

Line 34 - Total Exemptions and Deductions

Enter on Line 34 the total of Lines 30c, 31, 32, and 33.

Line 35 - Taxable Income

Subtract Line 34 from Line 29 and enter the result on Line 35. If Line 35 is zero or less, make no entry.

Property Tax Deduction/Credit (Lines 36 and 44)

Eligible homeowners and tenants who pay property taxes, either directly or through rent, qualify for either a deduction or a refundable credit.

The property tax **deduction** reduces your taxable income. Therefore the tax benefit varies depending on the amount of your taxable income, the amount of your property taxes or rent, and your filing status.

To determine the actual tax benefit you will receive (how much you will reduce your tax liability) when claiming a property tax deduction, you must calculate your tax liability both with a deduction and without a deduction. The property tax **credit** reduces your tax due. The credit increases the total payments and/or credits on Line 49, Form NJ-1040. These payments and/or credits are subtracted directly from your tax liability. Taxpayers who do not reduce their tax liability by \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse) when claiming the property tax deduction should claim the property tax credit.

For recorded information on the property tax deduction/credit, call our automated TaxTalk service from a Touch-tone phone at 1-800-323-4400 (toll-free within New Jersey, New York, Pennsylvania, Dela-

ware, and Maryland) or 609-826-4400. You may also request our publication *Property Tax Deduction/Credit Frequently Asked Questions*. See "NJ TaxTalk" on page 63.

Eligibility Requirements. To be eligible for a property tax deduction **or** property tax credit:

- ♦ You must have been domiciled and maintained a principal residence as a homeowner or tenant in New Jersey during 2002; and
- ♦ Your principal residence, whether owned or rented, must be subject to local property taxes, and property taxes must have been paid on that residence either as actual property taxes or through rent; and
- ♦ Your rented dwelling must have its own separate kitchen and bath facilities; and

Schedule 1 – Property Tax Deduction/Credit

Complete both columns of this schedule to find out whether the Property Tax Deduction or the Property Tax Credit is better for you. **Do not complete this schedule if you claim a credit for taxes paid to other jurisdictions.** Complete Schedule A.

1. **Property Tax.** Enter the property taxes you paid in 2002. Renters enter 18% of rent paid in 2002. **See instructions page 36.** 1. _____
2. **Property Tax Deduction.** Enter Line 1 or \$10,000, whichever is less. Also enter this amount on Line 4 below. **See instructions page 36.** 2. _____

	Column A		Column B
3. Taxable Income (Copy from Line 35 of your NJ-1040)	3.		3.
4. Property Tax Deduction (Copy from Line 2 of this schedule)	4.		4. - 0 -
5. Taxable Income After Property Tax Deduction (Subtract Line 4 from Line 3)	5.		5.
6. Tax you would pay on Line 5 amount (Go to Tax Tables or Tax Rate Schedules and enter amount)	6.		6.
7. Now, subtract Line 6, Column A from Line 6, Column B and enter the result here	7.		7.

8. **Is the Line 7 amount \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse)?**
 - Yes. You receive a greater tax benefit by taking the Property Tax Deduction. Enter the amount on Line 4, Column A of this schedule on Line 36 of Form NJ-1040. Make no entry on Line 44 of Form NJ-1040 and complete the balance of the return.
 - No. You receive a greater tax benefit from the Property Tax Credit. (**Part-year residents**, see instructions on page 14 before answering "No.") Enter \$50 on Line 44 of Form NJ-1040 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse). Make no entry on Line 36 of Form NJ-1040 and complete the balance of the return. **See instructions page 36.**

Property Tax Deduction/Credit (Lines 36 and 44) - continued

- ◆ Your gross income on Line 29 is more than \$20,000 (\$10,000 if filing status is single or married, filing separate return), **or** you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year.

Taxpayers who were not 65 years of age or older or blind or disabled on December 31, 2002, with gross income of \$20,000 or less (\$10,000 if filing status is single or married, filing separate return), are not eligible for a property tax credit.

