

IT-NR

Inheritance Tax
Non-Resident Return
(8-10)



Transfer Inheritance Tax Non-Resident Decedent

New Jersey Division of Taxation
Inheritance and Estate Tax
PO Box 249
Trenton, New Jersey 08695-0249

(609) 292-5033

www.state.nj.us/treasury/taxation

Do not file this form if you are a surviving spouse or a surviving civil union partner, and the New Jersey real property was owned by you and the decedent as tenants by the entirety. An Inheritance tax waiver is not necessary and will not be issued.

Situations where a Non-Resident Inheritance Tax Return must be filed:

1. Non-resident decedent died owning an interest in New Jersey real estate.
2. Non-resident decedent died owning tangible personal property located in New Jersey.

Note: Please read items 2 and 3 below for exceptions.

Situations where a Non-Resident Inheritance Tax Return is not required to be filed:

1. If a non-resident decedent died owning only intangible personal property in New Jersey such as bank accounts, stock, etc and did not own any real estate or tangible personal property in New Jersey, no forms are required to be filed. There is no New Jersey Inheritance Tax. See Question 28 of New Jersey Non-Resident Inheritance Tax frequently asked questions on the Division's website for information on how to close a New Jersey bank account or sell New Jersey stock without a waiver.
2. If a non-resident decedent died owning only New Jersey real estate held as tenants by the entirety between husband and wife or civil union couple (for dates of death after February 18, 2007) and the spouse or civil union partner survived the decedent there is no Inheritance Tax and it is not necessary to file any forms. A tax waiver is not required for real property held as tenants by the entirety.
3. If the entire estate both inside of New Jersey and outside of New Jersey is being inherited by Class "A" beneficiaries, the most common of which are spouse, children, grandchildren (see page 2 for a complete list of Class "A" beneficiaries), there is no need to file the Non-Resident Inheritance Tax Return. Since an Inheritance Tax waiver is needed for the New Jersey real estate, Form L9-NR should be filed to obtain said waiver.

**New Jersey Non-Resident Inheritance Tax Most Frequently Asked Questions can be found on the Division's Website
@ <http://www.state.nj.us/treasury/taxation/prntinh.shtml>**

There is no New Jersey Estate Tax for the estates of non-resident decedents.

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**Completed New Jersey Non-Resident Inheritance Tax Returns
and Worksheets can be found on the Division's Website
@ <http://www.state.nj.us/treasury/taxation/prntinh.shtml>**

INTRODUCTION
NEW JERSEY TRANSFER INHERITANCE TAX - ESTATE TAX

GENERAL

New Jersey has had a Transfer Inheritance Tax since 1892 when a 5% tax was imposed on property transferred from a decedent to a beneficiary. Currently, the law imposes a graduated Transfer Inheritance Tax ranging from 11% to 16% on the transfer of real and personal property with a value of \$500.00 or more to certain beneficiaries. **There is no New Jersey Estate Tax for the estates of non-resident decedents.**

BENEFICIARY CLASSES

The Transfer Inheritance Tax recognizes five beneficiary classes, as follows:

Class "A" - Father, mother, grandparents, spouse/civil union partner (on or after 2/19/07), domestic partner (on or after 7/10/04), child or children of the decedent, adopted child or children of the decedent, issue of any child or legally adopted child of the decedent and step-child but not step-grandchild of the decedent.

Class "B" - Eliminated by statute effective July 1, 1963.

Class "C" - Brother or sister of the decedent, including half brother and half sister, wife/civil union partner (on or after 2/19/07) or widow/surviving civil union partner (on or after 2/19/07) of a son of the decedent, or husband/civil union partner (on or after 2/19/07) or widower/surviving civil union partner (on or after 2/19/07) of a daughter of the decedent.

Class "D" - Every other transferee, distributee or beneficiary who is not included in Classes "A", "C" or "E".

Class "E" - The State of New Jersey or any political subdivision thereof, or any educational institution, church, hospital, orphan asylum, public library or Bible and tract society or to, for the use of or in trust for religious, charitable, benevolent, scientific, literary or educational purposes, including any institution instructing the blind in the use of dogs as guides, no part of the net earnings of which inures to the benefit of any private stockholder or other individual or corporation; provided, that the exemption does not extend to transfers of property to such educational institutions and organizations of other states, the District of Columbia, territories and foreign countries which do not grant an equal, and like exemption on transfers of property for the benefit of such institutions and organizations of this State.

