

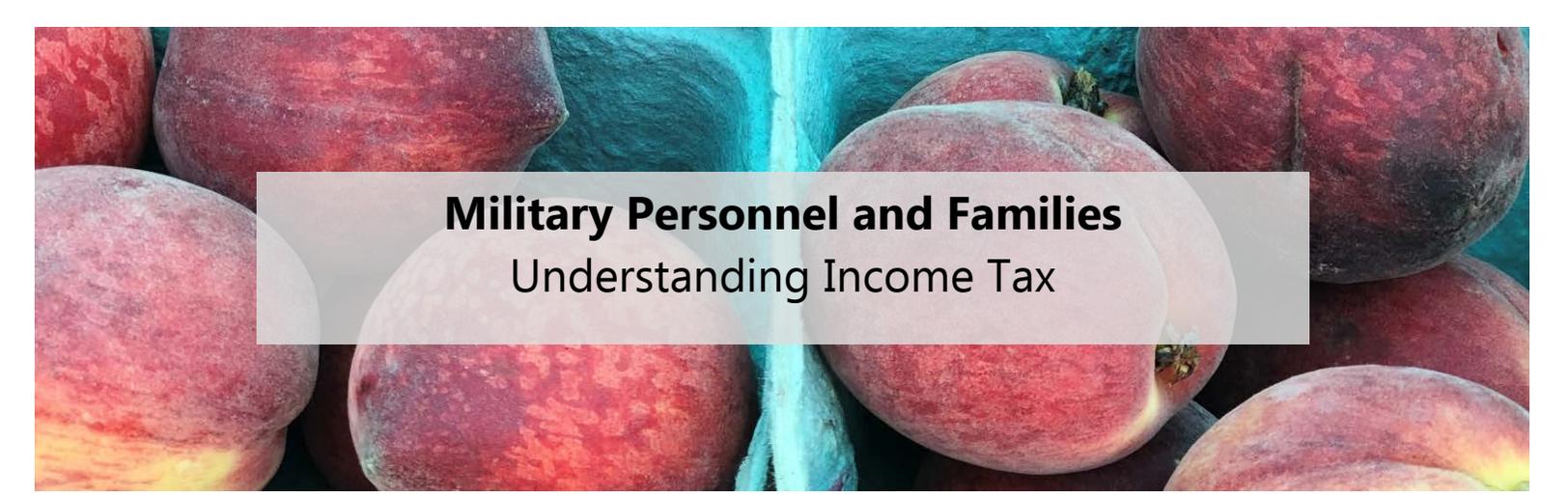
Military Personnel and Families

Understanding Income Tax



New Jersey is known for peaches, seen here from a farmer's market in Mercer County.

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Military Personnel and Families Understanding Income Tax

This bulletin provides New Jersey Income Tax information for New Jersey resident members of the United States Armed Forces and their families, and nonresident military personnel who are stationed here.

Determining Residency

When filing taxes, you must identify your state of residency. Your home of record determines in which state you are a resident. You continue to be a resident of that state until you establish a permanent home elsewhere. *Home of record*, *permanent home* and *domicile* are common terms used in determining residency. They may refer to the same place in some circumstances, but they all have different meanings:

Home of Record is the place recorded by the military as your home when you were enlisted, appointed, commissioned, inducted, or ordered to serve a tour of active duty.

Domicile means the place and state you consider your permanent home; the place you will return to after you have been away on military assignment. Your domicile continues until you establish a new permanent home;

Permanent Home means a residence (house, building, or structure where a person can live) that you maintain permanently as your principal residence, whether you own it or not.

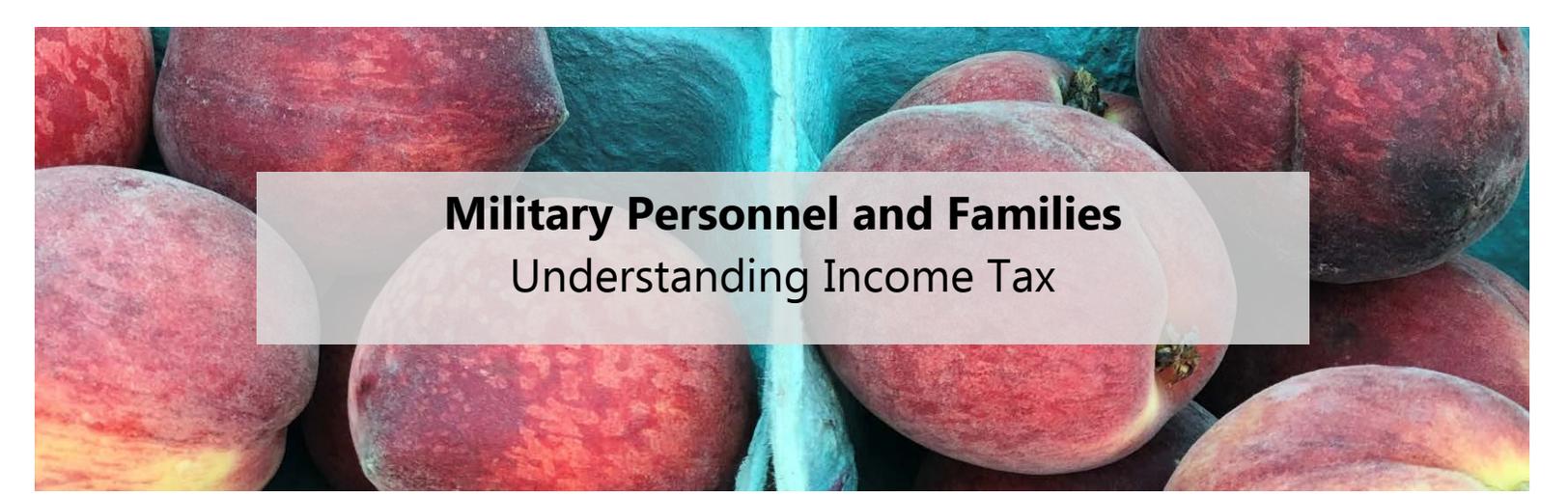
Your home is not considered permanent if you maintain it only during a temporary period of time to accomplish a specific purpose (e.g., military assignment or temporary job assignment).