Principal Residence. A principal residence means a homestead, either owned or rented, actually and continually occupied as your permanent residence. No property tax deduction or credit is allowed for a vacation home, a "second home," or property which the owner rents to someone else.

Homeowners. You may claim a property tax deduction or credit for the home in New Jersey that you owned and lived in as your principal residence provided it was subject to local property taxes. Both single family homes and certain multi-family homes qualify.

Multi-Unit Properties. As a homeowner, you may claim a property tax deduction or credit on your property only if it contains four units or less. Of these four units, only one may be used for commercial purposes.

Condominiums and Co-ops. A condominium unit or a unit in a cooperative housing complex or mutual housing corporation is considered a single-family dwelling for purposes of the property tax deduction or credit.

Continuing Care Communities. As a resident in a continuing care retirement community, you may qualify for a property tax deduction or credit as a homeowner if the continuing care contract requires you to bear the proportionate share of property taxes attributable to your unit.

Disabled Veterans. Totally and permanently disabled veterans who have a 100% exemption from local prop-

erty taxes are **not** eligible for a property tax deduction or credit. If any portion of the dwelling is rented to a tenant and property taxes are paid by the disabled veteran owner on the rented portion, any tenant may be eligible for a property tax deduction or credit, but the property owner is not eligible.

Life Tenancy. You are also a homeowner if you have life tenancy rights or hold a lease for 99 years or more.

Tenants. You may claim a property tax deduction or credit for a home or apartment you rented in New Jersey and lived in as your principal residence, provided that the building is subject to local property taxes and contains its own separate kitchen and bathroom. You do not qualify for a property tax deduction or credit if you reside in a unit which only has access to a kitchen or bathroom.

Mobile Homes. If you own a mobile home which is located in a mobile home park, you qualify for a property tax deduction or credit as a tenant. For more information on mobile homes, contact the New Jersey Division of Taxation Customer Service Center.

Tax-Exempt, Subsidized, and Campus Housing. Tenants living in dwellings which are not subject to local property taxes are not eligible for a property tax deduction or credit. This includes tenants living in tax-exempt housing or other dwellings owned by the State, County, Municipal, or Federal government; students living in on-campus apartments at State colleges and universities; and tenants living in dwellings owned by religious, charitable, or other nonprofit organizations (including on-campus apartments at private nonprofit colleges and universities), if the property is exempt from local property taxes. **Do not enter a figure on Line 36 or Line 44 of the tax return. If you are not sure whether the dwelling you rent is subject to local property taxes, contact your municipal tax assessor for information. The Division of Taxation audits returns to ensure that**

only qualified applicants claim the property tax deduction or the property tax credit.

Seniors or Blind/Disabled Persons. If either you or your spouse were 65 years of age or older or blind or disabled at the end of the tax year, and your gross income on Line 29 is \$20,000 or less (\$10,000 if filing status is single or married, filing separate return), and you satisfy the eligibility requirements, you qualify for a property tax credit in the amount of \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse). File your completed Homestead Rebate Application, Form HR-1040, and your credit will automatically be sent to you with your homestead rebate. **Do not** complete Line 36 to claim a property tax deduction **or** Line 44 to claim a property tax credit.

Line 36 - Property Tax Deduction

If you satisfied the eligibility requirements on page 34, you may deduct 100% of property taxes due and paid **or** \$10,000, whichever is less. For tenants, 18% of the rent paid during the year is considered property taxes paid.

If you are eligible for a property tax benefit, and you:

- ◆ **Are not** claiming credit for taxes paid to other jurisdictions, complete Schedule 1 on page 34 to determine the amount of your property tax deduction and whether you should elect to take the property tax credit on Line 44 instead of the deduction on Line 36.
- ◆ **Are** claiming credit for taxes paid to other jurisdictions, do not complete Schedule 1. Complete Schedule A and Worksheet F to determine whether you will receive a greater tax benefit by taking the property tax deduction or the property tax credit. See the instructions for Schedule A on page 40.

If you are not eligible for a property tax benefit, make no entry on Lines 36 or 44 and continue completing the return with Line 37.