NOTES: If any beneficiary is claimed to be the mutually acknowledged child of the decedent, said claim should be set forth in the detailed manner prescribed under N.J.A.C. 18:26-2.6.

For the purposes of the New Jersey Transfer Inheritance Tax an adopted child is accorded the same status as a natural child and, therefore, his relations are treated in the same manner as those of a natural child. (i.e. if the decedent's adopted son marries/enters into a civil union, his spouse/civil union partner is "the wife/civil union partner of a son of the decedent" and therefore a class "C" beneficiary).

The offspring of a biological parent conceived by the artificial insemination of that parent who is a partner in a civil union is presumed to be the child of the non-biological partner. In the Matter of the Parentage of the Child of Kimberly Robinson, 383 N.J. Super. 165; 890 A.2d 1036 (Ch. Div. 2005) (Non-biological parent of New York registered domestic partnership recognized in New Jersey, presumed to be the biological parent of child conceived by the other partner through artificial insemination where the non-biological partner has "show[n] indicia of commitment to be a spouse and to be a parent to the child.").

A devise of real property to a husband and wife or civil union couple as "tenants by the entirety" provides each with a vested life estate, the remainder being contingent. See N.J.A.C. 18:26-8.12.

The issue of stepchildren ARE Class "D" (NOT Class "A") beneficiaries.

The following ARE Class "D" (NOT Class "C") beneficiaries: stepbrother or stepsister of the decedent, husband/wife/civil union partner/domestic partner or widow/widower/surviving civil union partner/surviving domestic partner of a step-child or mutually acknowledged child of the decedent.

The fact that a beneficiary may be considered "nonprofit" by the Internal Revenue Service does not necessarily mean that it qualifies for exemption as a Class "E" beneficiary since the criteria are different.

TAX RATES

Each class of beneficiary has its own separate tax rate. See the Rate Schedule below:

CLASS "A" AND "E" BENEFICIARIES AND TRANSFEREES ARE ENTIRELY EXEMPT

CLASS "C" BENEFICIARIES AND TRANSFEREES

First	\$ 25,000	Exempt
Next	1,075,000	11%
Next	300,000	13%
Next	300,000	14%
Over	1,700,000	16%

CLASS "D" BENEFICIARIES AND TRANSFEREES

First	\$ 700,000	15%
Over	700,000	16%

EXEMPTIONS

1. The transfer of real property in this State held by a husband and wife/civil union couple as "tenants by the entirety" to the surviving spouse/civil union partner is not taxable for New Jersey Inheritance Tax purposes.
2. The transfer of intangible personal property such as stocks, bonds, corporate securities, bank deposits and mortgages owned by a nonresident decedent is not subject to the New Jersey Inheritance Tax. However, it is used to compute the New Jersey resident tax on the appropriate worksheet.
3. Any sum recovered under the New Jersey Death Act as compensation for wrongful death of a decedent is not subject to the New Jersey Inheritance Tax except as provided below:
 - a. Any sum recovered under the New Jersey Death Act representing damages sustained by a decedent between the date of injury and date of death, such as the expenses of care, nursing, medical attendance, hospital and other charges incident to the injury, including loss of earnings

and pain and suffering are to be included in the decedent's estate.

- b. Where an action is instituted under the New Jersey Death Act and terminates through the settlement by a compromise payment without designating the amount to be paid under each count, the amount which must be included in the inheritance tax return is an amount, to the extent recovered, which is equal to specific expenses related to the injury. These expenses are similar to those mentioned in section a. above and include funeral expenses, hospitalization and medical expenses, and other expenses incident to the injury. Any amount which is recovered in excess of these expenses is considered to be exempt from the tax.
4. The proceeds of any contract of insurance insuring the life of a resident or nonresident decedent paid or payable, by reason of the death of such decedent, to one or more named beneficiaries other than the estate, executor or administrator of such decedent are exempt for New Jersey Inheritance Tax purposes.
5. The transfer of property to a beneficiary or beneficiaries of a trust created during the lifetime of a resident or nonresident decedent, to the extent such property results from the proceeds of any contract of insurance, insuring the life of such decedent and paid or payable to a trustee or trustees of such by reason of the death of such decedent, is exempt from the New Jersey Inheritance Tax irrespective of whether such beneficiary or beneficiaries have a present, future, vested, contingent or defeasible interest in such trust.
6. The transfer of life insurance proceeds insuring the life of a resident or nonresident decedent, paid or payable by reason of the death of such decedent to a trustee or trustees of a trust created by such decedent during his lifetime for the benefit of one or more beneficiaries irrespective of whether such beneficiaries have a present, future, vested, contingent or defeasible interest in such trust, is exempt from the New Jersey Inheritance Tax.
7. The transfer, relinquishment, surrender or exercise at any time or times by a resident or nonresident of this State, of any right to nominate or change the beneficiary or beneficiaries of any contract of insurance insuring the life of such resident or nonresident, regardless of when such transfer, relinquishment, surrender or exercise of such right occurred, is exempt from the tax.
8. Any amount recovered (under the Federal Liability for Injuries to Employees Act) for injuries to a decedent by the personal representative for the benefit of the classes of beneficiaries designated in that Statute, whether for the pecuniary loss sustained by such beneficiaries as a result of the wrongful death of the decedent or for the loss and suffering by the decedent while he lived, or both is not subject to the Inheritance Tax.