Resident and Nonresident Defined

Residents. If your home of record was New Jersey when you entered the service, you remain a New Jersey resident for Income Tax purposes until you establish a permanent home in another state.

You are not considered to be maintaining a *permanent home* outside New Jersey if you are living:

- Off-base receiving a military housing allowance;
- On base;
- In a barracks;
- In government quarters; or
- Aboard a ship.



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However, if you use only your own money (with no government housing allowance) to pay for and maintain an apartment or a home (either owned or rented) outside New Jersey, that residence is considered a *permanent home*. In this case, you are considered a New Jersey nonresident for tax purposes.

Nonresidents. If your home of record is outside New Jersey, you do not become a resident of this state when assigned to a duty station here. You are a nonresident for Income Tax purposes. You will be considered a New Jersey resident only if you establish a permanent home here. See [Income Tax Filing Requirements](#) for information about when you are required to file a New Jersey Income Tax return.

Income Tax Filing Requirements

Your New Jersey filing status must match your federal filing status unless you meet an exception or have a special circumstance.

See [GIT-4, Filing Status](#) for information on the exceptions and special circumstances.

Using the Correct Form

New Jersey has two personal Income Tax returns for individuals: [Form NJ-1040](#) for residents and [Form NJ-1040NR](#) for nonresidents.

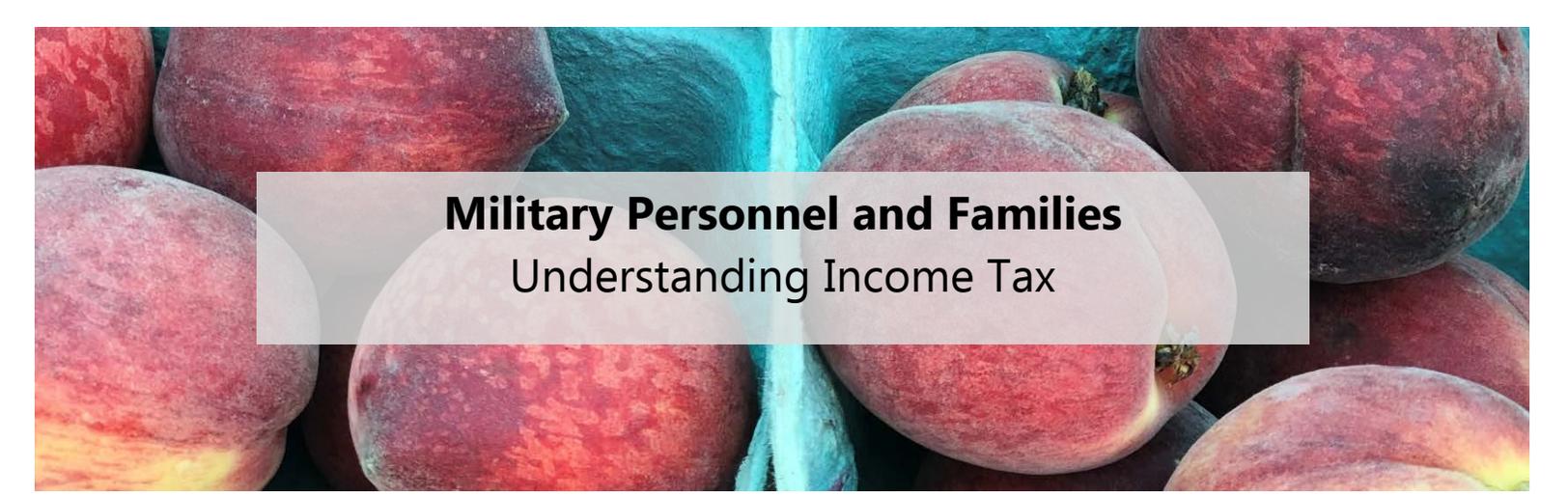
People who lived in New Jersey for part of the year must use either Form NJ-1040, Form NJ-1040NR, or both, depending on your residency status and your sources of income. See the Income Tax return instructions and [GIT-6, Part-Year Residents](#), for information on how to complete a part-year return.

New Jersey Residents

New Jersey residents are subject to tax on all their income, regardless of where the income is earned, unless the income is specifically exempt from tax under New Jersey law. You must report your military pay, including combat pay and cost-of-living allowance, as taxable income on your return. Mustering-out payments, subsistence housing allowances, and [U.S. military pension](#) and [survivor's benefit payments](#) are also exempt.

New Jersey Nonresidents

Nonresidents are taxed only on the income they receive from New Jersey sources. As a nonresident, the military compensation you receive while stationed here – including mustering-out payments, subsistence housing allowances, and [U.S. military pension](#) and [survivor's benefit payments](#) – is not subject to New Jersey Income Tax.



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If you received non-military income from New Jersey sources, you must file [Form NJ-1040NR](#). Your tax is calculated on income from all sources (as if you were a New Jersey resident) and then prorated based on the amount of that income that comes from New Jersey sources.

