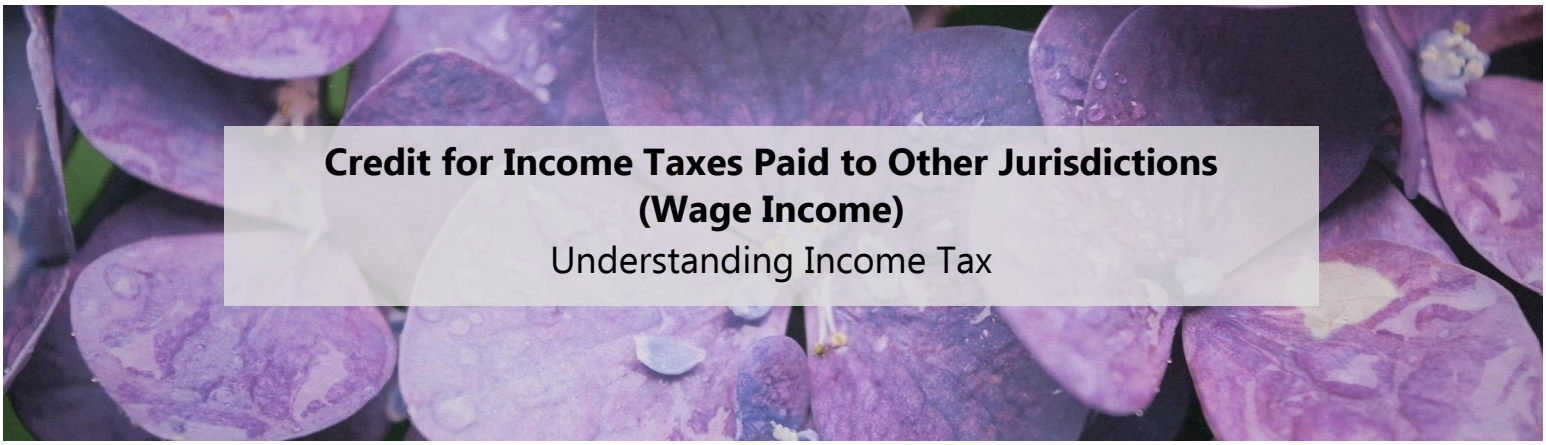
If you are a New Jersey resident claiming a credit, you are required to enter on line 44, Form NJ-1040, a two-digit code for the jurisdiction for which you are claiming a credit. Beginning with Tax Year 2025, you must also include the jurisdiction code at line 1, Schedule NJ-COJ. For more information see the **NJ-1040 instructions**.



Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)
Understanding Income Tax

List of Examples

1. Determining line 2, Schedule NJ-COJ.
2. Determining the credit when the amount of tax paid to the other jurisdiction exceeds the proportional credit limitation amount.
3. Determining the credit when the amount of tax paid to the other jurisdiction is less than the proportional credit limitation amount.
4. Determining the credit for income taxed both by another state and by a city within that state when the state and city are taxing the same amount of income.*
5. Determining the credit when income is taxed by two different states outside New Jersey.
6. Determining line 1, Schedule NJ-COJ when the other jurisdiction uses income from all sources to determine the tax due.
7. Determining line 1, Schedule NJ-COJ when you allocate your income in the other jurisdiction.
8. Determining line 1, Schedule NJ-COJ when the other jurisdiction allows an adjustment to (reduce) income that is not allowed by New Jersey.
9. Determining the credit for income taxed both by another state and by a city within that state when the city taxes more income than the state.
10. Determining line 1, Schedule NJ-COJ when part of New Jersey income is taxed by the other jurisdiction.
11. Determining the credit when a part-year resident moves to New Jersey during the tax year and continues to work outside New Jersey.**
12. Determining the credit when a part-year resident who lived and worked in another state moves to New Jersey and changes jobs to a New Jersey employer.
13. Determining the credit for income, other than wages, earned in Pennsylvania.**
14. Determining the credit for wage income earned in Philadelphia.**

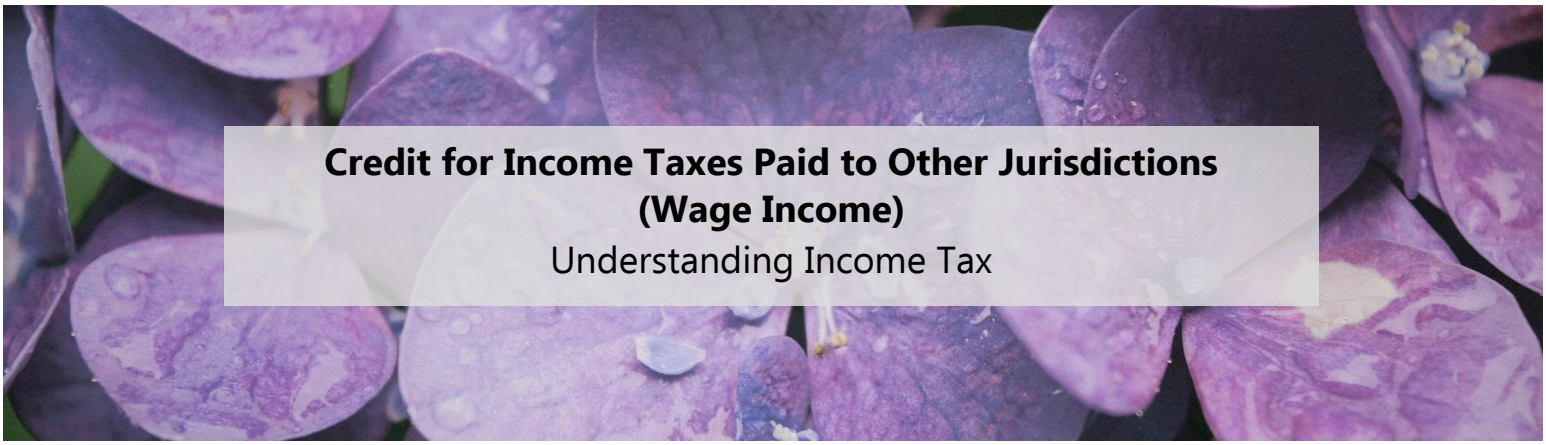


Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

15. Determining line 1, Schedule NJ-COJ when the other jurisdiction allows an adjustment to (reduce) income that is not allowed in New Jersey, and when the other jurisdiction taxes income that is not taxed by New Jersey.

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



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

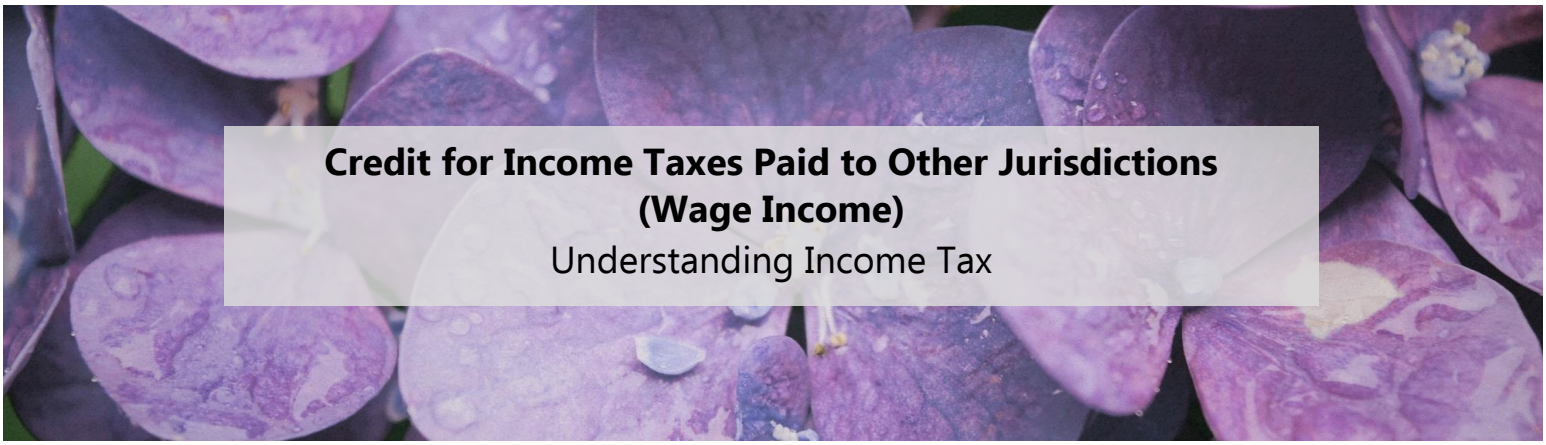
Understanding Income Tax

Example #1 – Determining line 2, Schedule NJ-COJ.

The amount from line 2, Schedule NJ-COJ, is taken directly from line 29 of the New Jersey resident return (Form NJ-1040). This is your New Jersey gross income before personal exemptions and deductions. It includes the taxable portion of all pension or annuity payments, and/or IRA withdrawals, *after* you have subtracted any pension and/or other **retirement income exclusions** allowed by New Jersey.

Income Subject to Tax by New Jersey

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



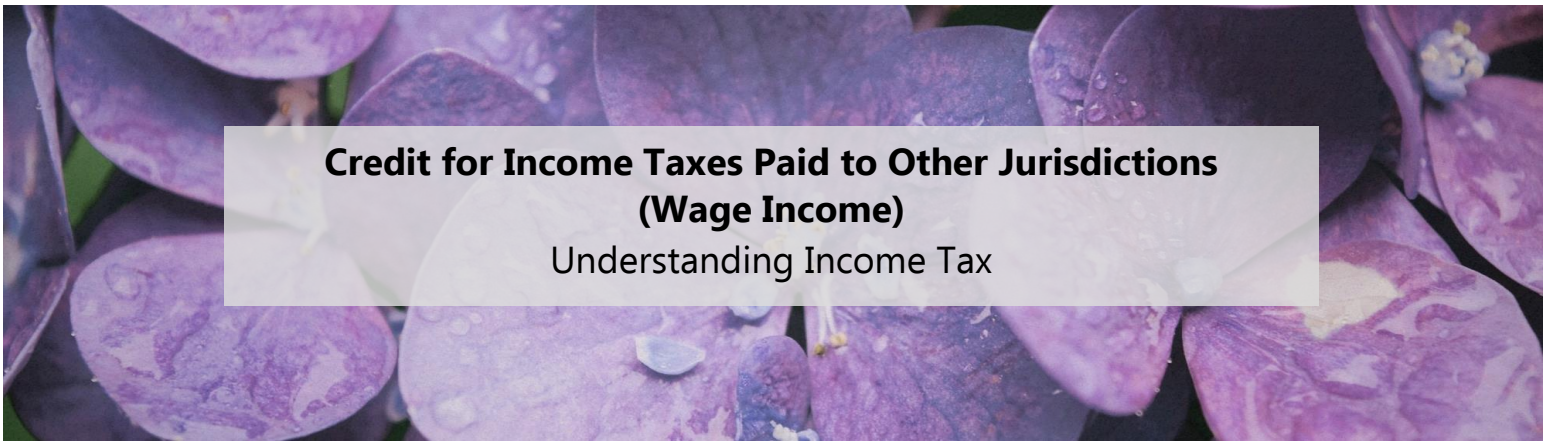
Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

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

A resident taxpayer lives in New Jersey but works primarily in another state. Their only income for the year consisted of $115,000 in wages, $105,000 of which was earned in, and taxed by, the other state. Their tax liability to the other state, $4,900, exceeds the PCL amount from line 8, Schedule NJ-COJ. Therefore, their credit is $4,689, the PCL amount.

	Income Subject to Tax		
	New Jersey	Other Jurisdiction	Both
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	(1,000)		
Taxable Income (From Line 39, Form NJ-1040)	114,000		
Tax	5,136	4,900	
Line 1, Schedule NJ-COJ			**105,000**



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

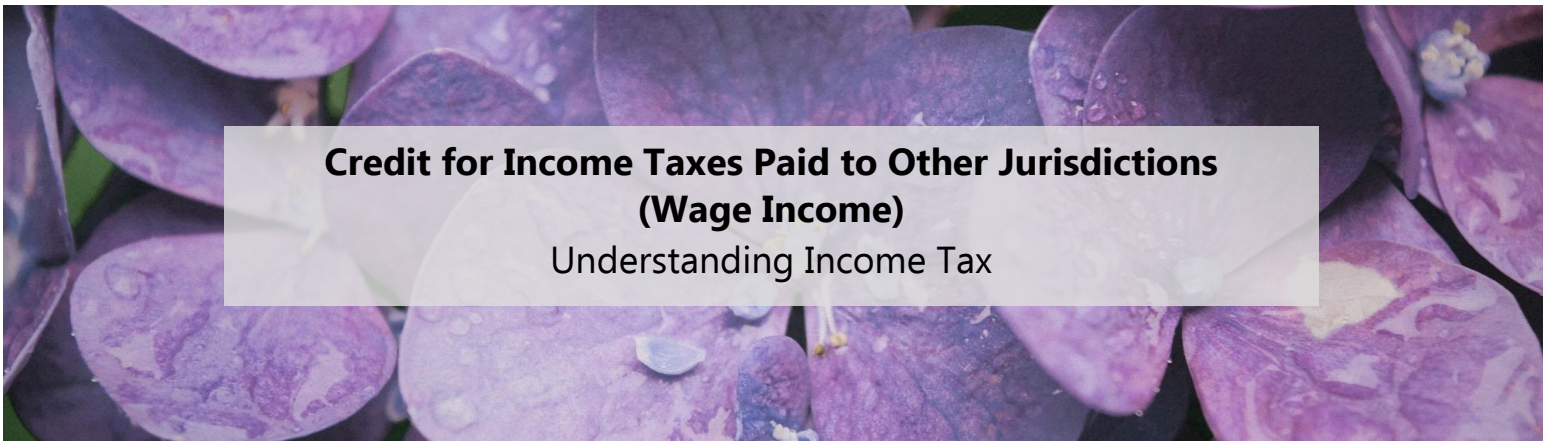
Understanding Income Tax

Example #2 – continued

They are not eligible for a property tax deduction/credit, so they complete only column B of Schedule NJ-COJ as follows:

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: State X Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 5 3				1.	105,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	91.3043%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**	
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	114,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	114,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	5,136
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 4,900 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.		9.		9.	4,689



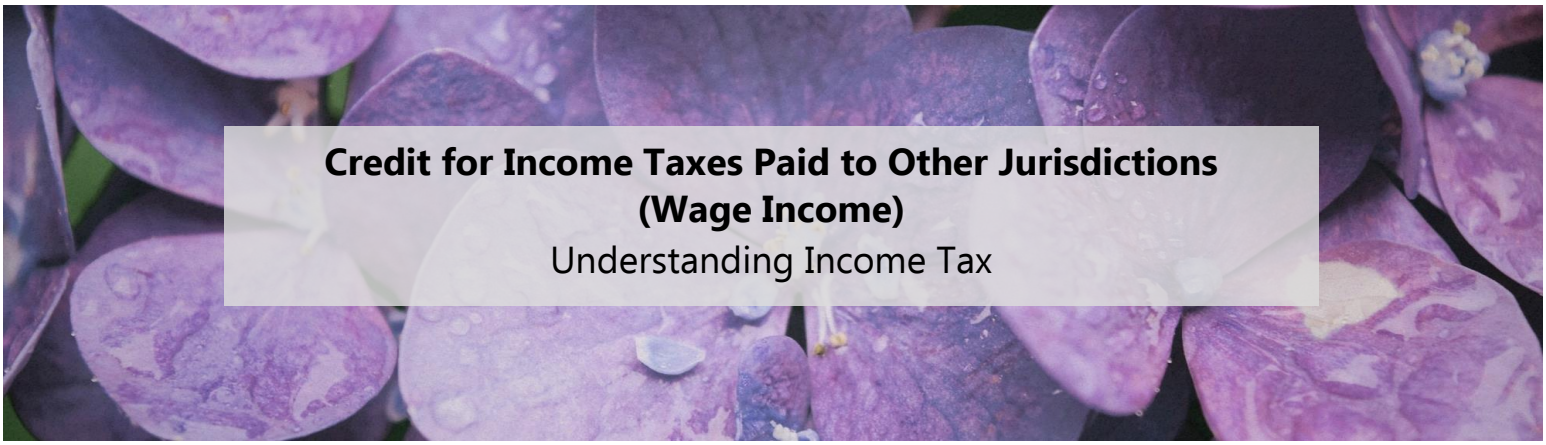
Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

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

A resident taxpayer lives in New Jersey but works primarily in another state. Their only income for the year consisted of $115,000 in wages, $105,000 of which was earned in, and taxed by, the other state. Their tax liability to the other state, $4,631, is less than the PCL amount from line 8, Schedule NJ-COJ. The credit for taxes paid to another jurisdiction is the lesser of the actual tax paid to the other jurisdiction or the PCL amount. Their credit will be $4,631, the actual amount of tax paid to the other state on the income being taxed both by that state and New Jersey.