Any amount recovered by the legal representatives of any decedent by reason of any war risk insurance certificate or policy, either term or converted, or any adjusted service certificate issued by the United States, whether received directly from the United States or through any intervening estate or estates, is exempt from the New Jersey Inheritance Tax.

This exemption does not entitle any person to a refund of any tax heretofore paid on the transfer of property of the nature aforementioned; and does not extend to that part of the estate of

any decedent composed of property, when such property was received by the decedent before death.

9. The proceeds of any pension, annuity, retirement allowance, return of contributions or benefit payable by the Government of the United States pursuant to the Civil Service Retirement Act, Retired Serviceman's Family Protection Plan and the Survivor Benefit Plan to a beneficiary or beneficiaries other than the estate or the executor or administrator of a decedent are exempt.
10. All payments at death under the Teachers Pension and Annuity Fund, the Public Employees' Retirement System for New Jersey, and the Police and Firemen's Retirement System of New Jersey, and such other State, county and municipal systems as may have a tax exemption clause as broad as that of the three major State systems aforementioned, whether such payments either before or after retirement are made on death to the employee's estate or to his specifically designated beneficiary, are exempt from the New Jersey Inheritance Tax.

The benefit payable under the supplementary annuity plan of the State of New Jersey is not considered a benefit of the Public Employee's Retirement System and is taxable whether paid to a designated beneficiary or to the estate.

The death benefits paid by the Social Security Administration or railroad Retirement Board to the spouse of a decedent are also exempt. For purposes of filing a return these amounts need not be reported nor are they to be deducted from the amount claimed as a deduction for funeral expenses.

In all other cases the death benefit involved should either be reported as an asset of the estate or deducted from the amount claimed for funeral expenses.

11. Other pensions. An exemption is provided for payments from any pension, annuity, retirement allowance or return of contributions, which is a direct result of the decedent's employment under a qualified plan as defined by section 401(a), (b), and (c) or 2039(c) of the Internal Revenue Code, which is payable to a surviving spouse or domestic partner.
12. The amount payable by reason of medical expenses incurred as a result of personal injury to the decedent should be reflected by reducing the amount claimed for medical expenses as a result of the accident.

The amount payable at the death of an income producer as a result of injuries sustained in an accident, which are paid to the estate of the income producer, is reportable for taxation. In all other instances this amount is exempt.

The amount paid at death to any person under the essential services benefits section is exempt from taxation.

The claim for funeral expense is to be reduced by the amount paid under the funeral expenses benefits section of the law.

WHERE TO FILE

All returns should be sent to: New Jersey Division of Taxation, Inheritance and Estate Tax, PO Box 249, Trenton, New Jersey 08695-0249.

WHEN TAX RETURNS ARE DUE

A Transfer Inheritance Tax Return must be filed and the tax paid on the transfer of real and personal property within eight months after the death of a nonresident decedent. No tax is imposed on non-resident decedents for real and tangible personal property located outside of New Jersey and intangible personal property wherever situated. However, even though these items are not taxed they are used in the formula for computing the nonresident tax (see the "N.J. Resident Tax" line on each tax computation worksheet).

The tax is a lien on all New Jersey real property for fifteen years unless paid sooner or secured by an acceptable bond. Interest accrues on unpaid taxes at the rate of 10% per annum.

WAIVERS

A waiver is required for New Jersey real estate owned by a nonresident decedent except if the real estate is owned by a husband and wife/civil union couple as "tenants by the entirety".

A membership certificate or stock in a cooperative housing corporation is considered intangible personal property and, therefore, is not subject to tax or waiver requirements in the estate of a non-resident decedent.

Waivers are not required for automobiles, bank accounts, stocks, household goods, personal effects, accrued wages or mortgages, but these items must be reported in the return filed.