When completing Form NJ-1040NR, do not include your military pay on the wages line in either Column A (amount of gross income everywhere) or Column B (amount from New Jersey sources). You must file a Form NJ-1040NR if you or your spouse have income from New Jersey sources* *other than your military pay* and your income from all sources is more than \$20,000 (or \$10,000 if your filing status is single or married/CU partner, filing separate return).

Examples of New Jersey source income include, but are not limited to:

- Civilian income you earn from a job while off duty in New Jersey;
- Income or a gain from property located in New Jersey, whether owned by you or your civilian spouse; or
- Income from a business, trade, or profession carried on in this state, whether earned by you or your civilian spouse.

***New Jersey source income does not include** a civilian spouse's wages earned in New Jersey if they qualify as a nonresident under the federal Military Spouses Residency Relief Act. When filing Form NJ-1040NR, the civilian spouse reports New Jersey wage income in Column A (amount of gross income everywhere) but not in Column B (amount from New Jersey sources).

Veteran Exemptions

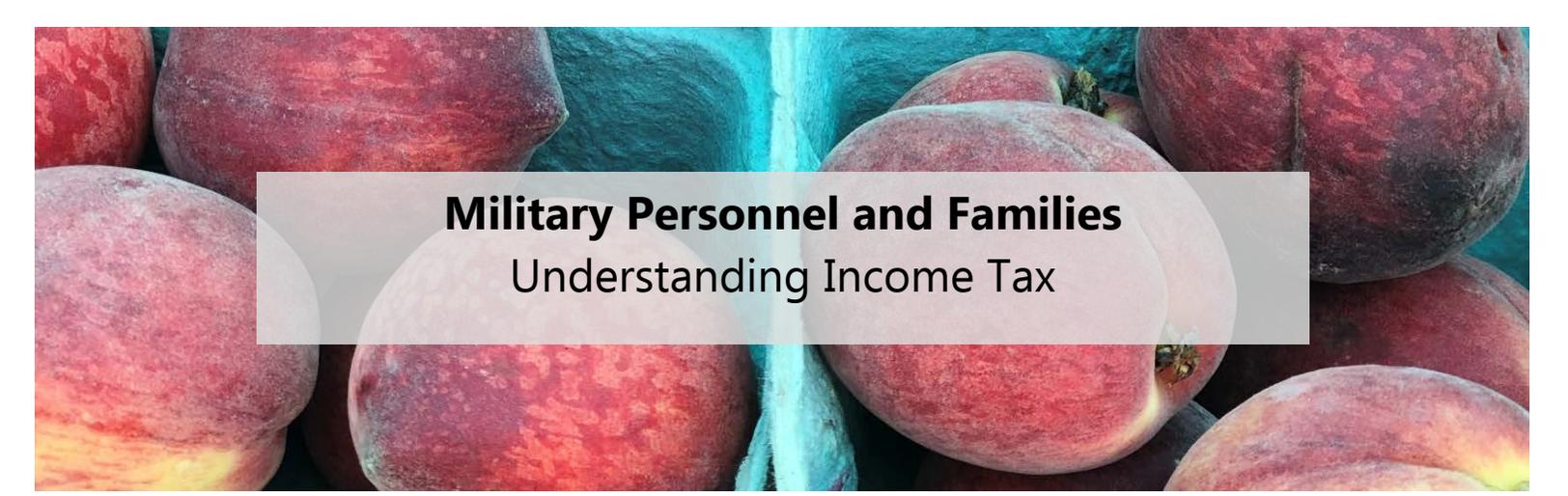
You can claim a \$6,000 exemption if you are a military veteran who was honorably discharged or released under honorable circumstances from active duty any time before the last day of the tax year.

Visit our [website](#) for a list of acceptable documentation showing that you were released under honorable circumstances and ways to submit it.

Wounded Warrior Caregivers Credit

The Wounded Warrior Caregivers Relief Act provides a tax credit to qualified family caregivers who take care of a military service member who has a disability sustained in any war or conflict on or after September 11, 2001.

You are eligible for this credit if you are a resident of New Jersey who provided care for a relative who is a qualifying armed services member. Your gross income must be \$100,000 or less (married, filing jointly; head of household; qualifying widow(er)) or \$50,000 or less (single or married, filing separately).



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Complete [Schedule NJ-WWC](#) to calculate the credit. If two or more people care for the same person, the credit apportioned to them is based on their share of total care expenses for the year. If you claim the credit, you will be asked to provide *copies* of the following:

- Your Schedule NJ-WWC;
- The letter from the Department of Veterans Affairs stating that the qualified armed service member has Individual Unemployability status; and
- Your most recent VA benefit letter.

Part-year residents must use their income for the entire year when determining eligibility.

For information regarding a qualifying relative or a qualifying armed services member, see the [Form NJ-1040 instructions](#).