	Income Subject to Tax		
	New Jersey	Other Jurisdiction	Both
Wages	115,000	105,000	105,000
Income Subject to Tax Before Exemptions and Deductions	115,000	105,000	105,000
Less Exemptions	(1,000)		
Taxable Income (From Line 39, Form NJ-1040)	114,000		
Tax	5,136	4,631	
Line 1, Schedule NJ-COJ			**105,000**



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

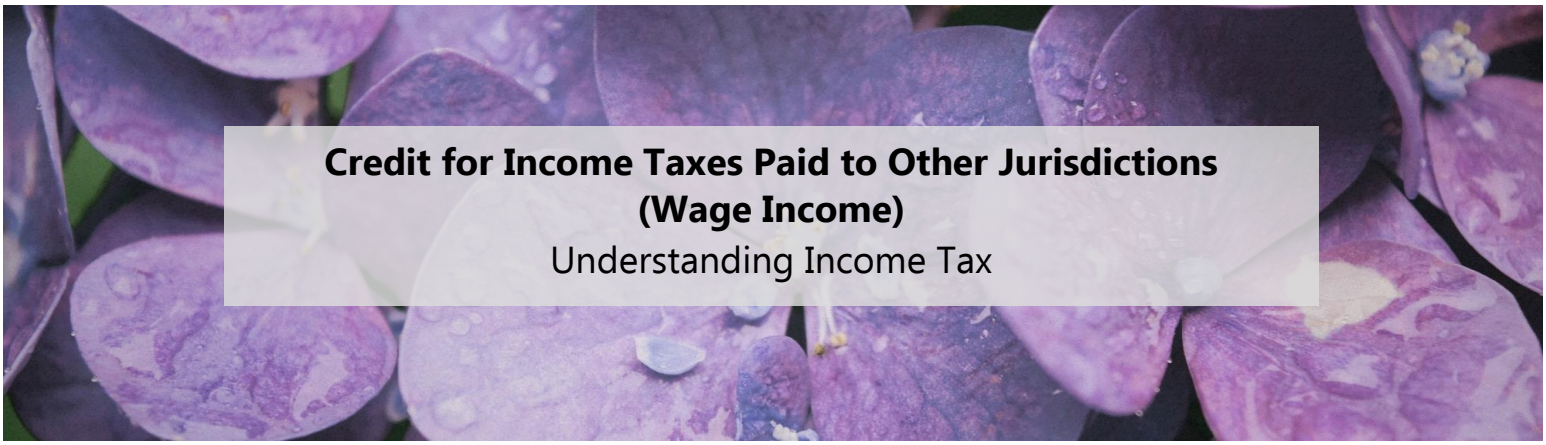
Understanding Income Tax

Example #3 – continued

They are not eligible for a property tax deduction/credit, so they complete only column B of Schedule NJ-COJ as follows:

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: State X Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 5 3				1.	105,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	91.3043%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**	
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	114,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	114,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	5,136
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	4,689
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 4,631 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.		9.		9.	4,631



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

Understanding Income Tax

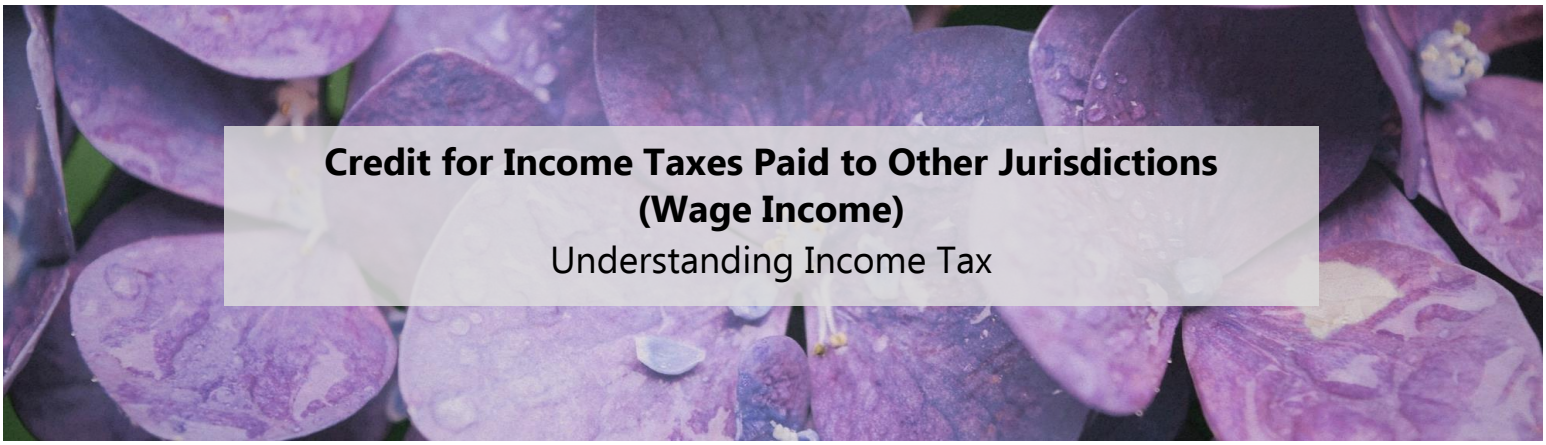
Example #4 – Determining the credit for income taxed both by another state and by a city within that state when the state and city are taxing the same amount of income.

A married couple files jointly, and are full-year New Jersey residents. One individual earned $15,000 in New Jersey, and the other earned $30,000 in a city located in another state. The income actually taxed on the nonresident return for the other state was $30,000, and the tax paid to the state on that income was $1,600. The nonresident income actually taxed by the city was $30,000, and they paid $135 in city tax.

Income only can be reported once on line 1, Schedule NJ-COJ. Even though the one individual paid tax to two jurisdictions, they complete only one Schedule NJ-COJ to calculate their credit. The total tax paid to both the state and the city, $1,735, is compared to line 8, Schedule NJ-COJ to determine the credit.

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

	Income Subject to Tax		
	New Jersey	Other State	Other City
Wages	45,000	30,000	30,000
Income Subject to Tax Before Exemptions and Deductions	45,000	30,000	30,000
Less Exemptions	(2,000)		
Taxable Income (From Line 39, Form NJ-1040)	43,000		
Tax	683	1,600	135
Line 1, Schedule NJ-COJ			**30,000**



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

Understanding Income Tax

Example #4 – continued

They paid $1,950 in property taxes on their home in New Jersey. They will enter $1,950 on line 40a, Form NJ-1040, and also on line 1 of Worksheet H. They will complete only lines 1 and 2. They will then complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit
Review the eligibility requirements on page 25 before completing Worksheet H. Part-year residents, see page 30.

Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.

1. **Property Taxes.** Enter the property taxes from line 40a, Form NJ-1040.
   Most Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. **(See instructions on page 30.)** 1. 1,950

2. **Property Tax Deduction.** Is the amount on line 1 of this worksheet $15,000 or more ($7,500 or more if you and your spouse file separate returns but maintained the same main home)?
   ○ Yes. Enter $15,000 ($7,500 if you and your spouse file separate returns but maintained the same main home).
   ● No. Enter the amount from line 1. 2. 1,950

STOP — if you are claiming a credit for taxes paid to other jurisdictions.
Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I.
(See instructions on page 31.)

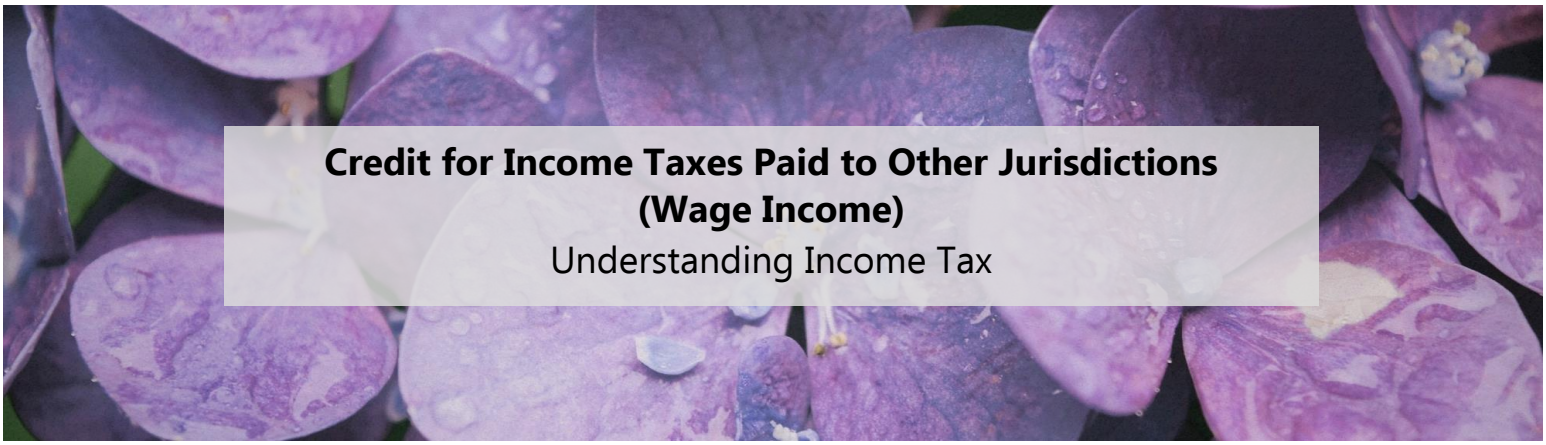
	Column A		Column B	
3. Taxable Income (From line 39 of Form NJ-1040)	3.		3.	
4. Property Tax Deduction (From line 2 above)	4.		4.	**- 0 -**
5. New Jersey Taxable Income (Subtract line 4 from line 3)	5.		5.	
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules)	6.		6.	
7. Subtract line 6, column A from line 6, column B			7.	

8. **Is the line 7 amount $50 or more** ($25 if you and your spouse file separate returns but maintained the same main home)? **Part-year residents,** see page 30 before answering "No."
   ○ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 4, column A
Line 42	Line 5, column A
Line 43	Line 6, column A
Line 56	Make no entry

   ○ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 5, column B
Line 43	Line 6, column B
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year residents** must prorate this amount. (See instructions on page 30.)



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

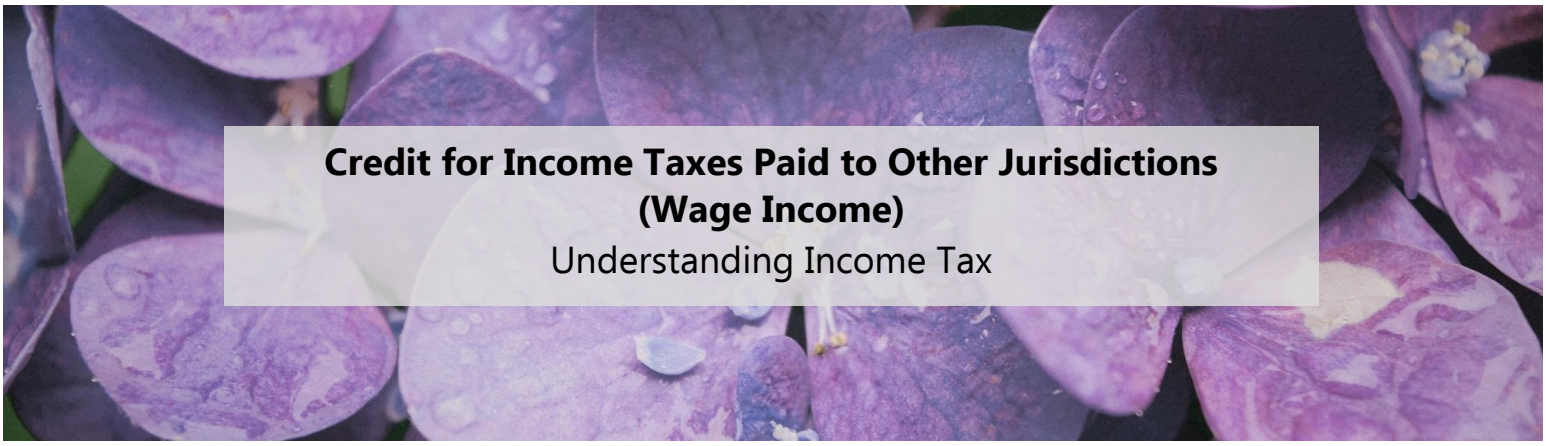
Understanding Income Tax

Example #4 – continued

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

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: State X and City Y Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 9 9				1.	30,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	45,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	66.6667%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**				**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)		4.	43,000	4.	43,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a. 1,950	5.	1,950	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.	41,050	6.	43,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.	649	7.	683
8.	Allowable Credit (Multiply line 7 by line 3)		8.	433	8.	455
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9a. 1,735	9.	433	9.	455



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

Understanding Income Tax

Example #4 – continued

They receive a greater benefit from the property tax credit. They enter the amounts from lines 6 and 7, column B, Schedule NJ-COJ on lines 42 and 43, Form NJ-1040, as indicated in the instructions on Worksheet I. Their credit for taxes paid to the other jurisdictions is $455, the amount on line 2, column B, Worksheet I. Their property tax credit on line 56, Form NJ-1040, is $50.

Worksheet I
Which Property Tax Benefit to Use

	COLUMN A		COLUMN B	
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here	1. 649		1. 683	
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all Line 9 amounts (columns A and B) in the corresponding column	2. 433		2. 455	
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3. 216		3. 228	
4. Subtract line 3, column A from line 3, column B			4. 12	

5. Is the line 4 amount $50 or more ($25 if you and your spouse file separate returns but maintained the same main home)?
Part-year residents, see instructions for line 9, Schedule NJ-COJ before answering "No."

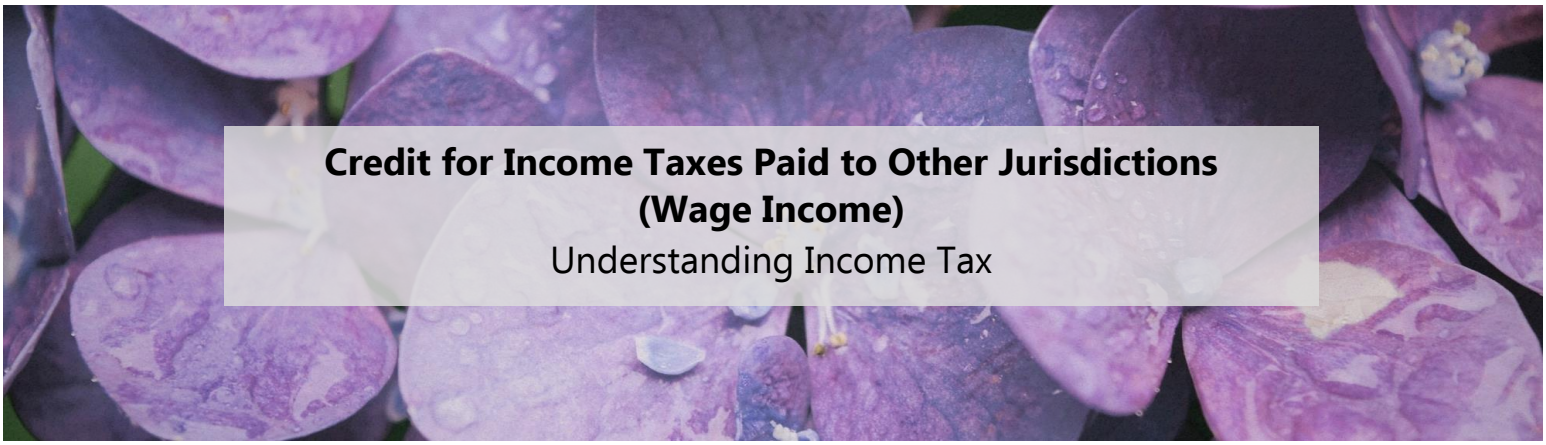
⬭ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 5, Column A, Schedule NJ-COJ
Line 42	Line 6, Column A, Schedule NJ-COJ
Line 43	Line 7, Column A, Schedule NJ-COJ
Line 44	Line 2, Column A, Worksheet I
Line 56	Make no entry

⬬ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 6, Column B, Schedule NJ-COJ
Line 43	Line 7, Column B, Schedule NJ-COJ
Line 44	Line 2, Column B, Worksheet I
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year** residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ)

(Keep for your records)



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

Understanding Income Tax

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

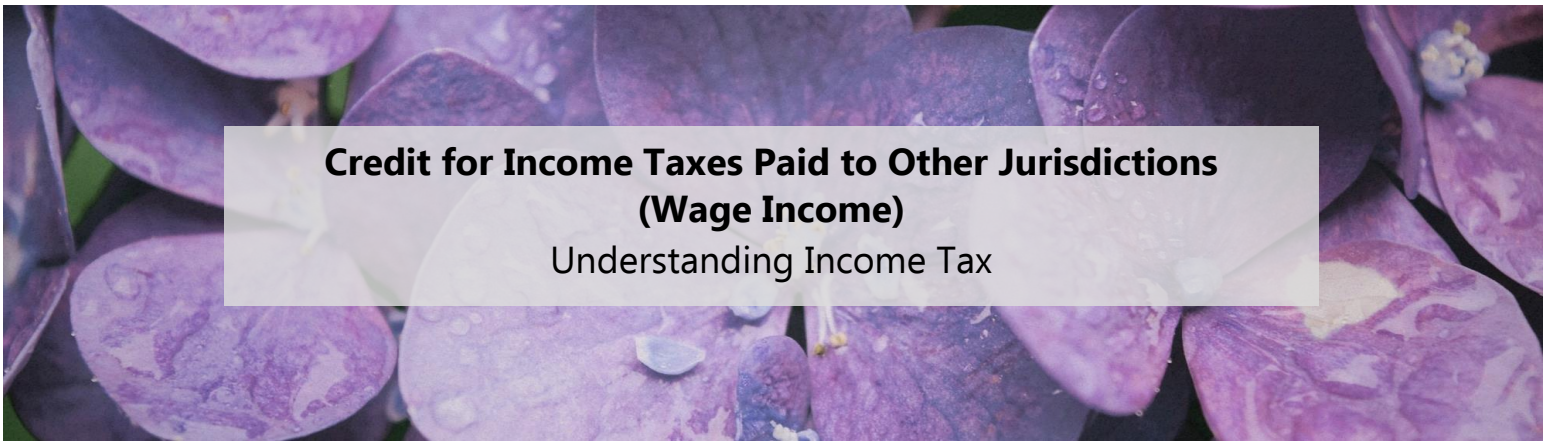
A married couple file jointly and are full-year New Jersey residents. One individual earned wages of $52,000 in New York State. Their New York taxable income (from their nonresident return Form IT-203) was $50,500, and they paid tax of $2,600 to New York. The other individual worked in Delaware, where they earned wages of $38,000 and paid $930 in Delaware income tax. They are not eligible for a property tax deduction/credit.