AMENDMENT TO ORIGINAL RETURN

Any assets and/or liabilities not originally disclosed in the original return may be filed by notarized letter and submitted to the Branch. The letter should include a detailed description of the asset that is now being reported or verification of a claim that is now being made. Also advise the reason that the item was not reported in the original return.

ESTATE TAX

There is no New Jersey Estate Tax for the estate of non-resident decedents.

METHODS OF FILING

Four methods may be used to compute the Inheritance Tax on the New Jersey Non-Resident Return. An election once made may not be changed and is irrevocable.

- **METHOD 1 – SIMPLIFIED TAX COMPUTATION**
- **METHOD 2 - RATIO TAX USING NET ESTATE**
- **METHOD 3 - RATIO TAX USING GROSS ESTATE**
- **METHOD 4 - DIRECT TAX ON SPECIFIC DEVISE, JOINTLY OWNED AND TRANSFERS OF NEW JERSEY REAL AND TANGIBLE PERSONAL PROPERTY**

- **METHOD 1 – SIMPLIFIED TAX COMPUTATION**

This is an optional method. It can be used instead of any of the above methods. Method 1 requires the least amount of paperwork. Page 1 of the Inheritance Tax Return and the appropriate schedule are the only items required to be completed. The tax is computed by multiplying the total of the New Jersey assets by a 15% tax rate. Complete only the schedule which applies to the asset being reported and answer the first 4 questions of Schedule “E”.

Use worksheet 1. See example on pages 14 and 16.

In the event all beneficiaries are Class “A” (see page 2 for a list of Class “A” beneficiaries) Form L9-NR should be used as Class “A” beneficiaries are not subject to tax.

- **METHOD 2 - RATIO TAX USING NET ESTATE**

This method requires that all of the decedent’s assets be reported on the various schedules. This includes assets in New Jersey as well as those located in other states or countries. A deduction is permitted for all qualified debts and expenses of the estate (see back of Schedule “C” for allowable deductions). A tax is first computed on the entire net estate. The tax due New Jersey is then determined by multiplying the tax so computed by a fraction the numerator of which is the adjusted value of the New Jersey property and the denominator of which is the adjusted value of the entire net estate. This method requires that all of the schedules be completed (Schedules A – F).

Use worksheet 2. See example on pages 14 and 17.

➤ **METHOD 3 - RATIO TAX USING GROSS ESTATE (FLAT TAX METHOD)**

This method of filing is easier and quicker than Method 2 since it requires that only a total number be given for the decedent's assets wherever located. All assets do not need to be listed on the various schedules as required under Method 2. Mortgage or liens due as of the decedent's date of death are the only allowable deductions. Only page 1 and Schedules A, E, F and sometimes B (1) are required to be completed. Minimal information is reported on each. The tax computed using this method will in a large number of instances approximate the tax computed under Method 2. **THIS METHOD REQUIRES THE ENTRY OF THE TOTAL ESTATE EVERYWHERE ON PAGE 1, LINES 5 AND 9 BEFORE COMPLETING THE WORKSHEET.**

Use worksheet 3. See example on pages 14 and 18.

Note: The filing of a separate flat tax affidavit is not required since the requirements for filing same are met by completing Page 1 and Schedules A,E,F and B(1) of Form IT-NR.

➤ **METHOD 4 - DIRECT TAX – SPECIFIC DEVISE, JOINTLY OWNED AND TRANSFERS OF NEW JERSEY REAL AND TANGIBLE PERSONAL PROPERTY**

This method must be used if any of the following situations apply:

- A. When real estate or tangible personal property located in New Jersey is specifically devised by the decedent's Last Will and Testament or Trust Instrument. This includes the right to use the property for life (life estate). A specific devise is a devise of specifically identified property such as "my home at 4 Tioga Street, Maplewood, New Jersey".
- B. When the New Jersey real estate or tangible personal property is held or registered in the name of the decedent and another individual as Joint Tenants with the Right of Survivorship.
- C. When the real estate or tangible personal property located in New Jersey is transferred during the 3 year period prior to the decedent's date of death and the decedent did not receive the total (actual) fair market value of the property in money or money's worth, or when the New Jersey real or tangible personal property is transferred but the decedent retained a right in the property for his/her lifetime.

Examples of tangible personal property are household furniture, automobiles, boats, artwork, jewelry and other items located in New Jersey either permanently or for an indefinite period of time.

This method only requires the filing of page 1 and Schedule A and F and sometimes Schedule B (1) and E.