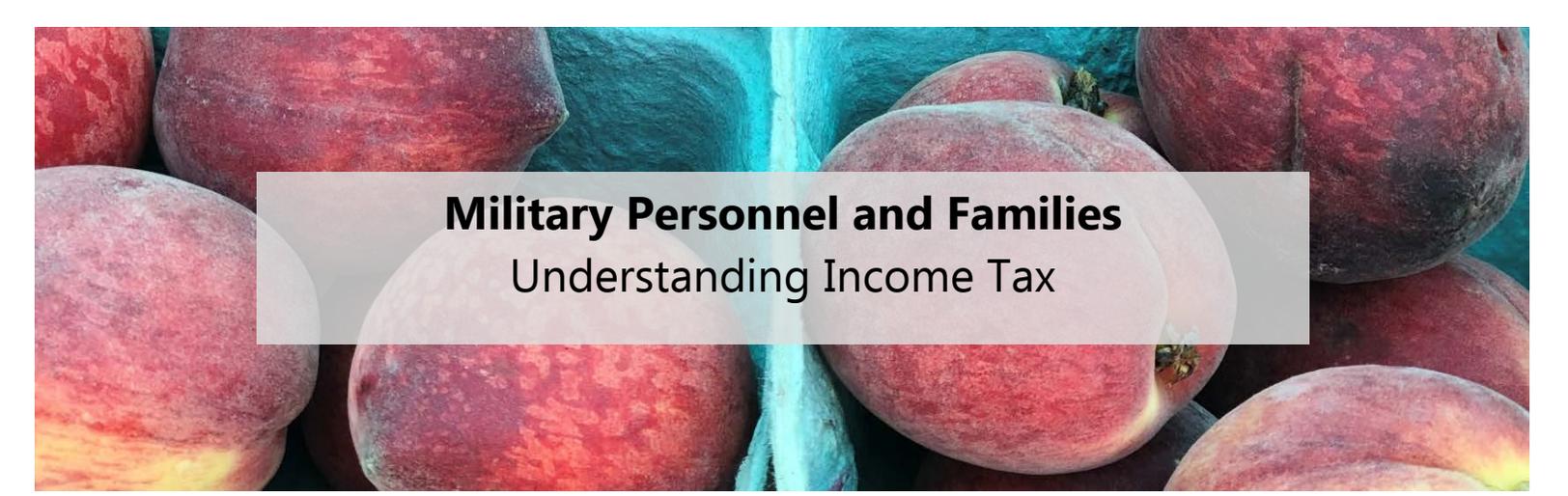
Income Tax Withheld From Military Pay

Your military pay is not subject to New Jersey Income Tax if your domicile was New Jersey when you entered the military, but you changed your state of domicile from New Jersey to some other place, or you satisfied the conditions for [nonresident status](#).

If you meet the conditions for nonresident status, file Form DD-2058-1, State Income Tax Exemption Test Certificate, with *your payroll or finance officer* to stop New Jersey Income Tax from being withheld from your military pay. **Do not file** this certificate with the New Jersey Division of Taxation.

If you are a Native American service member, you must file Form DD-2058-2 with your payroll or finance officer to claim exemption from State Income Tax withholding on your service pay. This form requires you to provide the name of the tribe to which you belong as well as the name of the reservation or location in Indian Country claimed as your primary residence.

If New Jersey Income Tax was withheld from your military pay in error, you must file a nonresident return ([Form NJ-1040NR](#)) to obtain a refund of the tax withheld. The income section of the New Jersey nonresident return has two columns: Column A, income from everywhere, and Column B, income from New Jersey sources.



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If you had no income from New Jersey sources other than your military pay, complete your nonresident return as follows:

- Enter in Column A the amount of your income from everywhere (excluding your military pay);
- Enter zero on the wages line and zero on the gross income line in Column B for the amount of income from New Jersey sources;
- Enter the amount of New Jersey Income Tax withheld on the appropriate line and complete the “overpayment” and “refund” lines;
- Enclose a statement explaining how you satisfied the conditions for nonresident status.

Spouses of Military Personnel

Spouses of military personnel can choose one of three locations as their legal residence: their home state, their military spouse’s home state, or the state where that spouse is stationed for military reasons. Federal law allows spouses of military personnel to choose the same legal residence as the service member for state and local tax purposes. Spouses can make this choice even if they:

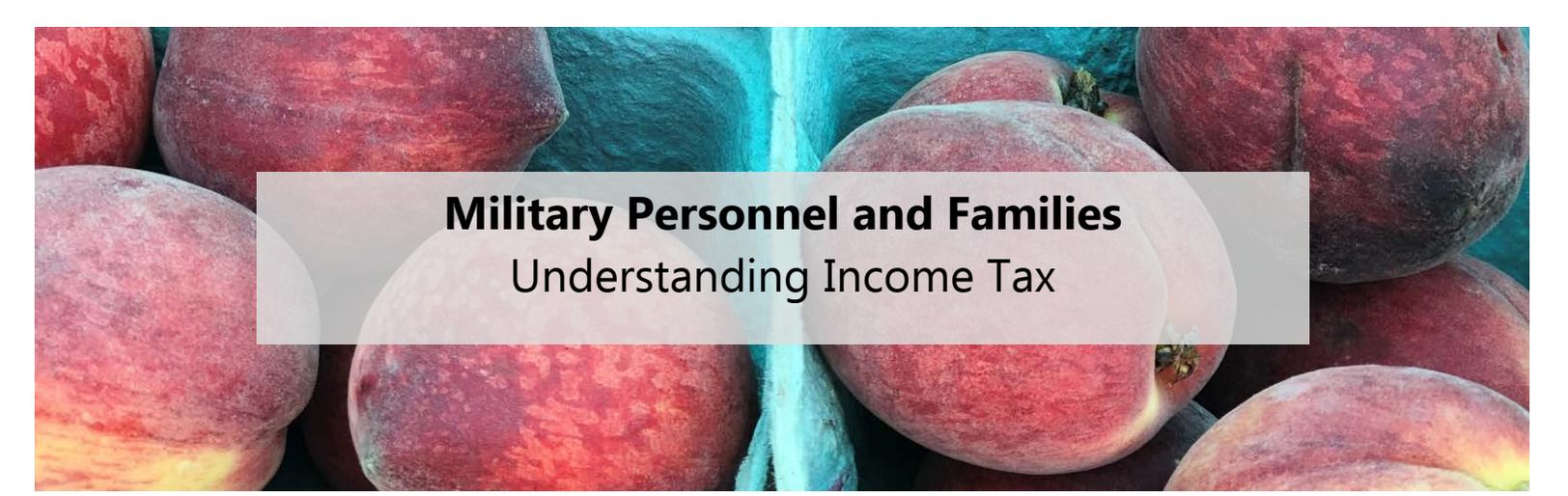
- Never lived in that state; or
- Did not live with the service member spouse during the year.