Because they are claiming a credit for taxes paid to more than one jurisdiction, they must complete two separate Schedules NJ-COJ: one for New York State and one for Delaware. They will only complete column B of each schedule as if no other state were involved.

To determine the total credit for taxes paid to other jurisdictions for line 44, Form NJ-1040, they add the amounts from line 9, column B of each Schedule NJ-COJ.

	Income Subject to Tax		
	New Jersey	New York	Delaware
Wages	90,000	52,000	38,000
Interest	1,000		
Dividends	2,000		
New York Adjustments		(1,500)	
Income Subject to Tax Before Exemptions and Deductions	93,000	50,500	38,000
Less Exemptions	(2,000)		
Taxable Income (From Line 39, Form NJ-1040)	91,000		
Tax	2,254	2,600	930
Line 1, Schedule NJ-COJ		**50,500**	**38,000**

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



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

Understanding Income Tax

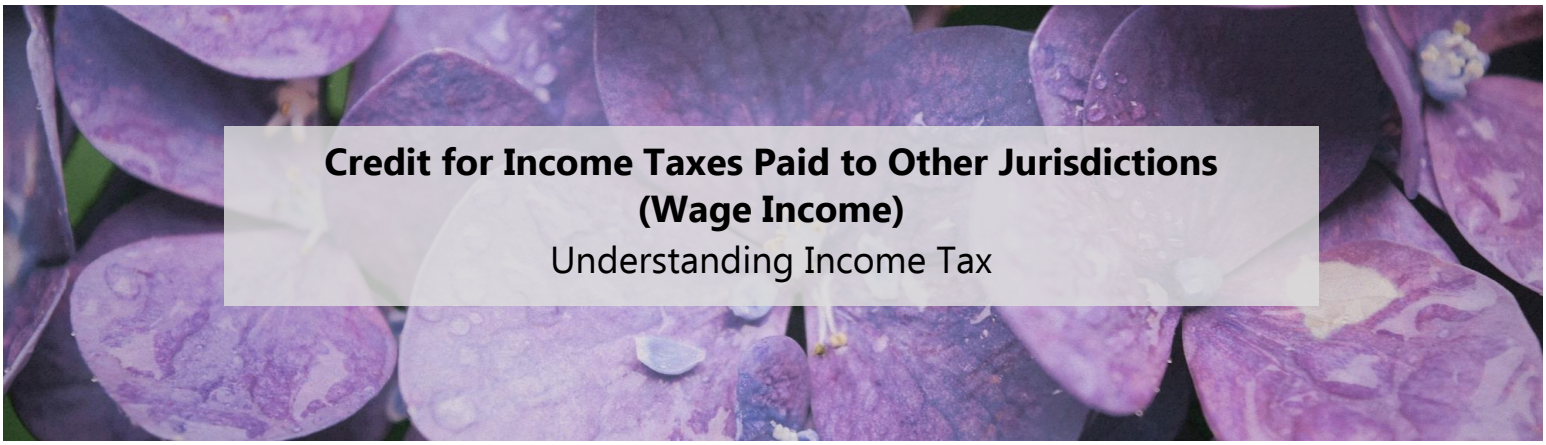
Example #5 – continued

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

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: _____New York State_____ Do not combine the same income taxed by more than one jurisdiction. Enter Code 3 2 (The amount on line 1 **cannot exceed** the amount on line 2.)	1.	50,500
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)	2.	93,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)	3.	54.3011%

See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)	4.		4.	91,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	91,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	2,254
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	1,223
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 2,600 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.		9.	1,223



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

Understanding Income Tax

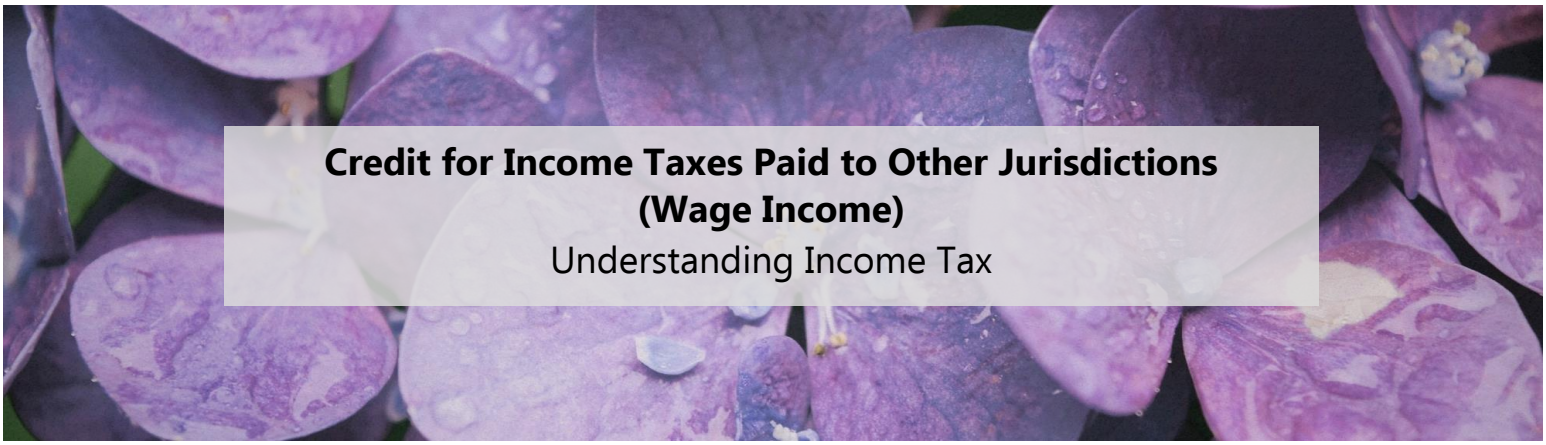
Example #5 – continued

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

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: _____Delaware_____ Do not combine the same income taxed by more than one jurisdiction. Enter Code 0 8 (The amount on line 1 **cannot exceed** the amount on line 2.)			1.	38,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	93,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)			3.	40.8602%
	See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**		**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)	4.		4.	91,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	91,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	2,254
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	920
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 930 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.		9.	920

They report a total credit for income taxes paid to both jurisdictions on line 44, Form NJ-1040, of $2,143 ($1,223 + $920 from line 9 of the first and second Schedule NJ-COJ).



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

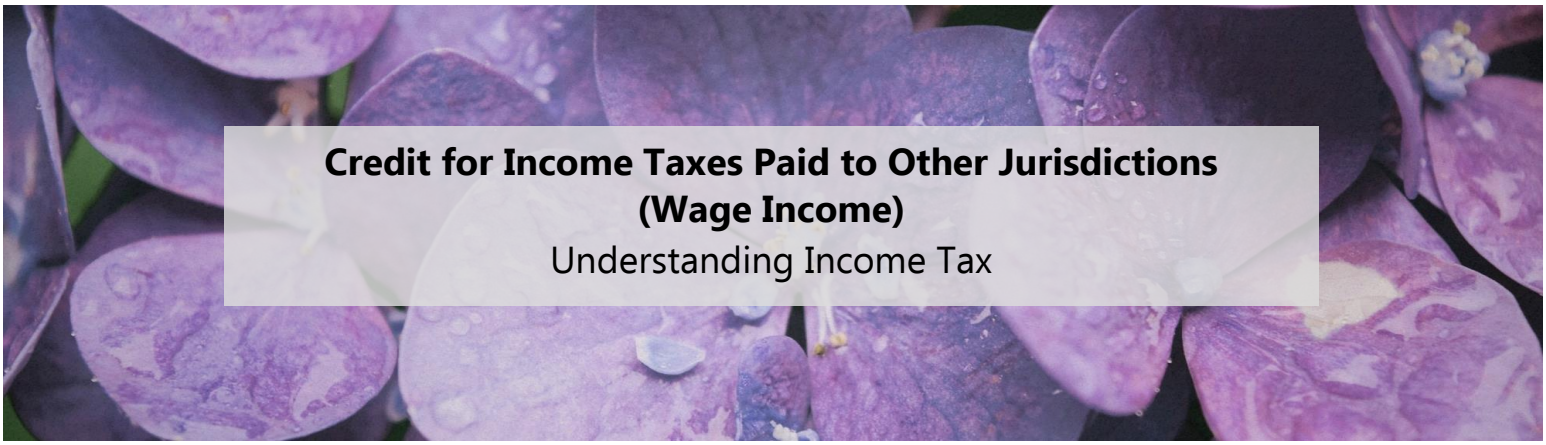
Understanding Income Tax

Example #6 – Determining line 1, Schedule NJ-COJ when the other jurisdiction uses income from all sources to determine the tax due.

Two individuals are married and New Jersey residents. One works in New York, and their salary is $65,000. The other works in New Jersey, and their salary is $35,000. They also have income from interest, dividends, and capital gains. Although only the first individual's salary is subject to tax by New York, they must determine their New York tax liability as if they were New York residents. First, they must calculate the tax on their total income from all sources (federal amount). Then, they must multiply the resulting "base tax" by the proportion that their total New York source income (the New York salary) bears to their total income from all sources.

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

	Income Subject to Tax		
	New Jersey	Federal Amount	New York
Wages	100,000	100,000	65,000
Interest	100	100	0
Dividends	50	50	0
Gains	340	340	0
Income Subject to Tax Before Exemptions and Deductions	100,490	100,490	65,000
Less Exemptions	(2,000)		
Taxable Income (From Line 39, Form NJ-1040)	98,490		
Tax	2,666		3,900
Line 1, Schedule NJ-COJ			**65,000**



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

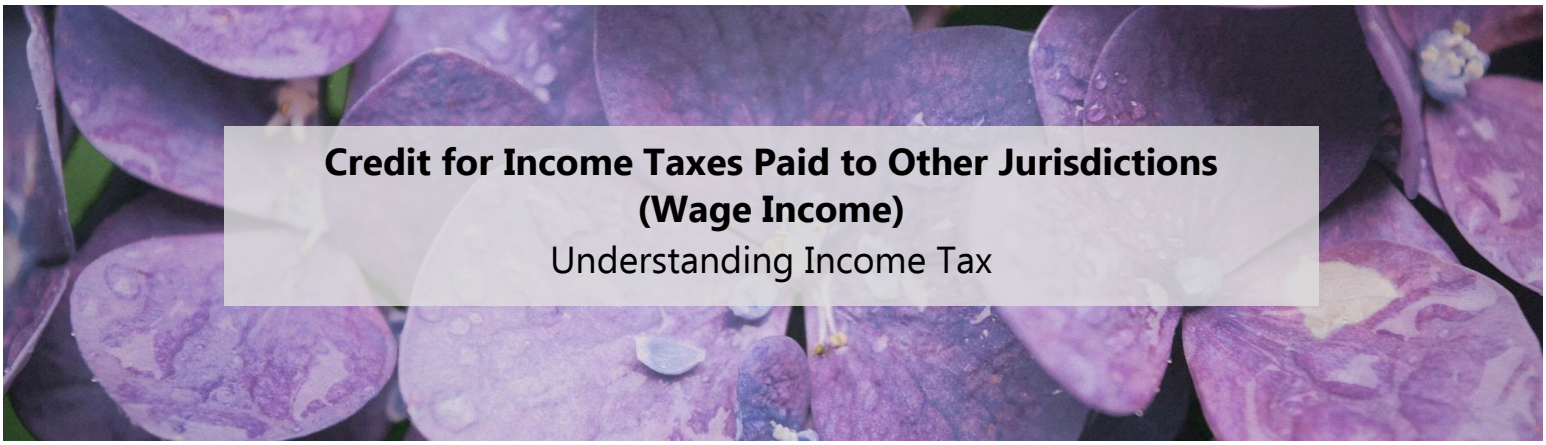
Understanding Income Tax

Example #6 – continued

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

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: New York State Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 3 2			1.	65,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	100,490
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)			3.	64.6831%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)	4.		4.	98,490
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	98,490
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	2,666
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	1,724
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 3,900 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.		9.	1,724



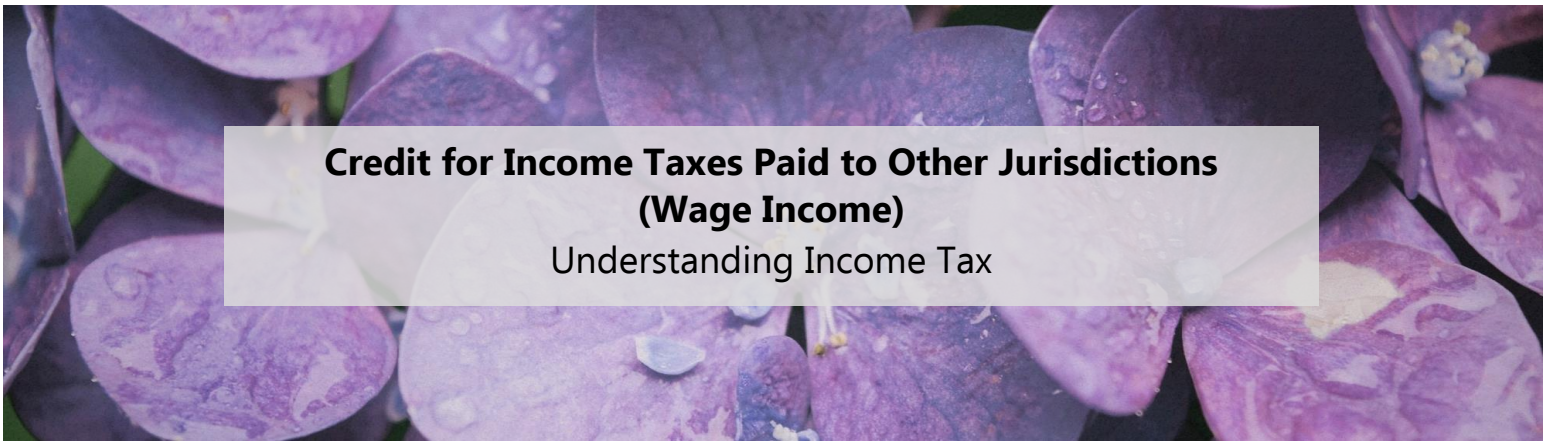
Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

Example #7 – Determining the line 1, Schedule NJ-COJ when you allocate income in the other jurisdiction.

A resident taxpayer who works in another state is required to work one day each week in New Jersey. Their total wages for the year were $125,000. Their W-2 showed all the income was earned in the other state; it did not reflect the days worked in New Jersey. They must allocate their total wages between the other jurisdiction and New Jersey based on the percentage of time worked in each locality. Line 1, Schedule NJ-COJ is limited to income actually taxed by both jurisdictions: $100,000.