Use worksheet 4. See example on pages 14 and 19.

SEE PAGES 14 THRU 19 FOR EXAMPLES OF THE ABOVE METHODS.

IMPORTANT REMINDERS

ITEMS TO SUBMIT WITH THE RETURN

- A. If you are filing a return using Method 1, submit items 1, 2, and 6, 7 (if appropriate).
 - B. If you are filing a return using Method 4, submit items 1, 2, 3, 6 and 7 (if appropriate).
 - C. If you are filing a return using Method 2 or 3, submit all of the items listed.
 - D. If you have more than one New Jersey taxable asset and are filing a return using either Method 4 or 1, submit items 1, 2, 3, 6 and 7 (if appropriate). If using a combination of Methods 4 or 1 along with Methods 2 or 3, submit all of the items on the list.
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- 1. If the decedent died testate you must submit a legible copy of the Last Will and Testament, all codicils thereto and any separate writings.
 - 2. Copy of the decedent's death certificate.
 - 3. Copies of all trust agreements created by the decedent.
 - 4. Copy of the decedent's last full year's federal income tax return.
 - 5. Copy of letters testamentary or of administration.
 - 6. Copy of Form Hud-1 (closing statement) if the New Jersey real estate was sold after the decedent's death.
 - 7. Copy of the deed to the New Jersey real estate, but only if the real estate was held in the names of the decedent with others or transferred to another within 3 years prior to decedent's date of death.

PAYMENTS ON ACCOUNT

- 1. Payments on account may be made to avoid the accrual of interest. Form IT-EP is used for this purpose. It may be found on Taxation's website.
- 2. It is suggested that payments be made by certified check to avoid a possible delay in the issuance of waivers.
- 3. All checks should be made payable to New Jersey Inheritance Tax and sent to New Jersey Division of Taxation, Inheritance and Estate Tax, 50 Barrack Street, PO Box 249, Trenton, NJ, 08695-0249.

Note: All returns and forms must be signed, notarized and contain the decedent's social security number. All correspondence must contain the decedent's name and social security number.

INSTRUCTIONS FOR IT-NR PAGE 1

Lines 8, 12 and 13

In the case of a transfer or transfers made subject to a contingency or condition which renders a definite determination of the Transfer Inheritance Tax due impossible, the Division will suggest a compromise of the tax based upon immediate payment and final disposition of the tax. N.J.A.C. 18:26-2.14, N.J.S.A. 54:36-6 AND 54:36-5.

Therefore, enter on Line 8, the amount of the estate that is "Contingent".

In the event you wish to compute a compromise for the Division's review, you should include a rider setting forth full computations and details and enter the proposed amount on Line 12. Following this procedure may speed the auditing of the decedent's return.

Be advised that where all or any portion of the contingent amount has vested in a beneficiary by reason of the happening of any contingency event, full details should be set forth on a rider, the tax computed on a rider and entered on Line 13.

Line 15

Interest accrues at the rate of 10% per annum on any tax due or portion thereof not paid within eight months of the decedent's death.

With respect to the payment of the tax due on an executory devise, or a transfer subject to a contingency or power of appointment, any payment on such a transfer after the expiration of two months from the date the contingency occurs or the property vests, shall bear interest at the rate of 10% per annum.

In any case where a contingent remainder vests in beneficial possession and enjoyment subsequent to the death of the original decedent, but prior to the expiration of the statutory interest period, interest on the contingent tax does not start to accrue until eight months from the date of death of the original decedent.

Line 17

Payments on account may be made at any time to avoid further accrual of interest on the amount so paid. Any overpayment will be refunded upon determination of the amount actually payable provided that such determination is made within three years of the date of the actual payment. Make checks payable to: NJ Inheritance and Estate Tax, PO Box 249, Trenton, NJ 08695-0249.

Line 18

When making a payment with the return, complete form NR-PMT and attach check.

Examples of Interest Computations

Date of Death 5-28-90
 Interest Date (eight months) 1-28-91

Tax Assessed	\$7,120.48
Interest @ 10% per annum from 1-28-91 to 9-19-91 (\$7,120.48 x 10% x 234/365)	456.49
Total	7,576.97
Payment on Account (9-19-91)	(7,120.48)
Balance Due (plus interest @ 10% per annum from 9-19-91 to date of final payment)	456.49

Date of Death 8-29-90
 Interest Date (eight months) 4-29-91

Tax Assessed	\$68,389.70
Payment on Account (4-19-91)	(16,974.56)
Balance	51,415.14
Payment on Account (4-28-91)	(31,927.02)
Balance	19,488.12
Interest @ 10% per annum from 4-29-91 to 5-10-91 (\$19,488.12 x 10% x 11/365)	58.73
Total	19,546.85
Payment on Account (5-10-91)	(27,048.67)
Overpayment (to be refunded)	7,501.82

INSTRUCTIONS FOR SCHEDULE "A"

Real property in New Jersey should be described by the name of the town or city and county wherein said property is located, and by lot and block number and street number, if any.