When a spouse who chooses to be treated as a New Jersey resident had income during the year, they must file a resident return ([Form NJ-1040](#)) and report income from all sources (both inside and outside New Jersey), including wages.

A spouse who lives in New Jersey but chooses to be a nonresident of New Jersey is not subject to New Jersey Income Tax on wages earned in New Jersey. They must file [Form NJ-165](#), Employee’s Certificate of Nonresidence in New Jersey, with their employer to claim an exemption from New Jersey Income Tax.

Nonresident civilian spouses are subject to New Jersey Income Tax on all other types of income from New Jersey sources (e.g., a gain from selling property in New Jersey). See [New Jersey Nonresidents](#) for more information about Income Tax filing requirements.

In addition, wages earned in New Jersey by a spouse who lives outside the state are subject to New Jersey Income Tax. Those wages must be reported as income from New Jersey sources in Column B of Form NJ-1040NR. (A spouse who lives outside New Jersey *cannot use* Form NJ-165 to claim an exemption from New Jersey Income Tax.)



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If your wages are exempt from New Jersey Income Tax under the Military Spouses Residency Relief Act, and you had tax withheld or made estimated payments in error, you must file a nonresident return ([Form NJ-1040NR](#)) to get a refund. The income section of the New Jersey nonresident return has two columns: Column A, income from everywhere, and Column B, income from New Jersey sources.

If you and your military spouse file a joint return and had no income from New Jersey sources other than your own New Jersey wages, complete your nonresident return as follows:

- Enter in Column A the amount of your income from everywhere (if filing a joint return, do not include your spouse's military pay);
- Enter zero on the wages line and zero on the gross income line in Column B for the amount of income from New Jersey sources;
- Enter the amount of New Jersey Income Tax withheld or estimated payments made on the appropriate lines. Complete the "overpayment" and "refund" lines;
- If filing a paper return, enclose a *statement of explanation*, written by you, that references the Military Spouses Residency Relief Act along with a copy of your spousal military identification card. Print "Military Spouse" at the top of the return.

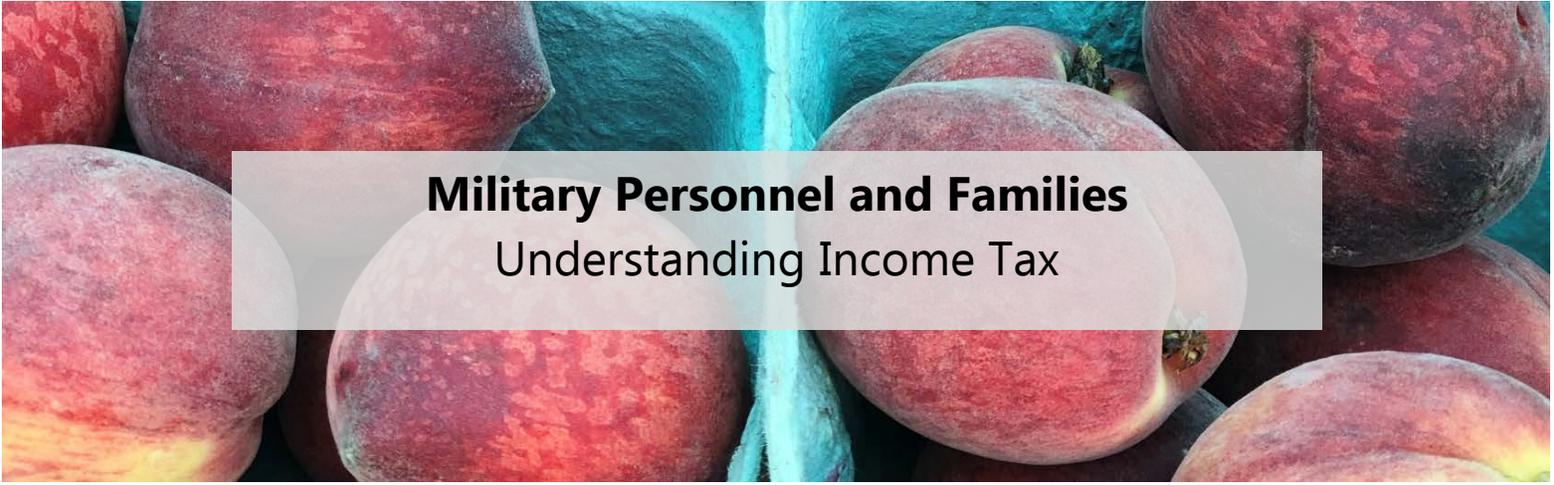
Extensions of Time to File

Special rules apply to members of the Armed Forces of the United States and civilians providing support to the Armed Forces.

We will retroactively grant a six-month extension if you are on active duty with the Armed Forces of the United States and cannot file on time because of distance, injury, or hospitalization as a result of your service. You must enclose an explanation when filing your return. Otherwise, the [normal rules](#) apply.

Combat Zone Extension

New Jersey allows extensions of time to file Income Tax returns and pay any tax due for people serving in combat zones. You must be a member of the Armed Forces or a civilian providing support to the Armed Forces serving in an area that has been declared a "combat zone" by executive order of the President of the United States or a "qualified hazardous duty area" by federal statute. Once you leave the combat zone or qualified hazardous duty area, you have 180 days to file your New Jersey tax return and pay any tax due.