	Income Subject to Tax		
	New Jersey	Other Jurisdiction	Both
Wages	125,000	100,000	100,000
Income Subject to Tax Before Exemptions and Deductions	125,000	100,000	100,000
Less Exemptions	(1,000)		
Taxable Income (From Line 39, Form NJ-1040)	124,000		
Tax	5,773	4,800	
Line 1, Schedule NJ-COJ			**100,000**



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

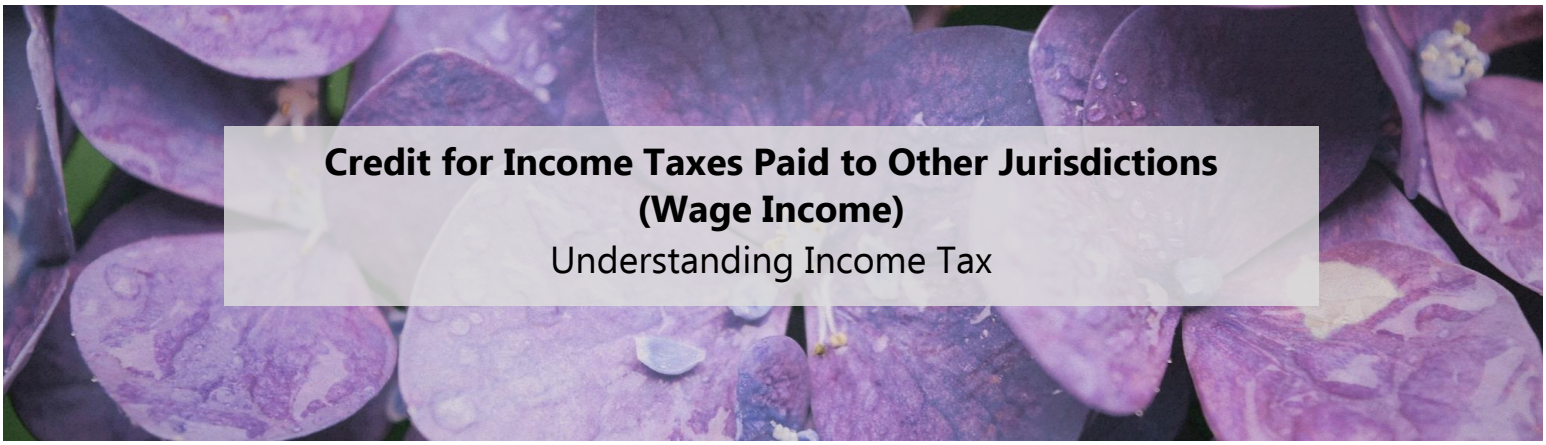
Understanding Income Tax

Example #7 – continued

They are not eligible for a property tax deduction/credit, so they complete Schedule NJ-COJ, Form NJ-1040, as shown below.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: State X Do not combine the same income taxed by more than one jurisdiction. Enter Code 53 (The amount on line 1 **cannot exceed** the amount on line 2.)				1.	100,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	125,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	80.0000%
	See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	124,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a.					
	Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	124,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	5,773
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	4,618
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 4,800					
	Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.		9.		9.	4,618



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

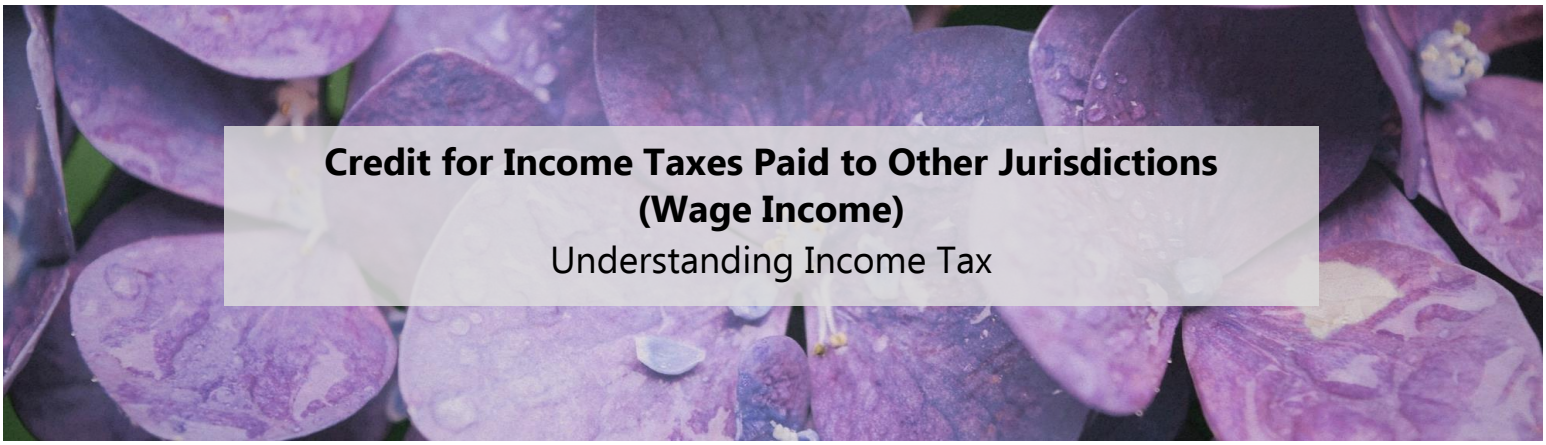
Understanding Income Tax

Example #8 – Determining line 1, Schedule NJ-COJ when the other jurisdiction allows an adjustment to (reduce) income that is not allowed by New Jersey.

A New Jersey resident taxpayer, works in New York where they earned wages of $115,000. They paid alimony of $20,000. In New York, the alimony payment is an adjustment to income that reduces line 1, Schedule NJ-COJ, whereas in New Jersey, the alimony is a deduction and does **not** reduce line 2, Schedule NJ-COJ. (Line 2, Schedule NJ-COJ includes New Jersey income from all sources after subtracting any applicable pension and/or other retirement income exclusion allowed by New Jersey, but before subtracting any personal exemptions or deductions such as alimony payments.)

The schedule below shows how to determine the amount of income subject to tax in both jurisdictions when there is an adjustment to income allowed by the other jurisdiction.

	Income Subject to Tax	
	New Jersey	New York
Wages	115,000	115,000
New York Adjustments (Alimony)		(20,000)
Income Subject to Tax Before Exemptions and Deductions	115,000	95,000
Less Exemptions	(1,000)	
Deductions (Alimony)	(20,000)	
Taxable Income (From Line 39, Form NJ-1040)	94,000	
Tax	3,863	3,736
Line 1, Schedule NJ-COJ		**95,000**



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

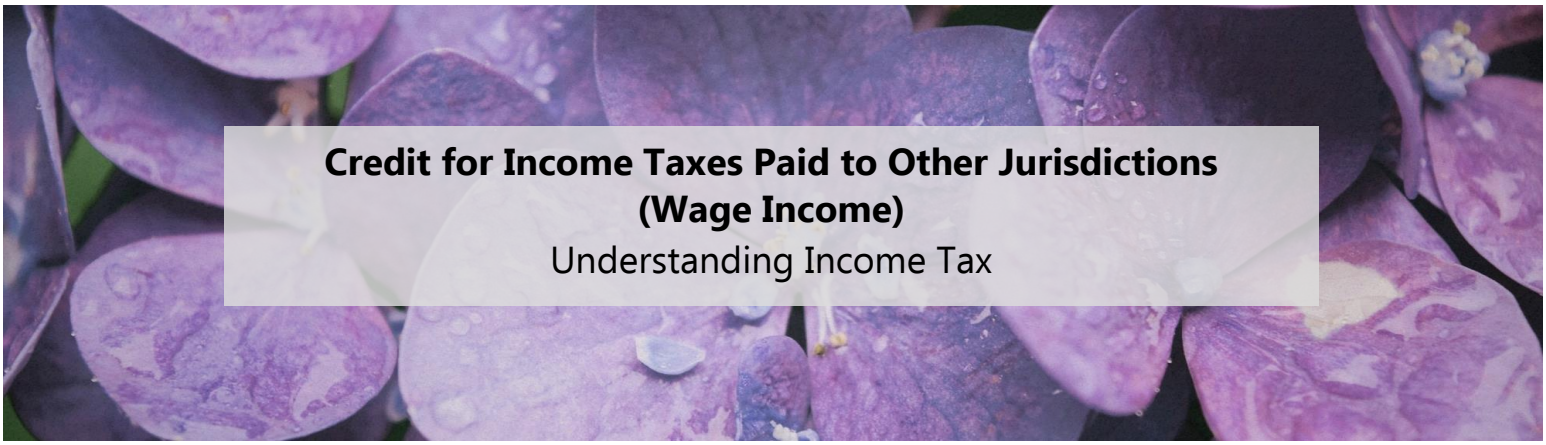
Understanding Income Tax

Example #8 – continued

They are not eligible for a property tax deduction/credit. Their Schedule NJ-COJ will look like this:

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: New York State Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 32			1.	95,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	115,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)			3.	82.6087%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**		**Column A**		**Column B**	
4.	Taxable Income (From line 39, Form NJ-1040)	4.		4.	94,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	94,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	3,863
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	3,191
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 3,736 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.		9.	3,191



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

Understanding Income Tax

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

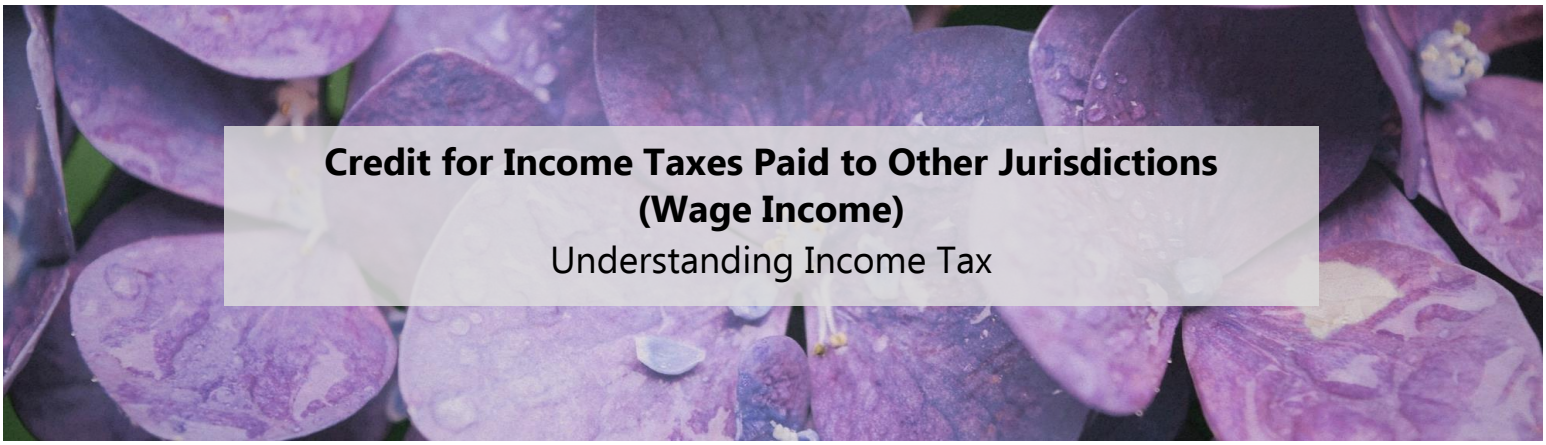
A married, full-year resident couple files jointly. One earned wages of $15,000 in New Jersey. The other worked in a city located in another state, where they earned wages of $30,000. The other state taxed $20,000 of their income, and they paid tax of $1,600 to that state. The city taxed $30,000 of their income, and they paid $135 in city tax.

They must complete two separate Schedule NJ-COJs: one for the amount of income that was taxed by both the other state and city, and one for the amount of income taxed only by the city (excess income). The total credit allowed is the sum of the two separate Schedule NJ-COJ calculations.

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

	Income Subject to Tax		
	New Jersey	Other State	Other City
Wages	45,000	20,000	30,000
Income Subject to Tax Before Exemptions and Deductions	45,000	20,000	30,000
Less Exemptions	(2,000)		
Taxable Income (From Line 39, Form NJ-1040)	43,000		
Tax	683	1,600	135
Line 1, Schedule NJ-COJ		**20,000**	**10,000**

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



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

Understanding Income Tax

Example #9 – continued

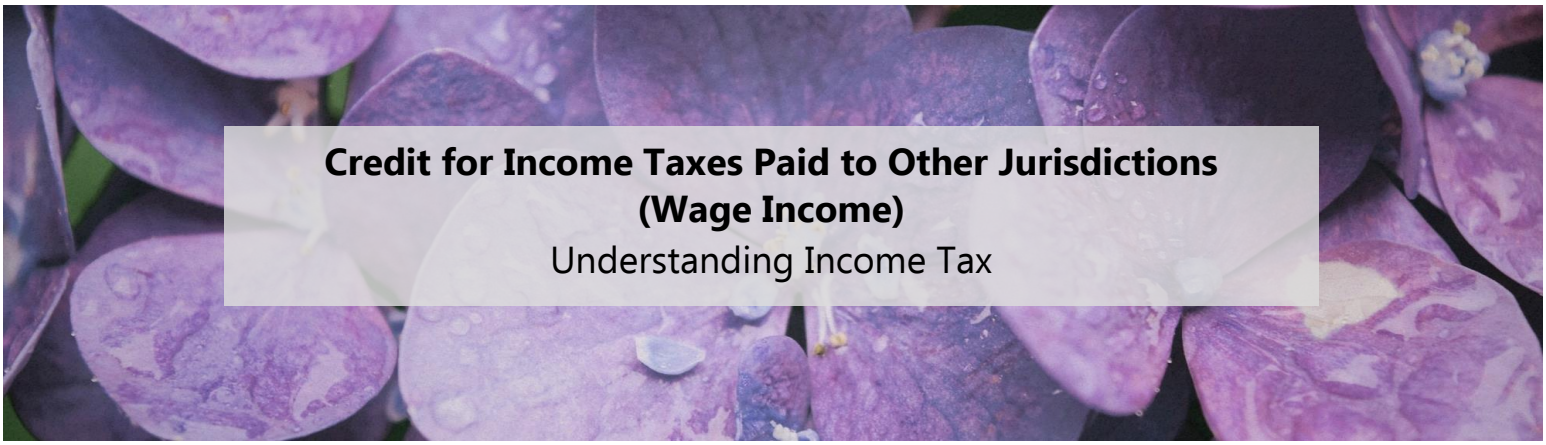
(a) Credit for taxes paid on the amount of income taxed by both the state and city.

They enter $20,000 on line 1 of the first Schedule NJ-COJ. This is the amount of income taxed by both jurisdictions. The entry on line 9 is the lesser of the amount on line 8 (the proportional credit limitation amount for $20,000) or the amount from box 9a (the total tax actually paid to both the state *and* the city on $20,000).

The tax actually paid to both the state and the city on $20,000 is $1,690 ($1,600 paid to the state + $90 paid to the city). They calculate the tax paid to the city on $20,000 as follows: $135 × ($20,000 ÷ $30,000) = $90.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: State X and City Y Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 9 9				1.	20,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	45,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	44.4444%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**			**Column A**		**Column B**	
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	43,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a.					
	Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	43,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	683
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	304
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 1,690					
	Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.		9.		9.	304



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

Understanding Income Tax

Example #9 – continued

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

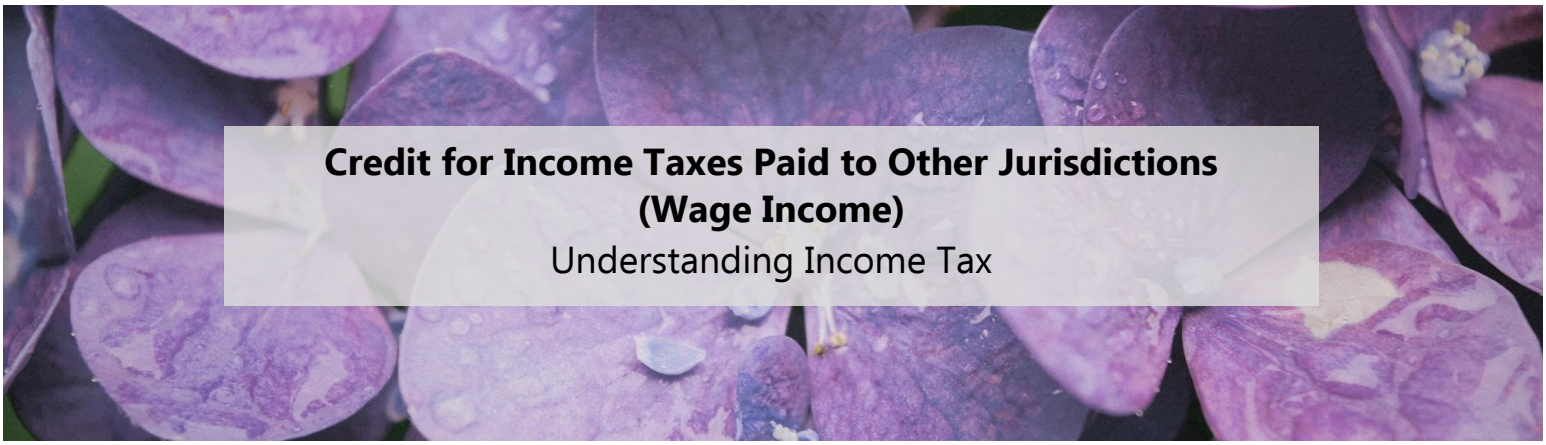
They enter $10,000 on line 1 of the second Schedule NJ-COJ. This is the excess income taxed only by the city. The entry on line 9 is the lesser of the amount on line 8 (the proportional credit limitation amount for $10,000) or the amount from box 9a (the tax actually paid to the city on $10,000).