- Explain how any fractional ownership in realty was derived. Indicate also whether held as tenants in common, as joint tenants or by entireties.
- Submit verification of the balance at the decedent's date of death of any mortgage on New Jersey real estate.
- Submit a copy of any appraisal, contract of sale, or closing statement.

INSTRUCTIONS FOR SCHEDULE "B"

GENERAL

If the taxpayer had any interest in a closely held corporation, partnership, joint venture or sole proprietorship, the following information is required (in each instance):

1. A detailed balance sheet and profit and loss statement, revised to reflect the market value of the assets thereof as distinguished from the net book value, as of the decedent's date of death, or as near thereto as the Director may deem acceptable.
2. For the five year period preceding the decedent's date of death:
 - A. Detailed balance sheets.
 - B. Detailed profit and loss statements.
3. The nature of the business.
4. Describe and state the assessed and market value of any real property.
5. Set forth your basis for determining the clear market value as reported.

CLOSELY HELD CORPORATIONS

If the decedent had any interest in a closely held corporation, submit (in addition to the general information required above):

1. For the five year period preceding the decedent's date of death:
 - A. A listing of salaries paid to officers.
 - B. A listing of dividends paid, together with the name(s) of the payees.
2. Copy/copies of any stock purchase or option agreement to which the decedent was a party as of the date of death.
3. Copy/copies of any insurance policy/policies on the decedent's life payable to the corporation as beneficiary together with a statement of the benefits payable thereunder.
4. The number of shares of stock of all classes issued and outstanding and the par value thereof.
5. List of stockholders setting forth the number of shares held by each.

PARTNERSHIPS OR JOINT VENTURES

If the decedent had any interest in a partnership or joint venture, submit (in addition to the general information required above):

1. Copy of the partnership agreement.
2. Copy/copies of any mutual purchase agreement(s) to which the decedent was a party at the date of death.
3. Copy/copies of any insurance policy/policies on the decedent's life payable to the surviving partners as beneficiary together with a statement of the benefits payable thereunder.

SOLE PROPRIETORSHIPS

If the decedent had any interest in a sole proprietorship, submit (in addition to the general information required above):

1. If any of the sole proprietorship's assets are listed elsewhere on this return, (i.e. Schedule "A"), make full disclosure.

INSTRUCTIONS FOR SCHEDULE “B (1)”

List all tangible and intangible personal property (excluding that on Schedule B) wherever situated.

This schedule must disclose not only all other personal property owned individually by the decedent but also all other personal property standing in joint names (such as United States Savings Bonds, bank accounts, shares of stock, etc.) which may be claimed by another or others as survivors. The deceased joint tenant is deemed to have been the absolute owner of the property and the survivor/survivors are presumed to have received a devise or bequest of the whole and not a part of the property. This presumption can be rebutted to the extent that the survivor can prove contributions out of funds separate and apart from those that originated in the decedent.

This schedule must list all other intangible personal property such as, but not limited to, United States Savings Bonds; treasury certificates; cash on hand; cash in the bank; deposits in Federal or State Credit Unions; mutual funds; bonds and mortgages; promissory notes; claims; accounts receivables; corporate bonds; corporate stocks; accrued interest; dividends; salaries or wages; insurance payable to the estate or its representatives; interest in any undistributed estate or income from any property held in trust under the will or agreement of another.

INSTRUCTIONS FOR SCHEDULE “C”

If any notes, brokerage accounts or other claims are secured by collateral, describe the collateral pledged, with its value as of the date of death of the decedent and state whether or not said collateral is included among the assets disclosed in Schedule B or B(1). If collateral is not pledged, state after each loan “No collateral pledged”.

NOTE: No debt or claim is to be listed in this schedule unless still owing and unpaid at the time of death and unless such debt or claim is to be paid out of the assets of the estate.

(EXAMPLE: That portion of medical bills paid or reimbursed by Medicare or other medical insurance should not be claimed on this schedule).

Contested claims must be explained in detail. Do not list any taxes, either real, personal or income, chargeable for any period subsequent to date of death.