Line 1 - Property Tax/Rent

Enter on Line 1 your property taxes (or 18% of rent) due and paid during 2002 on your qualified residence.



TAX TIP Property Tax Reimbursement Recipients.

If you did not receive a Property Tax Reimbursement for 2001, and you are eligible for a Property Tax Reimbursement for 2002, you must enter on Line 1 the amount of your **2001 property taxes** due and paid as reported on your 2002 Property Tax Reimbursement Application, Form PTR-1. (Mobile home owners enter 18% of 2001 site fees.) If you owned your home with someone other than your spouse or if your home consists of more than one dwelling unit, the amount of 2001 property taxes you report must reflect your percentage of ownership or the proportionate share of property taxes for the unit you occupy as your principal residence.

If you received a Property Tax Reimbursement for 2001 and you continued to meet the eligibility requirements through 2002, enter the amount of your base year property taxes or 18% of your base year site fees on Line 1. (The amount of your base year property taxes or site fees is shown on Line 11 of your New Jersey Property Tax Reimbursement Application, Form PTR-2.) If you owned your home with someone other than your spouse or if your home consists of more than one dwelling unit, the amount of base year property taxes you report must reflect your percentage of ownership or the proportionate share of property taxes for the unit you occupy as your principal residence.

For more information on the Property Tax Reimbursement Program, request our publication *Property Tax Reimbursement Frequently Asked Questions*.

Married, Filing Separate Return. If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, enter on

Line 1 one-half of the property taxes (or 18% of rent) due and paid. Also see Note under Line 2.

Multiple Residences, Owners, Dwelling Units, or Tenants. Complete Schedule HR-A before completing Line 1, Schedule 1 if:

- ♦ You lived in more than one qualifying residence during 2002; or
- ♦ You shared ownership of a principal residence during the year with anyone other than your spouse; or
- ♦ Your principal residence during the year consisted of multiple dwelling units; or
- ♦ Anyone other than your spouse occupied and shared rent with you for an apartment or other rental dwelling unit.

If you were a homeowner, enter the amount from Line 6, Schedule HR-A on Line 1, Schedule 1. If you were a tenant, enter 18% of the amount from Line 12, Schedule HR-A on Line 1, Schedule 1. If you were both a homeowner and a tenant during the year, add the amount from Line 6, Schedule HR-A and 18% of the amount from Line 12, Schedule HR-A and enter the total on Line 1, Schedule 1.

Part-Year Residents. A part-year resident who meets the qualifications is eligible for a property tax deduction or credit. Complete Schedule 1 and enter on Line 1 the total amount of property taxes (or 18% of rent) due and paid during your period of residence (see page 14).

Line 2 - Property Tax Deduction

Enter the amount on Line 1 or \$10,000, whichever is less. Also enter this amount on Line 4, Column A.

NOTE: If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, and Line 1 is \$5,000 or more, enter \$5,000 on Line 2. If Line 1 is less than \$5,000 enter the amount from Line 1.

Line 3 - Taxable Income

For each column, enter on Line 3, Schedule 1 the amount from Line 35, Form NJ-1040.

Line 4 - Property Tax Deduction

Enter on Line 4, Column A the amount from Line 2, Schedule 1.

Line 5 - Taxable Income After Property Tax Deduction

For each column, subtract Line 4 from Line 3 and enter the result on Line 5.

Line 6 - Tax on Line 5

For each column, enter on Line 6 the amount of tax on the income shown on Line 5. Use the Tax Table on page 53 or the Tax Rate Schedules on page 62 to calculate the amount of tax.

Lines 7 and 8 - Deduction/Credit Determination

To determine whether a property tax deduction or a property tax credit is more beneficial to you, subtract Line 6, Column A from Line 6, Column B and enter the result on Line 7. **Part-year residents see instructions on page 14 before continuing.** If Line 7 is \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax deduction. Enter the amount from Line 4, Column A on Line 36, Form NJ-1040 and make no entry on Line 44, Form NJ-1040. If Line 7 is less than \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax credit. Enter \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse) on Line 44, Form NJ-1040 and make no entry on Line 36, Form NJ-1040.