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In addition, if you are hospitalized outside New Jersey as a result of injuries you received while serving in a combat zone or qualified hazardous duty area, the deadline is extended for 180 days from the last day of continuous hospitalization outside New Jersey.

If, while serving in a combat zone or qualified hazardous duty area, you become a prisoner of war or are officially declared to be “missing in action,” you are considered to be serving in the combat zone or qualified hazardous duty area as long as you retain that status for military purposes.

Enclose a statement of explanation with your return when you file. We will not assess interest or penalties during a valid extension for service in a combat zone or qualified hazardous duty area. This extension also applies to a taxpayer’s spouse who files a joint return.

Death Related to Duty

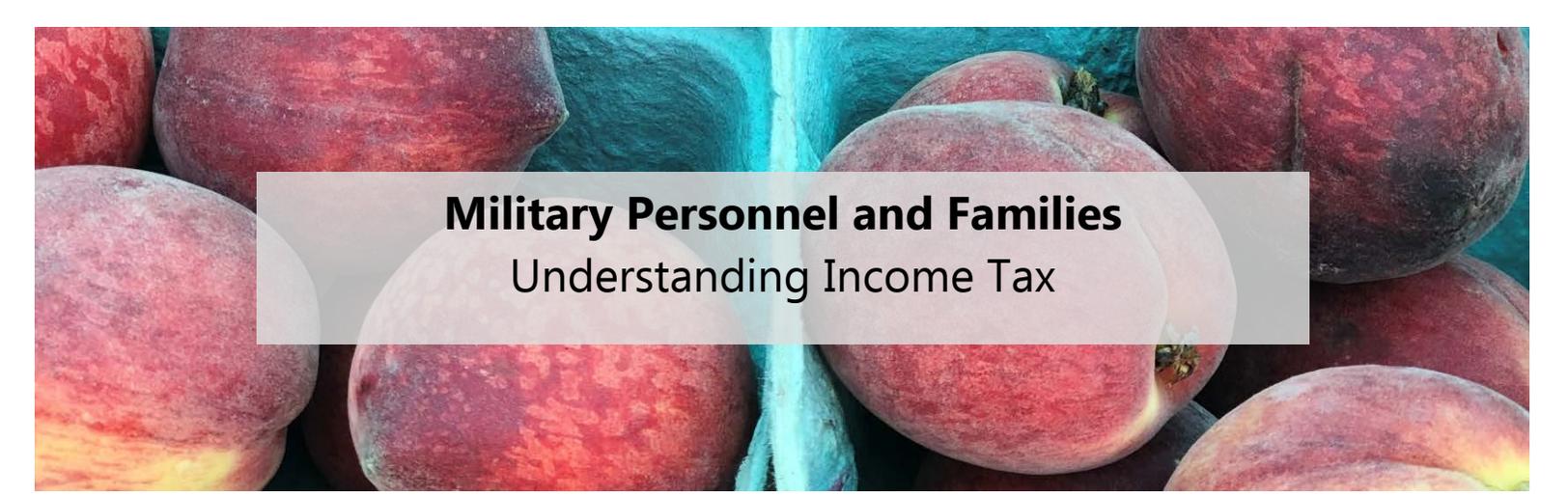
Unfortunately, there are times when service members die in a combat zone or qualified hazardous duty area as a result of wounds, disease, or injuries received there. We will not assess Income Tax for the tax year the death occurred, nor for previous years during which the member served in the combat zone or qualified hazardous duty area. The decedent’s estate does not have to file Income Tax returns for those years.

The estate also can receive a tax benefit if the deceased paid any tax (such as withholdings, estimated payments, or had a credit from a prior year) while serving in the combat zone or qualified hazardous duty area. The estate can file a tax return for a refund of the full amount of the tax paid. We also will cancel any assessments of unpaid tax.

Pensions

New Jersey **does not tax** U.S. military pension and survivor’s benefit payments, most of which are issued by the U.S. Defense Finance and Accounting Service. Military pensions are those resulting from service in the U.S. Army, Navy, Air Force, Marine Corps, or Coast Guard. Do not report your military pension or survivor’s benefit on your New Jersey Income Tax return. New Jersey **does tax** federal civil service pensions or annuities issued by the U.S. Office of Personnel Management even if the pension or annuity is based on credit for military service. You must report your civil service pension or annuity on your New Jersey Income Tax return.

See [GIT-1&2](#), *Retirement Income* for information on how to report pension income – other than exempt military pension income – on your Income Tax return.



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Disability Payments

New Jersey does not tax total and permanent disability income if you are considered disabled under the federal Social Security Act. To qualify, you must be receiving a U.S. military disability pension or survivor's benefit payments, or U.S. Department of Veterans Affairs Disability Compensation. **Do not** report these payments on your New Jersey Income Tax return.

Surviving Spouse Benefits

When military retirees accept a reduced U.S. military pension as a result of joining the Survivors' Benefit Plan, the reduced pension amount they receive is *not* taxable for New Jersey Income Tax purposes regardless of the recipient's age or disability status. After the military retiree's death, the amount paid to the surviving beneficiary also is *not* taxable as pension income.

See [GIT-1&2](#), *Retirement Income*, for information on the benefits New Jersey provides for those who are 62 or older or disabled, and who are receiving pension income.

Homestead Benefit Program

(All property tax relief program information, including information regarding the Homestead Benefit Program, is subject to change. View current [Homestead Benefit Program Information](#).)