The estate agrees to advise the Division if the amount actually paid in settlement of any fee, commission or debt is greater or less than the estimated amount allowed and further agrees to the correction of the assessment, if necessary.

For mortgages see instructions for Schedule “A”.

Executor Commissions: See N.J.A.C. 18:26-7.10 or questions 25, 26 and 27 New Jersey Non-Resident Inheritance Tax Most Frequently Asked Questions or Taxation’s website for guidelines on how to compute same.

Examples of Allowable Deductions

FUNERAL EXPENSES:	Cost on recovery and/or discovery of assts
Cemetery Plot (immediate family)	Realty commissions in accordance with N.J.A.C. 18:26-7.12
Funeral Luncheon	Storage of property if delivery to legatee not possible
Flowers	within reasonable time
Minister/Rabbi/Priest/Imam	
Monument/Lettering	DEBTS OF DECEDENT OWING and
Funeral Costs	UNPAID AT TIME OF DEATH:
Acknowledgments	Personal accounts
	Judgments
ADMINISTRATION EXPENSES:	Federal income and gift taxes
Appraisal of real estate	Real estate mortgage:
Appraisal of personal effects	(a) Interest accrued before death, deducted in
Surrogate’s fees	Schedule C
Probate expenses	(b) Principal offset in Schedule A
Fee to notify creditors	Charitable pledges
Death certificates	State, county and local taxes accrued before death
Telephone tolls	Unpaid Inheritance Tax on interrelated estate
Cost of Executor’s or Administrator’s Bond	Transfer Taxes paid to other states
Collection costs	Debts on property located outside of New Jersey
Court costs	
Cost on recovery and/or discovery of assets	

Examples of Non-Allowable Deductions

Contingent liabilities	Storage expense
Mortgage, taxes and accrued interest on tenants by entirety property	Litigated and disputed claims
Debts paid by insurance	State, county and local taxes accruing after date of death
Medical expenses paid prior to death	New Jersey Transfer Inheritance Tax
Liabilities of corporation of which decedent was a shareholder	Real estate brokers commissions, except if real property sold during administration of estate
Real estate and property maintenance costs	Federal Estate Tax

EXAMPLE 1 – USED FOR METHODS 1, 2 AND 3

The decedent died a resident of Pennsylvania owning real estate in Ocean City, New Jersey with a date of death fair market value of \$100,000.00 and an assessed value of \$85,000.00. The decedent also owned a boat, which was kept in New Jersey that had a value of \$10,000.00.

Other assets consisted of real estate in Pennsylvania with a value of \$200,000.00, stock valued at \$160,000.00, two bank accounts, one in Pennsylvania with a date of death balance of \$10,000.00 and one in New Jersey with a balance of \$20,000.00. The total gross value of the estate everywhere is \$500,000.00.

The expenses of this estate are: attorney’s fees \$3,000.00, executor’s commissions \$2,000.00, administration expenses \$1,300.00, funeral expenses \$6,000.00, credit card debt \$8,000.00, telephone and electric bills owed at death \$230.00. Total expenses \$20,530.00.

Gross Estate Everywhere	\$500,000.00
Total Expenses Everywhere	<u>20,530.00</u>
Net Estate Everywhere	\$479,470.00

Beneficiaries – The decedent’s niece is the only beneficiary.

EXAMPLE 2 – USED FOR METHOD 4 OR OPTIONAL METHOD 1

The decedent died a resident of Florida owning real estate in Florida worth \$210,000.00 and bank accounts with date of death balances totaling \$105,000.00. Debts and administration expenses amounted to \$26,000.00.

The decedent also owned real estate, located in Cape May, New Jersey with a nephew as Joint Tenants with the Right of Survivorship. The fair market value as of the decedent’s date of death was \$160,000.00 and the assessed value was \$132,000.00.

The New Jersey real estate was purchased in 1993. The decedent paid the full purchase price, the nephew did not make any contributions towards purchasing the real estate. Therefore, the full \$160,000.00 value of the property will be used in the Inheritance Tax Return and on the tax computation worksheet.

As required by New Jersey Statute the full value of the New Jersey real estate must be used unless the surviving joint tenant can prove to the satisfaction of the Director, Division of Taxation, State of New Jersey that they contributed toward the purchase price.

The beneficiary of an asset owned as Joint Tenants with the Right of Survivorship is the surviving joint tenant. In this particular matter the joint tenant is the decedent’s nephew, a Class “D” beneficiary.

Since the real estate was owned as Joint Tenants with the Right of Survivorship the estate is required to use method 4 to compute the tax unless the optional method 1 is chosen.