They calculate the tax paid to the city on $10,000 as follows: $135 × ($10,000 ÷ $30,000) = $45.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: City Y Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 5 3				1.	10,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	45,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	22.2222%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**				**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	43,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	43,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	683
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	152
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9a. 45	9.		9.	45

The total credit for taxes paid to both jurisdictions for line 44, Form NJ-1040 is $349 ($304 + $45 from line 9 of the first and second Schedule NJ-COJ).



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

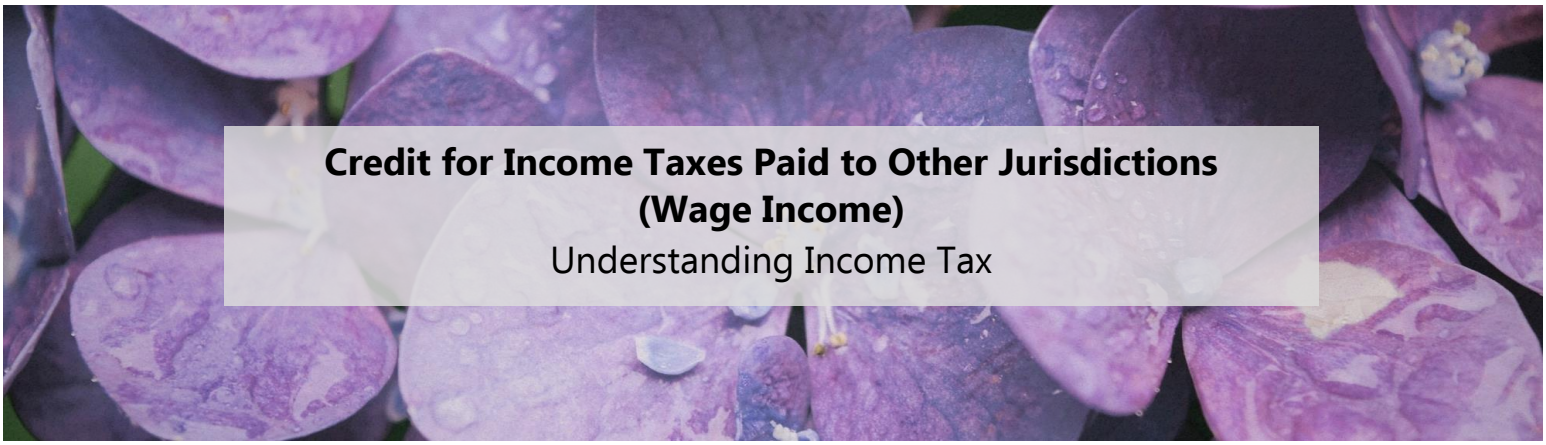
Understanding Income Tax

Example #10 – Determining line 1, Schedule NJ-COJ when part of New Jersey income is taxed by the other jurisdiction.

A full-year resident taxpayer claims one dependent child besides themselves, and their filing status is head of household. The amount of wages taxed by the other jurisdiction is $12,500, and the income tax paid to the other jurisdiction is $400. They also reported $2,000 in interest, $3,000 in dividends, and $21,000 in capital gains on their New Jersey return. Since the interest, dividends, and capital gains were not derived from a business, trade, or profession carried on in the other jurisdiction, they do not report that income to the other jurisdiction and *do not* include that income on line 1, Schedule NJ-COJ.

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

	Income Subject to Tax		
	New Jersey	Other Jurisdiction	Both
Wages	12,500	12,500	12,500
Interest	2,000		
Dividends	3,000		
Capital Gains	21,000		
Income Subject to Tax Before Exemptions and Deductions	38,500	12,500	12,500
Less Exemptions	(2,500)		
Taxable Income (From Line 39, Form NJ-1040)	36,000		
Tax	560	400	
Line 1, Schedule NJ-COJ			**12,500**



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

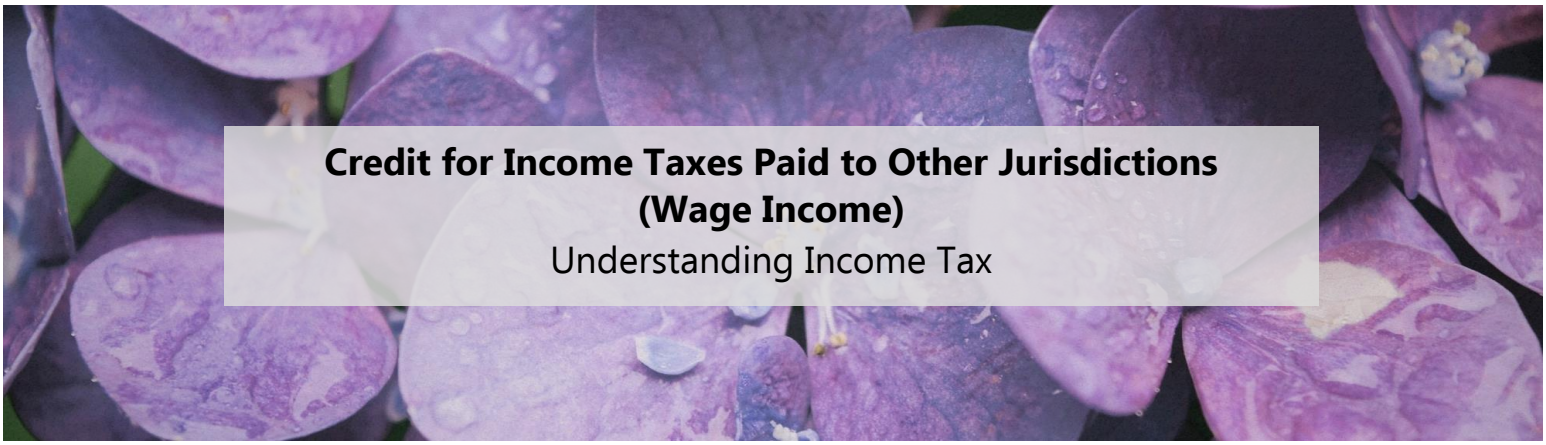
Understanding Income Tax

Example #10 – continued

They are not eligible for a property tax deduction/credit, so they complete Schedule NJ-COJ, Form NJ-1040, as shown below.

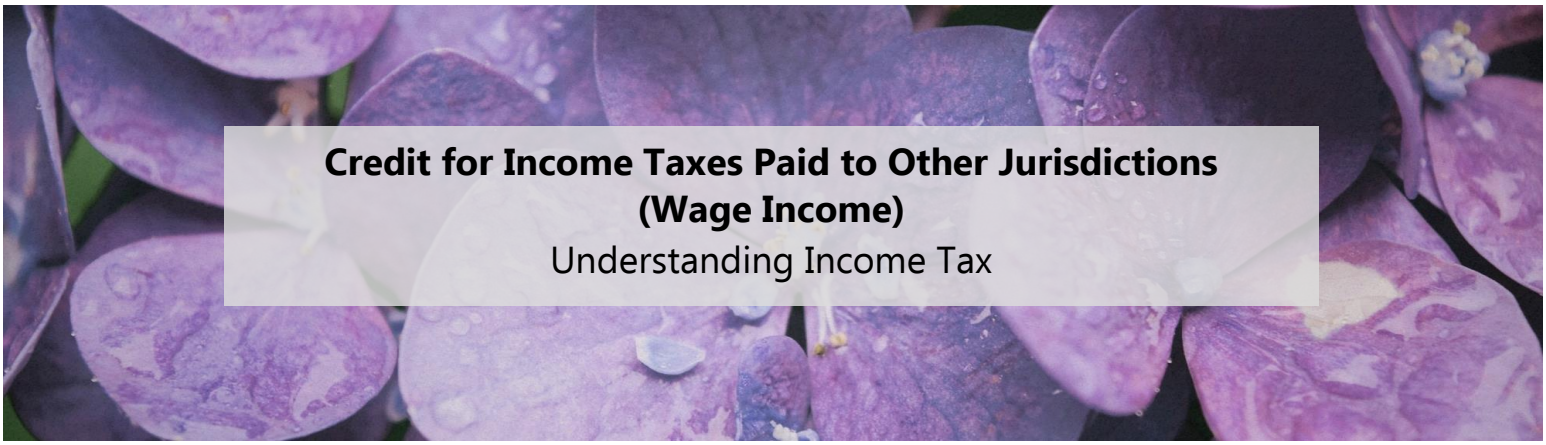
Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: _____Name of Jurisdiction_____ Do not combine the same income taxed by more than one jurisdiction. Enter Code 9 9 (The amount on line 1 **cannot exceed** the amount on line 2.)			1.	12,500
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	38,500
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)			3.	32.4675%
	See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**		**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)	4.		4.	36,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)	6.		6.	36,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.		7.	560
8.	Allowable Credit (Multiply line 7 by line 3)	8.		8.	182
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 400 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.		9.	182



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

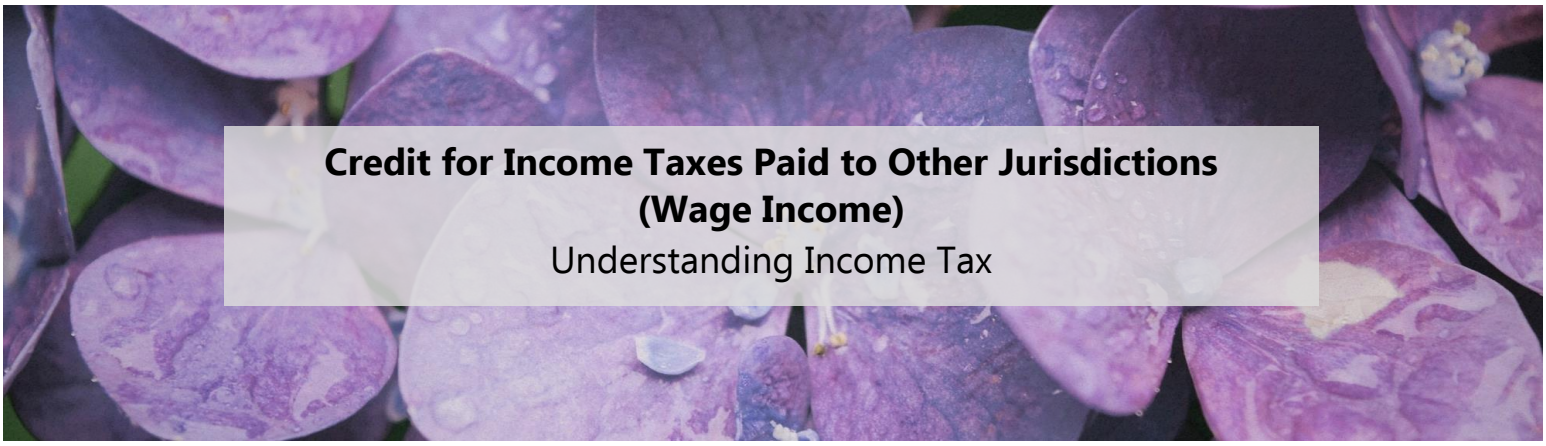
A taxpayer lived in Maryland from January 1 through March 31, then moved to New Jersey on April 1. They worked in Maryland for the entire year, where they earned wages of $100,000. The taxpayer must file two returns with Maryland: a resident return for the period from January 1 through March 31, and a nonresident return for the period April 1 to December 31. They also must file a part-year resident return in New Jersey and report their income between April 1 and December 31. Since the income taxed by New Jersey both was earned in, and taxed by, Maryland, they are eligible for a credit for taxes paid to another jurisdiction.



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

Understanding Income Tax

	Income Subject to Tax		
	New Jersey Resident Return	Maryland Resident Return	Maryland Nonresident Return
Wages	100,000	100,000	100,000
Subtractions:			
Income as a nonresident	(25,000)	(75,000)	
Income as a resident			(25,000)
Income Subject to Tax Before Exemptions and Deductions	75,000	25,000	75,000
Less Standard Deduction (Maryland only):			
Resident 2,000 × (25,000 ÷ 100,000)		(500)	
Nonresident 2,000 × (75,000 ÷ 100,000)			(1,500)
Less Exemptions:			
Maryland			
Resident 2,100 × (25,000 ÷ 100,000)		(525)	
Nonresident 2,100 × (75,000 ÷ 100,000)			(1,575)
New Jersey 1,000 × (9 ÷ 12)	(750)		
Taxable Income (For New Jersey, From Line 39, Form NJ-1040)	74,250	23,975	71,925
State Tax	2,611	1,107	3,433
Local Tax (Baltimore County – 3.2%)	0	767	0
Total State Tax and Local Tax	2,611	1,874	3,433
Line 1, Schedule NJ-COJ			**75,000**



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

Understanding Income Tax

Example #11 – continued

The taxpayer paid $3,600 in property taxes during the nine months they lived in New Jersey. They will enter $3,600 on line 40a, Form NJ-1040, and also on line 1 of Worksheet H. They only complete lines 1 and 2. Then they complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit
Review the eligibility requirements on page 25 before completing Worksheet H. Part-year residents, see page 30.

Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.

1. **Property Taxes.** Enter the property taxes from line 40a, Form NJ-1040.
   Most Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. **(See instructions on page 30.)** 1. 3,600

2. **Property Tax Deduction.** Is the amount on line 1 of this worksheet $15,000 or more ($7,500 or more if you and your spouse file separate returns but maintained the same main home)?
   ◯ Yes. Enter $15,000 ($7,500 if you and your spouse file separate returns but maintained the same main home).
   ● No. Enter the amount from line 1. 2. 3,600

STOP — if you are claiming a credit for taxes paid to other jurisdictions.
Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I.
(See instructions on page 31.)

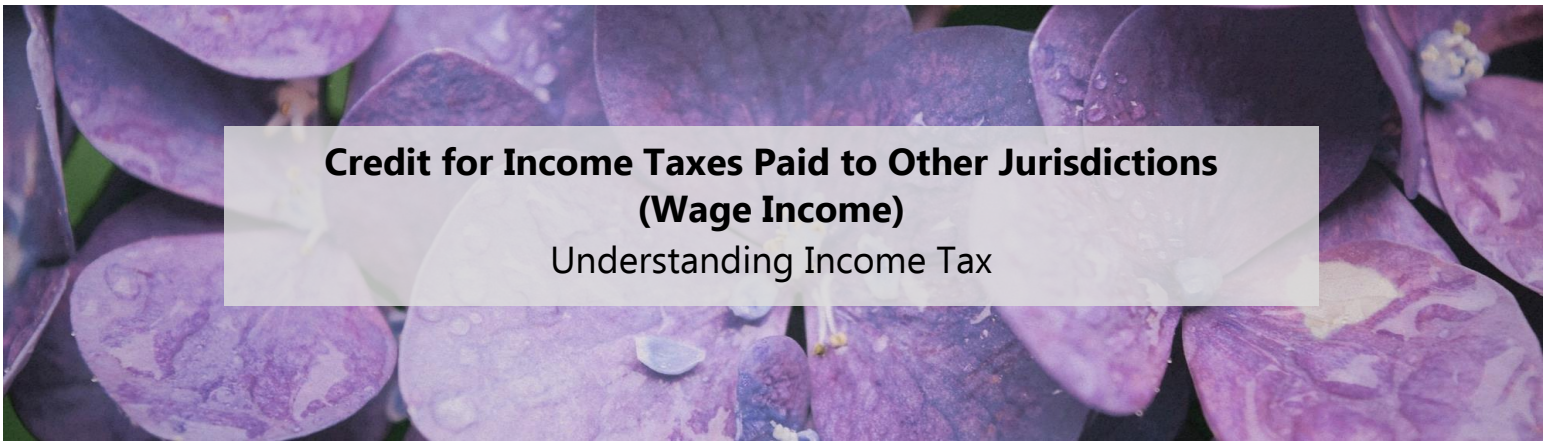
	Column A		Column B	
3. Taxable Income (From line 39 of Form NJ-1040)	3.		3.	
4. Property Tax Deduction (From line 2 above)	4.		4.	**- 0 -**
5. New Jersey Taxable Income (Subtract line 4 from line 3)	5.		5.	
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules)	6.		6.	
7. Subtract line 6, column A from line 6, column B			7.	

8. **Is the line 7 amount $50 or more** ($25 if you and your spouse file separate returns but maintained the same main home)? **Part-year residents,** see page 30 before answering "No."
   ◯ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 4, column A
Line 42	Line 5, column A
Line 43	Line 6, column A
Line 56	Make no entry

   ◯ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 5, column B
Line 43	Line 6, column B
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year residents** must prorate this amount. (See instructions on page 30.)