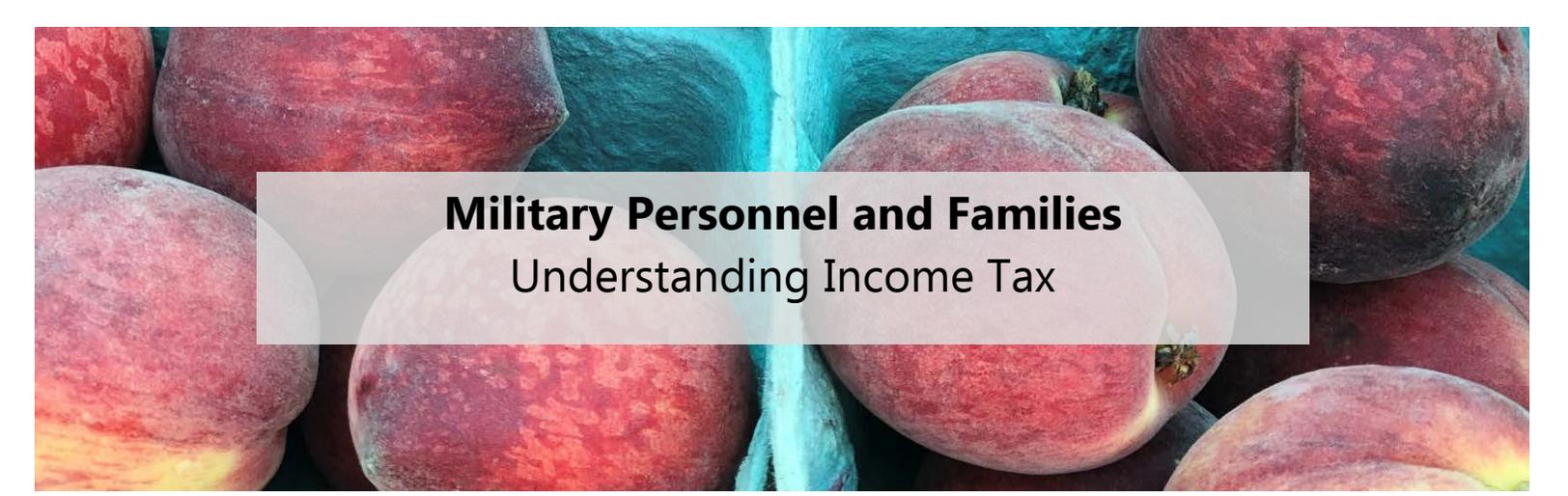
The Homestead Benefit Program provides benefits for homeowners who owned and occupied their principal residence in New Jersey on October 1 of the eligible tax year, paid property taxes on that dwelling, and whose income for the entire year does not exceed certain limits, *including* military pay.

Nonresidents

Members of the Armed Forces and their spouses whose home of record (and domicile) is *outside New Jersey* are not eligible for the Homestead Benefit even if they own a home in this state. You must be domiciled in New Jersey to be eligible for a Homestead Benefit. *(Refer to the residency definitions on page 2.)* However, the spouse of a nonresident serviceperson may be eligible for a Homestead Benefit if the spouse's domicile is New Jersey and they meet all the other qualifications.

Residents

(Benefit amounts and qualifications for eligibility are subject to restrictions due to State budgetary constraints. View current [information for homeowners](#).)



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Residing outside New Jersey. Members of the Armed Forces may be eligible for a Homestead Benefit under certain conditions: if their home of record (and domicile) is New Jersey; they remain a New Jersey resident; and they own a home in New Jersey that was their principal residence on October 1 of the eligible tax year. Eligibility also depends on the use of the residence during your period of absence from New Jersey.

- If you leave your home vacant and continue to pay property taxes during your tour of duty outside New Jersey, you can receive a Homestead Benefit if the New Jersey home was your principal residence on October 1 of the eligible tax year.
- You also are eligible for a Homestead Benefit if your family remains in the dwelling during your tour of duty outside New Jersey and the home was your principal residence on October 1 of the eligible tax year.
- If the property was rented to others on October 1 of the eligible tax year, you cannot receive a Homestead Benefit. If the home is not available to you and your family for occupancy on that date, it is not considered your principal residence for purposes of the Homestead Benefit, even though New Jersey remains your domicile.