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

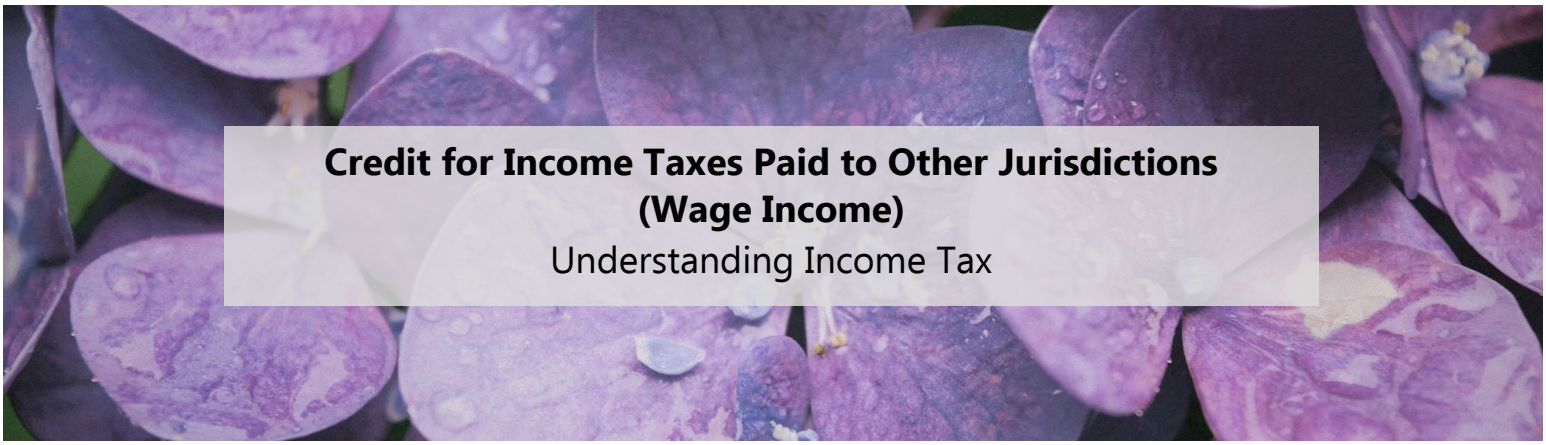
Understanding Income Tax

Example #11 – continued

The taxpayer completes both columns A and B of Schedule NJ-COJ as well as Worksheet I to determine whether they will receive a greater benefit from taking the property tax deduction or by claiming the property tax credit.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: Maryland Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 2 0					1.	75,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)					2.	75,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)					3.	100%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**				**Column A**		**Column B**	
4.	Taxable Income (From line 39, Form NJ-1040)			4.	74,250	4.	74,250
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	3,600	5.	3,600	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)			6.	70,650	6.	74,250
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)			7.	2,412	7.	2,611
8.	Allowable Credit (Multiply line 7 by line 3)			8.	2,412	8.	2,611
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9a.	3,433	9.	2,412	9.	2,611



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

Understanding Income Tax

Example #11 – continued

The taxpayer claims the refundable property tax credit of $37.50 (which is calculated by taking the maximum credit of $50 prorated for the period of residency – in their case, 9 out of 12 months – or 75% of the year).

Worksheet I
Which Property Tax Benefit to Use

		COLUMN A			COLUMN B	
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here	1.	2,412		1.	2,611	
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all line 9 amounts (columns A and B) in the corresponding column	2.	2,412		2.	2,611	
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3.	-0-		3.	-0-	
4. Subtract line 3, column A from line 3, column B				4.	-0-	

5. Is the line 4 amount $50 or more ($25 if you and your spouse file separate returns but maintained the same main home)?
Part-year residents, see instructions for line 9, Schedule NJ-COJ before answering "No."

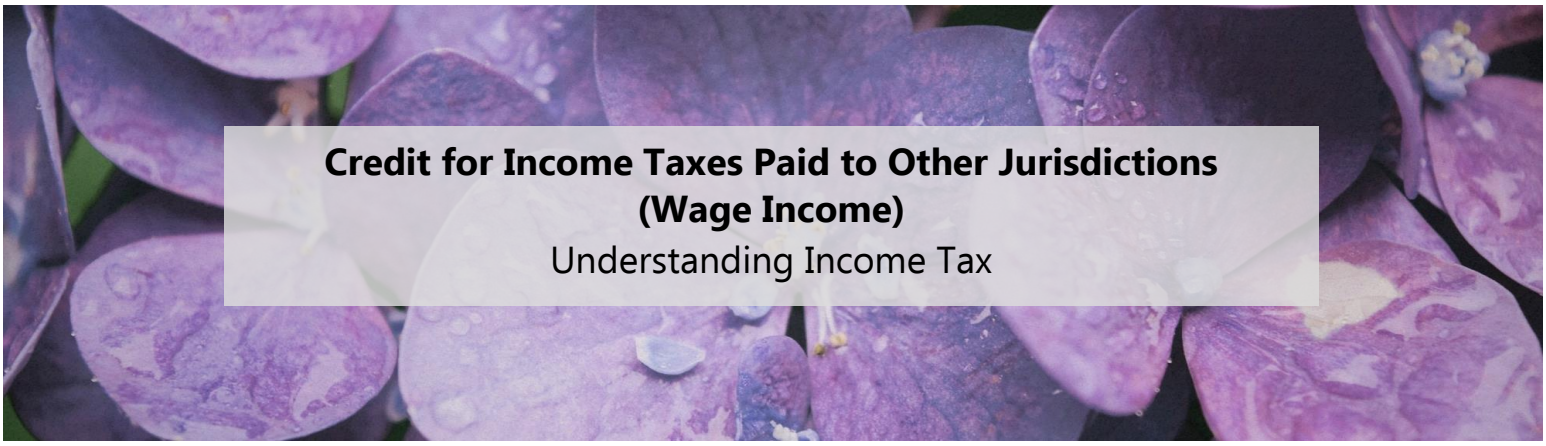
◯ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 5, Column A, Schedule NJ-COJ
Line 42	Line 6, Column A, Schedule NJ-COJ
Line 43	Line 7, Column A, Schedule NJ-COJ
Line 44	Line 2, Column A, Worksheet I
Line 56	Make no entry

● No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 6, Column B, Schedule NJ-COJ
Line 43	Line 7, Column B, Schedule NJ-COJ
Line 44	Line 2, Column B, Worksheet I
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year** residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ.)

(Keep for your records)



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

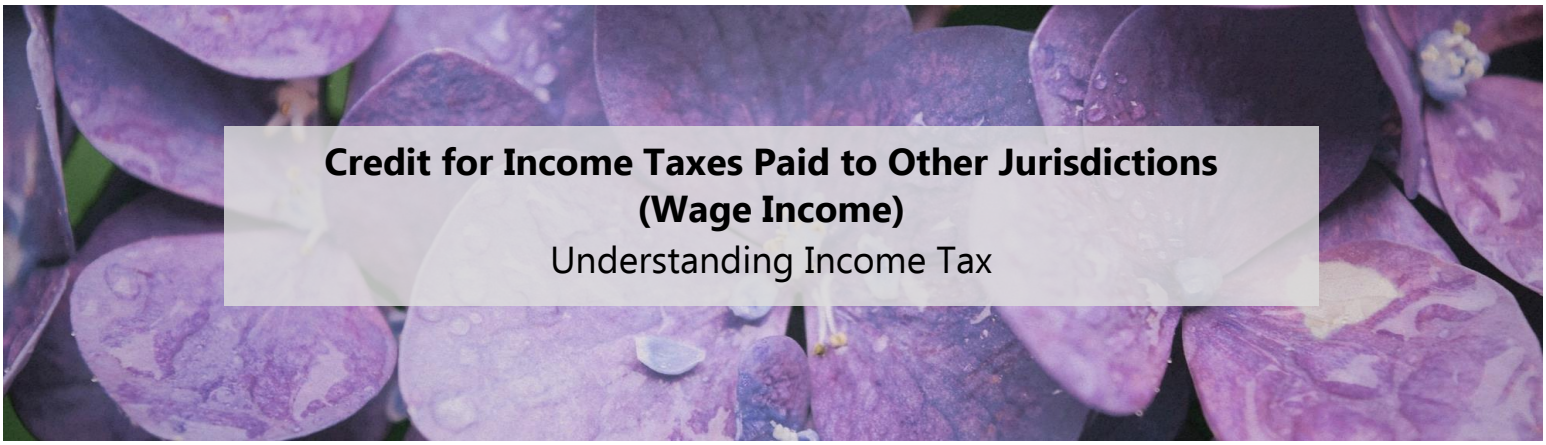
Understanding Income Tax

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

A taxpayer lived and worked in Maryland from January 1 to March 31. Their wages while a Maryland resident were $25,000. They moved to New Jersey on April 1 and began a new job here, earning $75,000 for the rest of the year. They file a New Jersey resident return for the nine-month period of residency here, reporting only the income earned from April 1 to December 31.

Because their income earned while a Maryland resident is not taxed by New Jersey, and the income earned while a New Jersey resident is not taxed by Maryland, they cannot claim a credit for taxes paid to other jurisdictions.

	Income Subject to Tax	
	New Jersey Resident Return	Maryland Resident Return
Wages	75,000	25,000
Income Subject to Tax Before Exemptions and Deductions	75,000	25,000
Less Standard Deduction Maryland: 2,000 × (25,000 ÷ 100,000)		(500)
Less Exemptions: Maryland: 2,100 × (25,000 ÷ 100,000)		(525)
New Jersey: 1,000 × (9 ÷ 12)	(750)	
Taxable Income (For New Jersey, From Line 39, Form NJ-1040)	74,250	23,975
State Tax	2,611	1,107
Local Tax (Baltimore County – 3.2%)		767
Total State Tax and Local Tax	2,611	1,874
Line 1, Schedule NJ-COJ		**0.00**



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

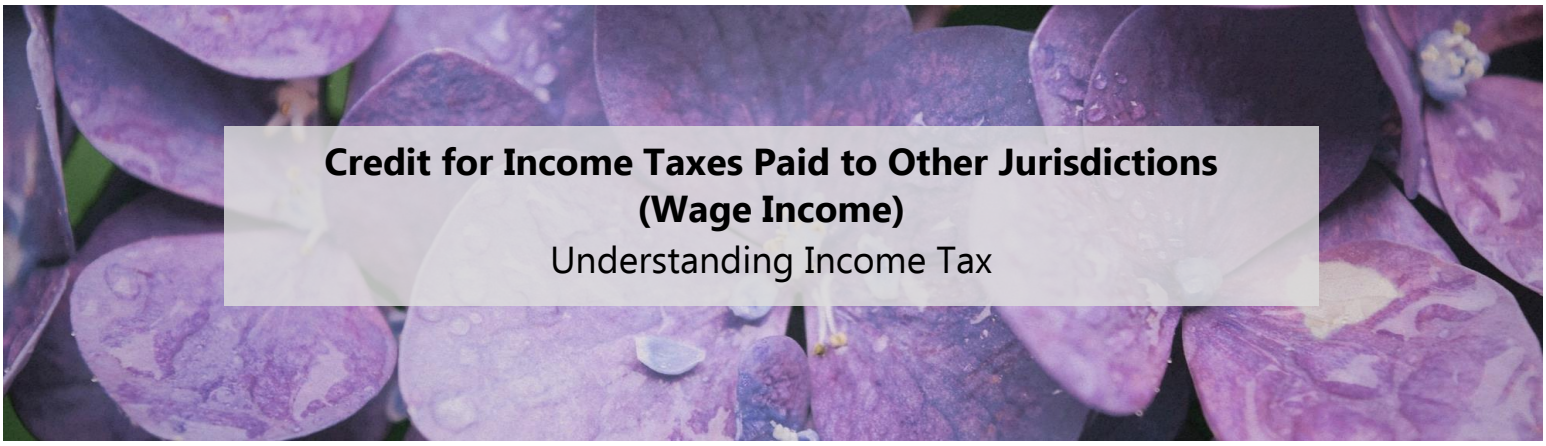
Understanding Income Tax

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

A resident taxpayer earned $50,000 in wages from their Pennsylvania employer. They are also a member of a Pennsylvania partnership. Their share of the partnership's income for the tax year is $30,000. They paid $5,150 in property taxes for the year on the residence they own in New Jersey and is eligible for a property tax deduction or credit.

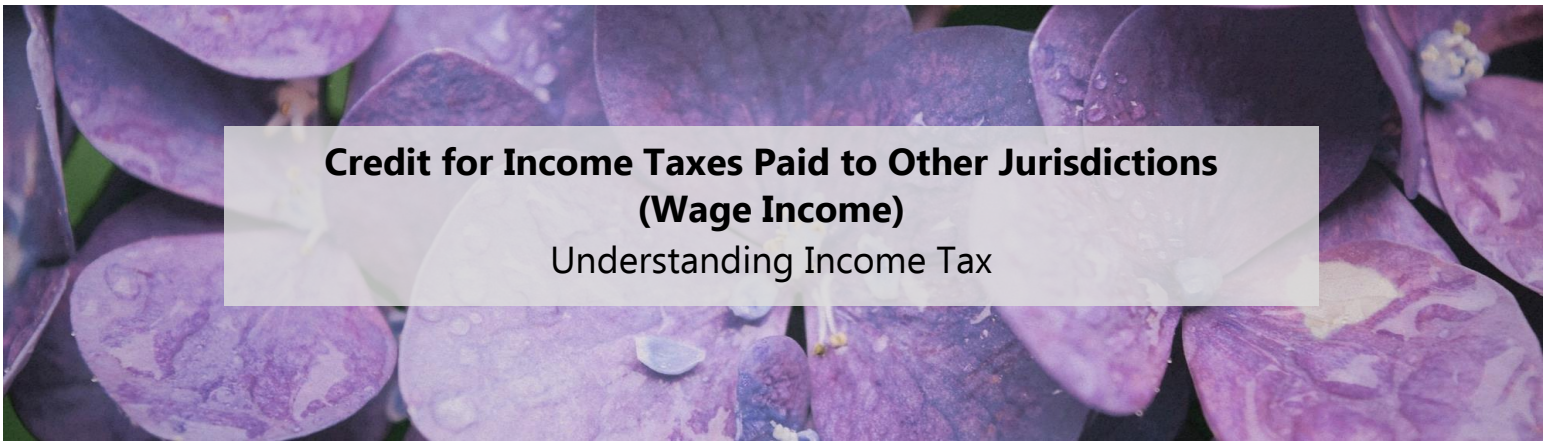
The taxpayer's partnership income is subject to tax by both New Jersey and Pennsylvania. Therefore, they can claim a credit on their New Jersey resident return for income tax paid to Pennsylvania on this income. However, under the provisions of the New Jersey/Pennsylvania Reciprocal Personal Income Tax Agreement, their wages are not subject to tax in Pennsylvania and cannot be included on line 1, Schedule NJ-COJ.

	Income Subject to Tax		
	New Jersey	Pennsylvania	Both
Wages	50,000		
Partnership Income (PA)	30,000	30,000	30,000
Income Subject to Tax Before Exemptions and Deductions	80,000	30,000	30,000
Less Exemptions	(2,000)		
Taxable Income (From Line 39, Form NJ-1040)	78,000		
Tax	2,844	840	
Line 1, Schedule NJ-COJ			**30,000**



Example #13 – continued

The taxpayer paid $5,150 in property taxes. They will enter $5,150 on line 40a, Form NJ-1040 and also on line 1 of Worksheet H. They will complete only lines 1 and 2. Then they will complete Schedule NJ-COJ and Worksheet I.



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

Understanding Income Tax

Worksheet H - Property Tax Deduction/Credit

Review the eligibility requirements on page 25 before completing Worksheet H. Part-year residents, see page 30.

Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.

1. **Property Taxes.** Enter the property taxes from line 40a, Form NJ-1040.
   Most Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. **(See instructions on page 30.)** 1. 5,150

2. **Property Tax Deduction.** Is the amount on line 1 of this worksheet $15,000 or more ($7,500 or more if you and your spouse file separate returns but maintained the same main home)?
   ◯ Yes. Enter $15,000 ($7,500 if you and your spouse file separate returns but maintained the same main home).
   ● No. Enter the amount from line 1. 2. 5,150

STOP — if you are claiming a credit for taxes paid to other jurisdictions.
Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I.
(See instructions on page 31.)

	Column A		Column B	
3. Taxable Income (From line 39 of Form NJ-1040)	3.		3.	
4. Property Tax Deduction (From line 2 above)	4.		4.	**- 0 -**
5. New Jersey Taxable Income (Subtract line 4 from line 3)	5.		5.	
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules)	6.		6.	
7. Subtract line 6, column A from line 6, column B			7.	

8. **Is the line 7 amount $50 or more** ($25 if you and your spouse file separate returns but maintained the same main home)? **Part-year residents,** see page 30 before answering "No."

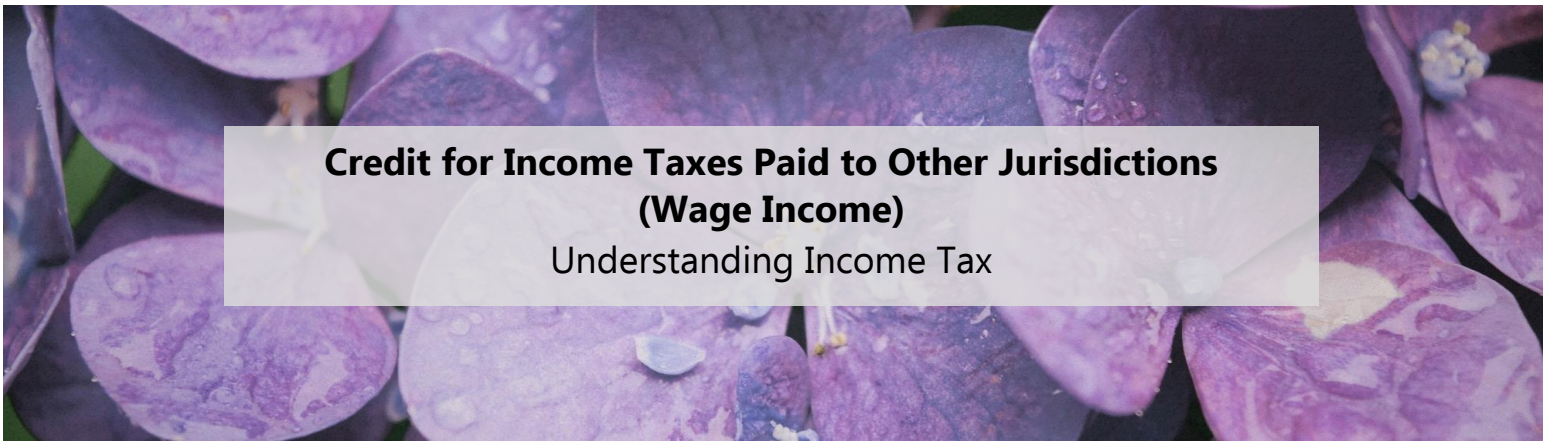
◯ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 4, column A
Line 42	Line 5, column A
Line 43	Line 6, column A
Line 56	Make no entry

◯ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 5, column B
Line 43	Line 6, column B
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same principal residence). **Part-year residents** must prorate this amount. (See instructions on page 30.)

(Keep for your records)



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

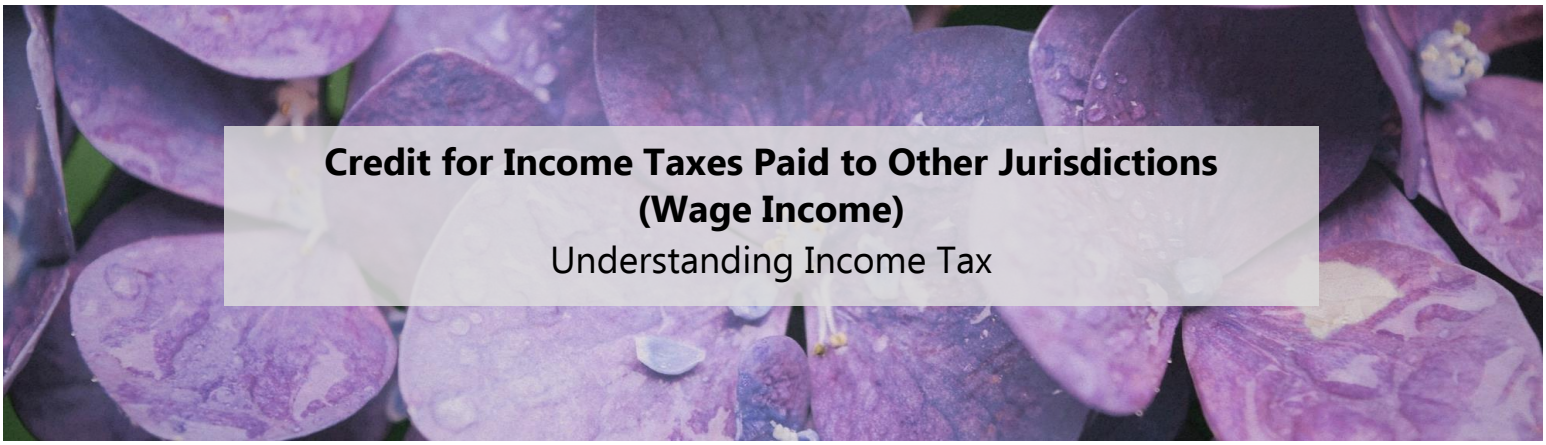
Understanding Income Tax

Example #13 – continued

They complete their Schedule NJ-COJ and Worksheet I as follows.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: Pennsylvania Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 3 8			1.	30,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)			2.	80,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)			3.	37.5000%
	See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**		**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)	4.	78,000	4.	78,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a. 5,150 Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5.	5,150	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from Line 4)	6.	72,850	6.	78,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)	7.	2,534	7.	2,844
8.	Allowable Credit (Multiply line 7 by line 3)	8.	950	8.	1,067
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 840 **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9.	840	9.	840



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

Understanding Income Tax

Example #13 – continued

The taxpayer receives a greater benefit from the property tax deduction. They enter the amounts from lines 5, 6, and 7, column A, Schedule NJ-COJ, on lines 41, 42, and 43, Form NJ-1040, as indicated in the instructions on Worksheet I. Their credit for taxes paid to other jurisdictions for line 44, Form NJ-1040 is $840, the amount on line 2, column A, Worksheet I. Their property tax deduction on line 41, Form NJ-1040 is $5,150. Their Worksheet I looks like this:

Worksheet I
Which Property Tax Benefit to Use

		COLUMN A			COLUMN B	
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here	1.	2,534		1.	2,844	
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all line 9 amounts (columns A and B) in the corresponding column	2.	840		2.	840	
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3.	1,694		3.	2,004	
4. Subtract line 3, column A from line 3, column B				4.	310	

5. Is the line 4 amount $50 or more ($25 if you and your spouse file separate returns but maintained the same main home)?
Part-year residents, see instructions for line 9, Schedule NJ-COJ before answering "No."

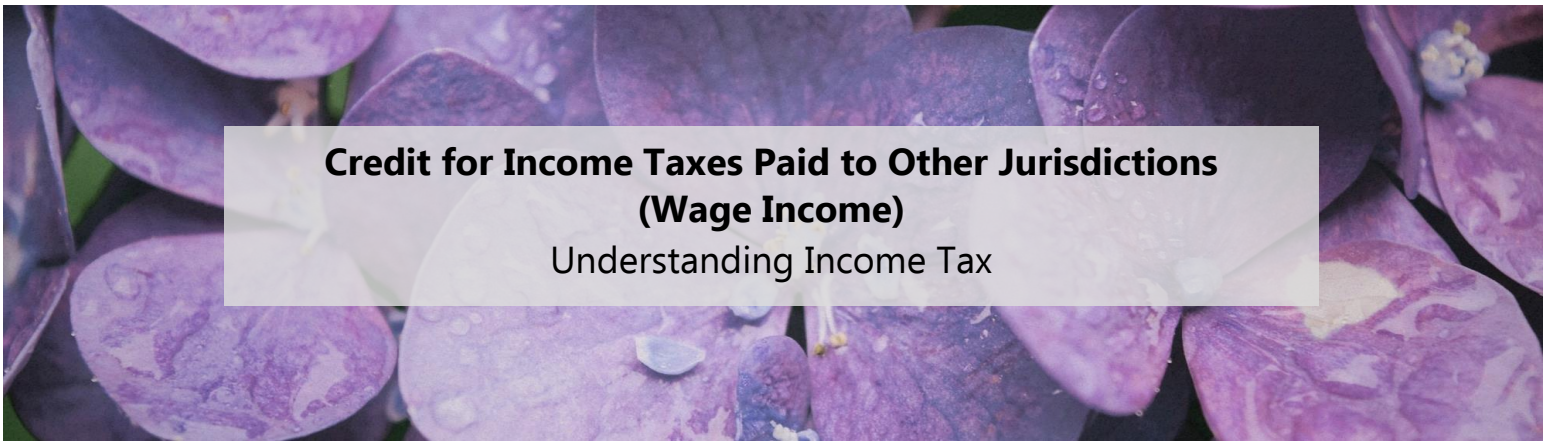
● Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 5, Column A, Schedule NJ-COJ
Line 42	Line 6, Column A, Schedule NJ-COJ
Line 43	Line 7, Column A, Schedule NJ-COJ
Line 44	Line 2, Column A, Worksheet I
Line 56	Make no entry

○ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 6, Column B, Schedule NJ-COJ
Line 43	Line 7, Column B, Schedule NJ-COJ
Line 44	Line 2, Column B, Worksheet I
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same principal residence). **Part-year** residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ.)

(Keep for your records)



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

Understanding Income Tax

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

A resident taxpayer earned wages of $44,000 in Philadelphia and contributed $4,400 to their 401(k) Plan. The Philadelphia nonresident wage tax rate was 3.44% (.0344) from January 1, 2025 - June 30, 2025. From July 1, 2025 - December 31, 2025, the wage tax rate was 3.43% (.0343). They determine the amount of income subject to tax by Philadelphia for line 1, Schedule NJ-COJ as follows:

January 1, 2025 – June 30, 2025

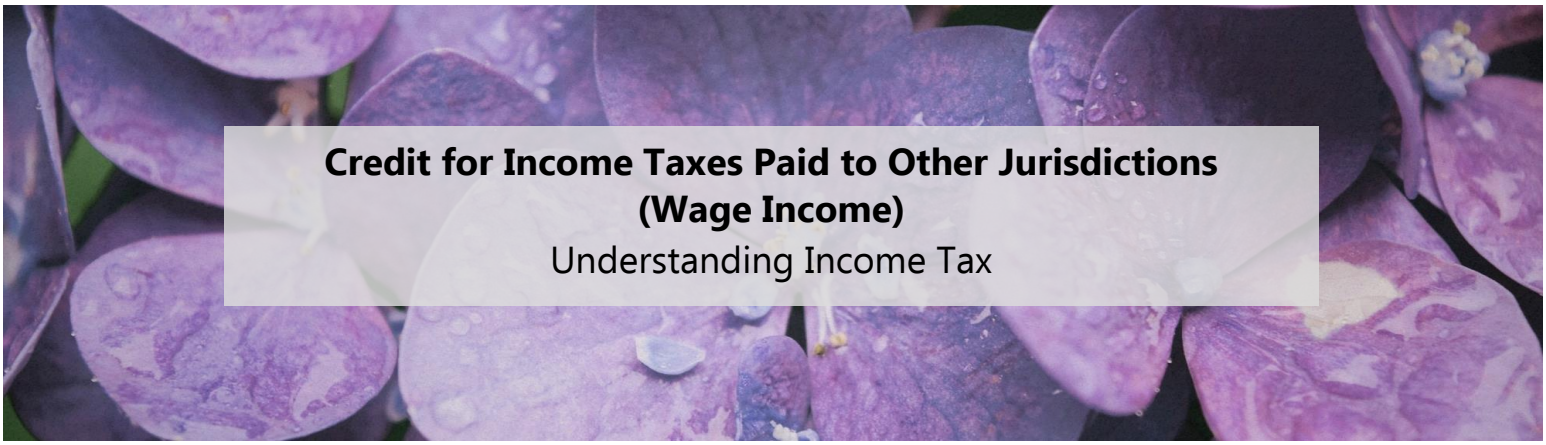
Philadelphia Wage Tax	756.80	= $22,000
Philadelphia Wage Tax Rate	.0344	

July 1, 2025 – December 31, 2025

Philadelphia Wage Tax	754.60	= $22,000
Philadelphia Wage Tax Rate	.0343	

Income Taxed by Philadelphia $44,000

		Income Subject to Tax		
		New Jersey	Phila.	Both
Wages	44,000		44,000	
Less 401(k) contributions	(4,400)	39,600		39,600
Interest		1,500		
Dividends		450		
Income Subject to Tax Before Exemptions and Deductions		41,550	44,000	39,600
Less Exemptions		(1,000)		
Taxable Income (From Line 39, Form NJ-1040)		40,550		
Tax		749	1,511	
Line 1, Schedule NJ-COJ				**39,600**



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

Understanding Income Tax

Example #14 – continued

The taxpayer paid $9,600 in rent for the year and is eligible for a property tax deduction or credit. They will enter 18% of their rent on line 40a, Form NJ-1040, and also on line 1 of Worksheet H. They will complete only lines 1 and 2. Then they will complete Schedule NJ-COJ and Worksheet I.

Worksheet H - Property Tax Deduction/Credit
Review the eligibility requirements on page 25 before completing Worksheet H. Part-year residents, see page 30.

Complete both columns of this worksheet to find out whether the deduction or the credit is better for you.

1. **Property Taxes.** Enter the property taxes from line 40a, Form NJ-1040.
   Most Senior Freeze (Property Tax Reimbursement) applicants must use their base year amount. **(See instructions on page 30.)** 1. 1,728

2. **Property Tax Deduction.** Is the amount on line 1 of this worksheet $15,000 or more ($7,500 or more if you and your spouse file separate returns but maintained the same main home)?
   ○ Yes. Enter $15,000 ($7,500 if you and your spouse file separate returns but maintained the same main home).
   ● No. Enter the amount from line 1. 2. 1,728

STOP — if you are claiming a credit for taxes paid to other jurisdictions.
Complete only lines 1 and 2. Then complete Schedule NJ-COJ and Worksheet I.
(See instructions on page 31.)

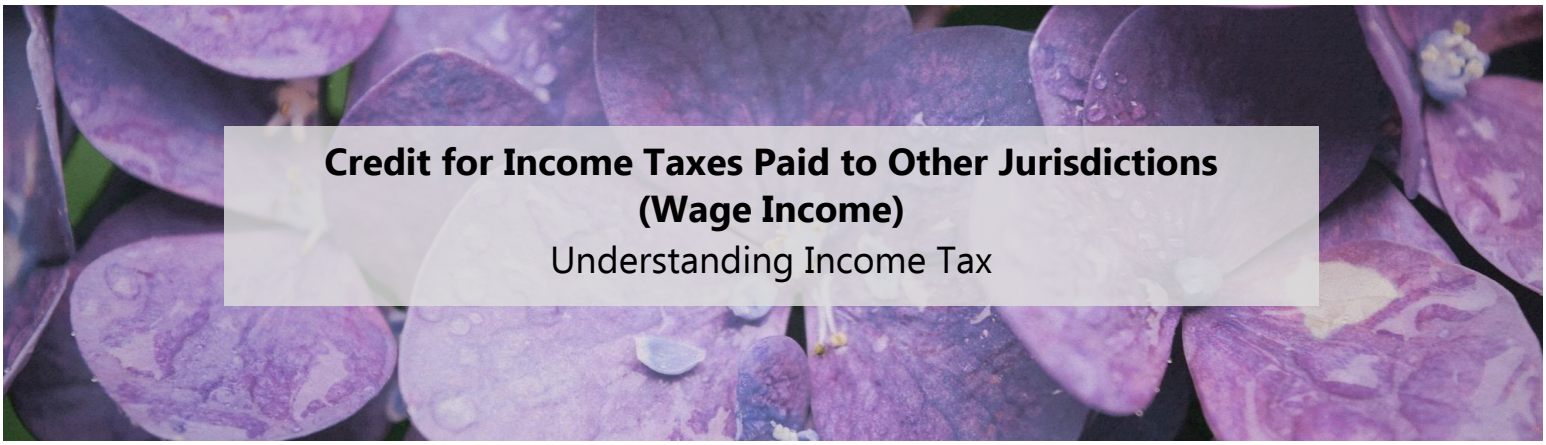
	Column A		Column B	
3. Taxable Income (From line 39 of Form NJ-1040)	3.		3.	
4. Property Tax Deduction (From line 2 above)	4.		4.	**- 0 -**
5. New Jersey Taxable Income (Subtract line 4 from line 3)	5.		5.	
6. Tax on line 5 amount (From Tax Table or Tax Rate Schedules)	6.		6.	
7. Subtract line 6, column A from line 6, column B			7.	

8. **Is the line 7 amount $50 or more** ($25 if you and your spouse file separate returns but maintained the same main home)? **Part-year residents,** see page 30 before answering "No."
   ○ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 4, column A
Line 42	Line 5, column A
Line 43	Line 6, column A
Line 56	Make no entry

   ○ No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 5, column B
Line 43	Line 6, column B
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year residents** must prorate this amount. (See instructions on page 30.)