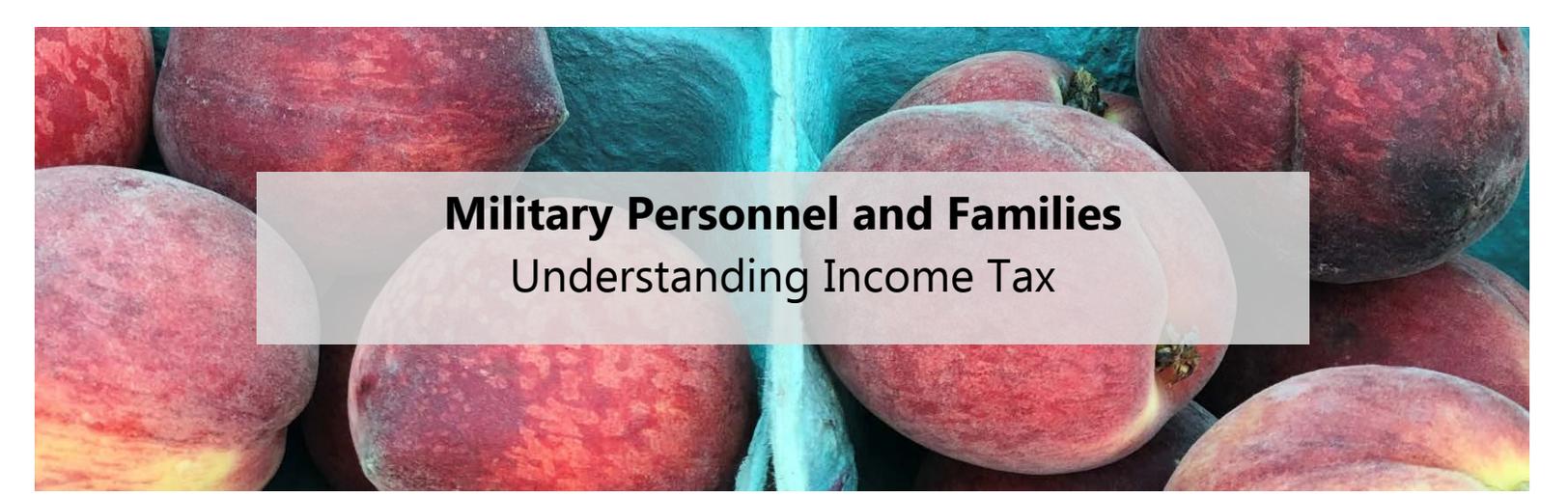
Property Tax Benefits for Veterans

Veteran Deduction

Many New Jersey resident veterans, and surviving spouses/domestic partners, are eligible for an annual \$250 property tax deduction. To qualify, they must be honorably discharged with active wartime service or service in peacekeeping missions or operations in the U.S. Armed Forces. Surviving spouses/domestic partners of service members who died while on active duty are also eligible. The Veteran Deduction does not have an income limit.

If both spouses/domestic partners are veterans, both can claim a deduction. A veteran who is the surviving spouse/domestic partner of a veteran can claim a deduction for each status. A veteran can claim both a veteran's deduction and any other deduction in the same year in addition to any of the State's other property tax relief program benefits provided by law.

To apply for the Veteran Deduction, contact your local tax assessor or collector.



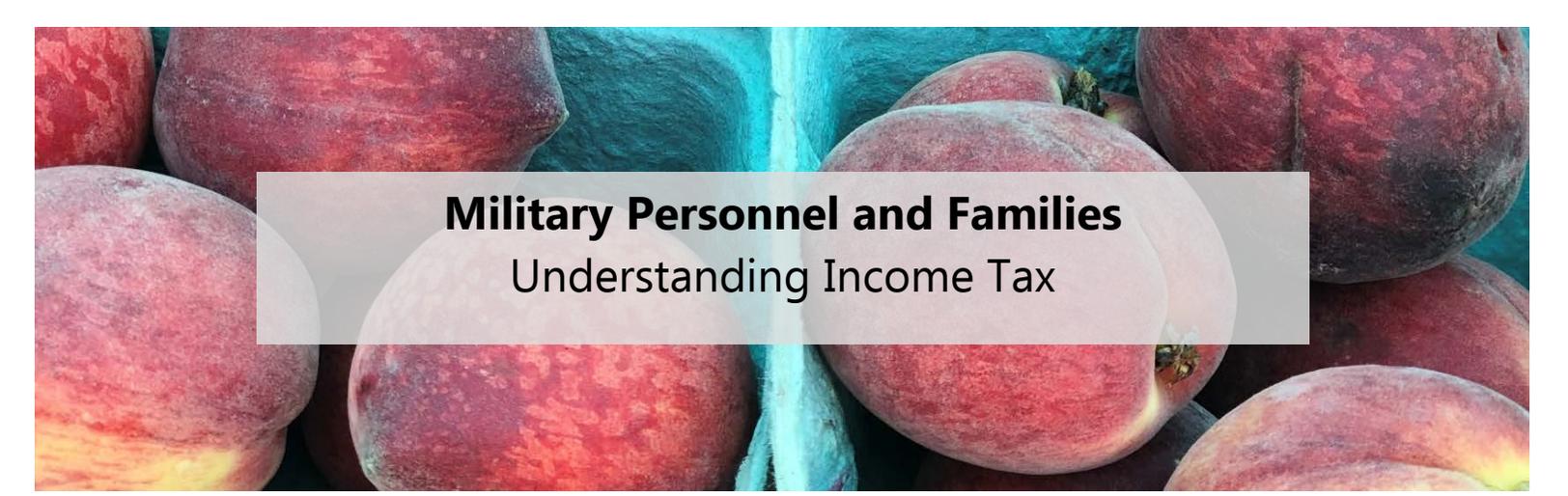
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Disabled Veteran Exemption

To qualify for a property tax exemption as a disabled veteran, you must be honorably discharged with active wartime service or service in peacekeeping missions or operations in the U.S. Armed Forces and be certified by the U.S. Department of Veterans Affairs as having wartime service-connected total or 100% permanent disability. Totally and permanently disabled veterans who meet this criteria, as well as their surviving spouses/domestic partners, are eligible for exemption from property taxes on their principal residence and the lot or curtilage (the land immediately surrounding the residence). The surviving spouses/domestic partners of service members who died while on active duty are also eligible.

You must be the full owner of and a permanent resident in the residence for which the exemption is claimed and you must be a legal resident or domiciled in New Jersey. If you are a surviving spouse/domestic partner of a disabled veteran who met all of the eligibility requirements, you must not have remarried or entered into a new civil union or a new registered domestic partnership. You also must be a New Jersey resident, and you must be the owner-occupant of the claimed residence.

To apply for the disabled Veteran Exemption, contact your local tax assessor.



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[Visit](#) a Regional Information Center;

[Call](#) 609-292-6400;

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The forms and amounts referred to in this Bulletin are those for Tax Year 2019. This document is designed to provide guidance to taxpayers and is accurate as of the date issued. Visit our website for [prior year publications](#).

Any reference in this publication to a spouse also refers to a spouse who entered into a valid same-sex marriage in another state or foreign nation and a partner in a [civil union \(CU\)](#) recognized under New Jersey law.