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

Understanding Income Tax

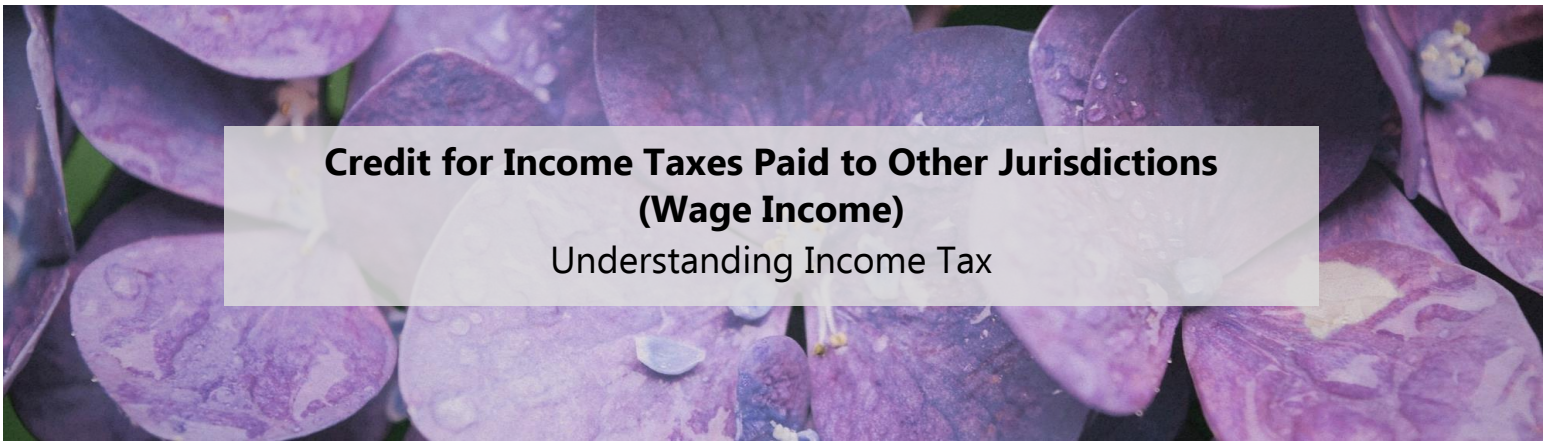
Example #14 – continued

They enter in box 9a the tax paid to Philadelphia on $39,600, which they calculate as follows: $1,511 × ($39,600 ÷ $44,000) = $1,360.

The taxpayer completes their Schedule NJ-COJ and Worksheet I as follows.

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: City of Philadelphia Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 5 2					1.	39,600
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)					2.	41,500
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)					3.	95.3069%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**					**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)			4.	40,550	4.	40,550
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)	5a.	1,728	5.	1,728	5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)			6.	38,822	6.	40,550
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)			7.	676	7.	749
8.	Allowable Credit (Multiply line 7 by line 3)			8.	644	8.	714
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) **Credit Allowed**. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.	9a.	1,360	9.	644	9.	714



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

Understanding Income Tax

Example #14 – continued

The taxpayer is better off claiming the $50 property tax credit since their balance of tax after taking credit for the taxes they paid to Philadelphia is only $3 less when taking the property tax deduction than it would be without the deduction.

Worksheet I
Which Property Tax Benefit to Use

		COLUMN A			COLUMN B	
1. Tax. Enter amounts from line 7, Schedule NJ-COJ, columns A and B here	1.	676		1.	749	
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from line 9, Schedule NJ-COJ, columns A and B here. If you completed more than one Schedule NJ-COJ, enter the total of all line 9 amounts (columns A and B) in the corresponding column	2.	644		2.	714	
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3.	32		3.	35	
4. Subtract line 3, column A from line 3, column B				4.	3	

5. Is the line 4 amount $50 or more ($25 if you and your spouse file separate returns but maintained the same main home)? **Part-year residents,** see instructions for line 9, Schedule NJ-COJ before answering "No."

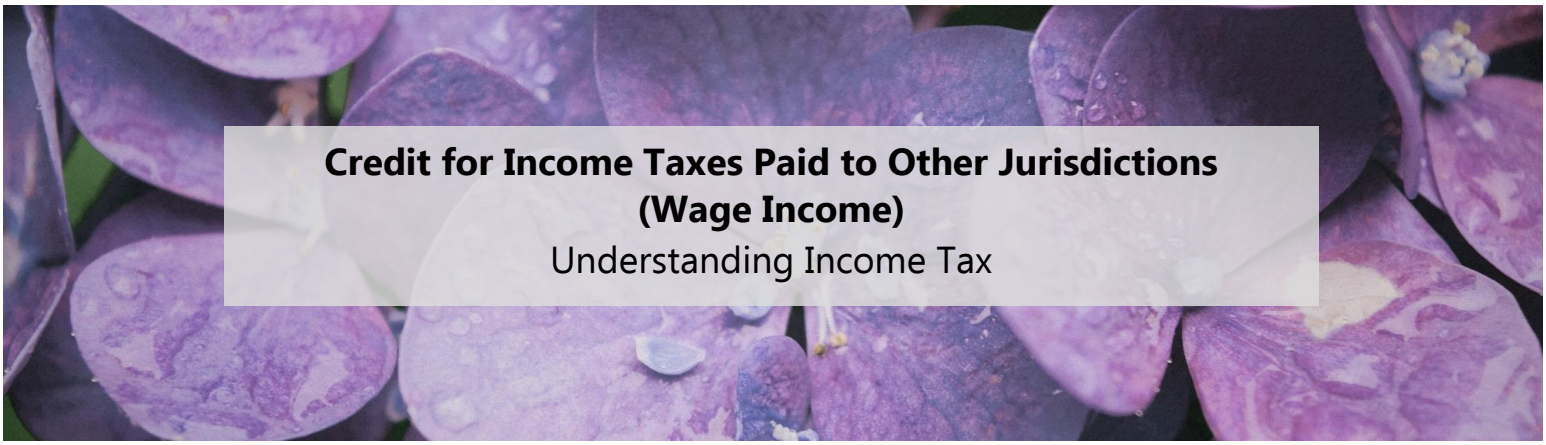
◯ Yes. The Property Tax Deduction is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Line 5, Column A, Schedule NJ-COJ
Line 42	Line 6, Column A, Schedule NJ-COJ
Line 43	Line 7, Column A, Schedule NJ-COJ
Line 44	Line 2, Column A, Worksheet I
Line 56	Make no entry

● No. The Property Tax Credit is more beneficial for you. Make the following entries on your return.

Form NJ-1040	*Enter amount from:*
Line 41	Make no entry
Line 42	Line 6, Column B, Schedule NJ-COJ
Line 43	Line 7, Column B, Schedule NJ-COJ
Line 44	Line 2, Column B, Worksheet I
Line 56	$50 ($25 if you and your spouse file separate returns but maintained the same main home). **Part-year** residents must prorate this amount. (See instructions for line 9, Schedule NJ-COJ.)

(Keep for your records)



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

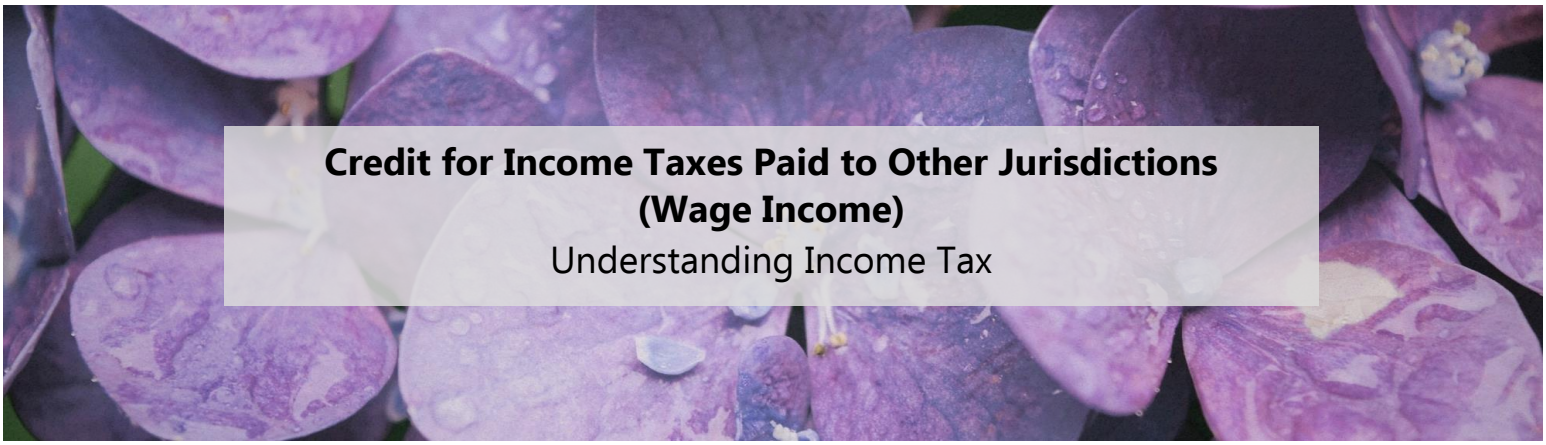
Understanding Income Tax

Example #15 – Determining line 1, Schedule NJ-COJ when the other jurisdiction allows an adjustment to reduce income that is not allowed in New Jersey, and when the other jurisdiction taxes income that is not taxed by New Jersey.

Two single New Jersey residents work in New York State and each earn wages of $30,000 while contributing $2,000 to an IRA. Taxpayer one also has unemployment income from New York of $4,000. The schedules below illustrate how to determine the amount of income taxed by both jurisdictions, specifically when there is an adjustment to income allowed by the other jurisdiction, an adjustment for income excluded from line 2, Schedule NJ-COJ, and an adjustment for tax paid to the other jurisdiction.

The unemployment income of $4,000 taxpayer one received is taxed by New York but not New Jersey. Because they cannot include it on line 2, Schedule NJ-COJ (income taxed by New Jersey), they cannot include it on line 1, Schedule NJ-COJ (income taxed by both New Jersey and New York).

(a) Taxpayer One	**Income Subject to Tax**		
	New Jersey	New York	Both
Wages	30,000	30,000	
New York Adjustments (IRA)		(2,000)	28,000	28,000
Unemployment		4,000	
Income Subject to Tax Before Exemptions and Deductions	30,000	32,000	28,000
Less Exemptions	(1,000)		
Taxable Income (From Line 39, Form NJ-1040)	29,000		
Tax	438	1,415	
Line 1, Schedule NJ-COJ			**28,000**

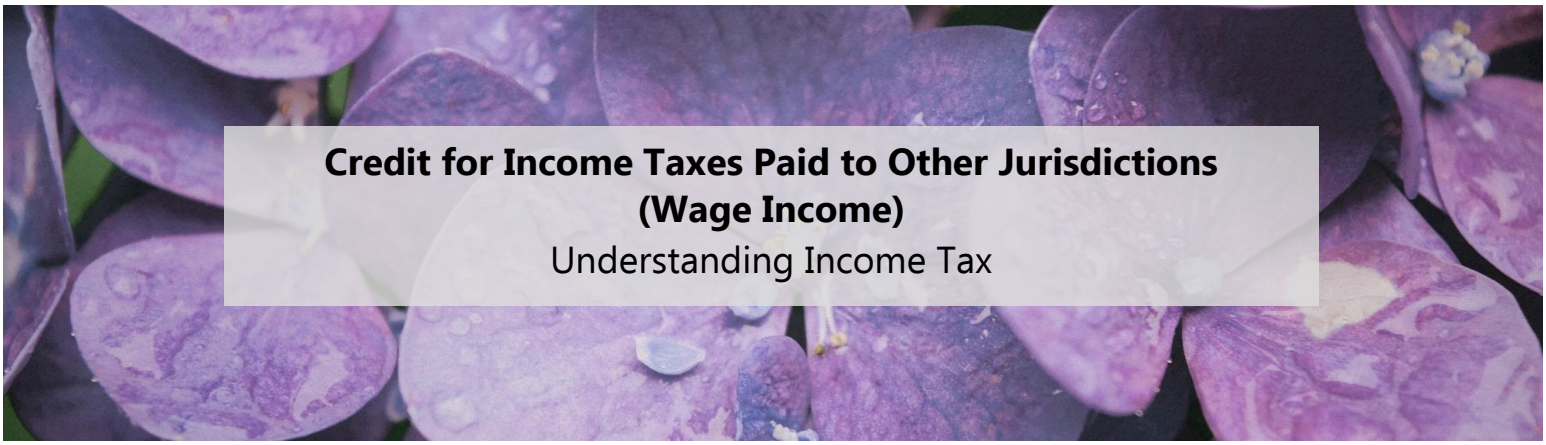


Credit for Income Taxes Paid to Other Jurisdictions (Wage Income)

Understanding Income Tax

Example #15 – continued

(b) Taxpayer Two	**Income Subject to Tax**		
	New Jersey	New York	Both
Wages	30,000	30,000	
New York Adjustments (IRA)		(2,000) 28,000	28,000
Income Subject to Tax Before Exemptions and Deductions	30,000	28,000	28,000
Less Exemptions	(1,000)		
Taxable Income (From Line 39, Form NJ-1040)	29,000		
Tax	438	1,238	
Line 1, Schedule NJ-COJ			**28,000**



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

Understanding Income Tax

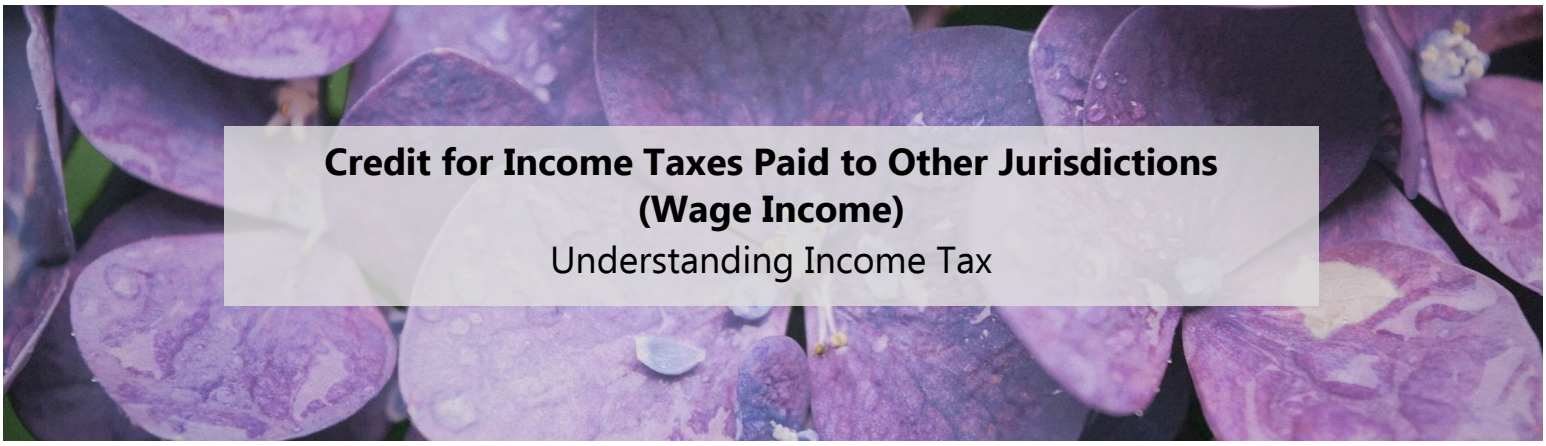
Example #15 – continued

For both taxpayers, the amount reported on line 1, Schedule NJ-COJ, is the same: $28,000. Since the amount reported in box 9a must be the tax actually paid to New York on $28,000, taxpayer one calculates the amount as follows: $1,415 × ($28,000 ÷ $32,000) = $1,238.

Neither taxpayer is eligible for a property tax deduction/credit. They will each complete a Schedule NJ-COJ like this:

Schedule NJ-COJ Credit for Income or Wage Taxes Paid to Other Jurisdiction

1.	Income properly taxed by **both** New Jersey and other jurisdiction. (Instructions page 32) Jurisdiction Name: New York State Do not combine the same income taxed by more than one jurisdiction. (The amount on line 1 **cannot exceed** the amount on line 2.) Enter Code 3 2				1.	28,000
2.	Income subject to tax by New Jersey (From line 29, NJ-1040)				2.	30,000
3.	Maximum allowable credit percentage. Divide line 1 by line 2. (Instructions page 33)				3.	93.3333%
See page 25 to determine if you are eligible for a property tax benefit. **If you are not eligible, only complete column B.**				**Column A**		**Column B**
4.	Taxable Income (From line 39, Form NJ-1040)		4.		4.	29,000
5.	Enter in box 5a the amount from Worksheet H, line 1. (Instructions page 30) 5a.					
	Property Tax Deduction. Enter the amount from Worksheet H, line 2. (Instructions page 30)		5.		5.	- 0 -
6.	New Jersey Taxable Income (Subtract line 5 from line 4)		6.		6.	29,000
7.	Tax on line 6 amount (From Tax Table or Tax Rate Schedules)		7.		7.	438
8.	Allowable Credit (Multiply line 7 by line 3)		8.		8.	409
9.	Credit for Taxes Paid to Other Jurisdiction. Enter in box 9a the income or wage tax paid to other jurisdiction. (Instructions page 34) 9a. 1,238					
	Credit Allowed. Enter the lesser of line 8 or box 9a. This amount cannot exceed your New Jersey tax on line 43.		9.		9.	409



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

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