Methods 1 and 4 use only the value of the New Jersey taxable assets in the tax computation. No other assets are required to be reported or debts of the estate allowed to be claimed.

**EXAMPLE 3 – USED FOR COMBINATION DIRECT TAX AND RATIO TAX OR
COMBINATION DIRECT TAX AND FLAT TAX OR OPTIONAL METHOD 1 WORKSHEETS**

The decedent died a resident of New York owning real estate in New York worth \$200,000.00, a bank account with a date of death balance of \$12,000.00 and stock valued at \$8,000.00.

They also owned 2 parcels of real estate in New Jersey.

Parcel #1 was held in the decedent’s name alone. It was located in Florence, New Jersey and had a date of death fair market value of \$190,000.00 and an assessed value of \$140,000.00.

Parcel #2 was held in the name of the decedent and a cousin as Joint Tenants with the Right of Survivorship. It was located in Atlantic City and had a fair market value of \$170,000.00 as of the date of death and an assessed value of \$151,000.00.

The jointly owned New Jersey real estate was purchased in 2002. The decedent paid the full purchase price, the cousin did not make any contributions towards purchasing the real estate. Therefore, the full \$170,000.00 value of the property will be used in the Inheritance Tax Return and on the tax computation worksheet.

As required by New Jersey Statute the full value of the New Jersey real estate must be used unless the surviving joint tenant can prove to the satisfaction of the Director, Division of Taxation, State of New Jersey that they contributed toward the purchase price.¹

The beneficiary of an asset owned as Joint Tenants with the Right of Survivorship is the surviving joint tenant. In this particular matter the joint tenant is the decedent’s cousin, a Class “D” beneficiary.

The expenses of the estate are: attorney’s fees \$5,000.00, executor’s commissions \$4,000.00, administration expenses \$1,300.00, funeral expenses \$6,000.00, credit card debt \$8,000.00 and a telephone bill of \$100.00. Total expenses \$24,400.00.

Gross estate everywhere	\$580,000.00
Total expenses everywhere	<u>24,400.00</u>
Net estate everywhere	555,600.00

Beneficiaries –

The decedent’s cousin who is the joint tenant of parcel #2 inherits that parcel by right of survivorship.

The decedent’s niece inherits the remainder of the estate.

¹ N.J.S.A. 54:34-1 f

DIRECTIONS FOR COMPLETING THE INHERITANCE TAX RETURN USING THE INFORMATION GIVEN IN EXAMPLE 1 ON PAGE 14.

Schedule A Enter the description and values of the New Jersey real estate. Do not include any other real estate.

Schedule B(1) Enter the description and value of the boat located in New Jersey. Do not include any other assets.

Note that the bank account in New Jersey is not included when reporting assets for this method of filing since it is not tangible personal property. It is considered intangible personal property.

Directions for completing the worksheet using the numbers given in the example .

Line 1 Enter the value of the NJ real estate reported on Schedule "A".

Line 2 Enter the value of the boat reported on Schedule "B(1)".

Line 3 This line is left blank since there were no assets reported on Schedule "E"

Line 4 Add lines 1, 2 and 3.

Line 5 Multiply line 4 by 15% and enter the result on line 6.

Line 6 This is the New Jersey Non-Resident Inheritance Tax.

WORKSHEET 1 - METHOD 1	SIMPLIFIED TAX
1 Enter total from Schedule A	1 100,000.00
2 Enter total from Schedule B (1)	2 10,000.00
3 Enter total from Schedule E	3
4 Total of above lines 1, 2 and 3	4 110,000.00
5 Multiply line 4 by 15%	5 X 15%
6 New Jersey Non-Resident Inheritance Tax (Insert this number on IT-NR page 1 line 11)	6 16,500.00

DIRECTIONS FOR COMPLETING THE INHERITANCE TAX RETURN USING THE INFORMATION GIVEN IN EXAMPLE 1 ON PAGE 14.

- Schedule A** Enter the description and values of the New Jersey and Pennsylvania real estate.
- Schedule B** Since there are no assets of this type owned enter the word "none".
- Schedule B(1)** Enter the description and values of the bank accounts, stock, and boat.
- Schedule C** Attorney's fees, executor's commissions, and administration expenses are entered in the upper section of the schedule. Note that the expenses in this section are added and entered on the subtotal line. Then this total is entered on line 4 of worksheet 2. In this example the subtotal is \$6,300. Credit card debt, telephone and electric bills and funeral expenses are entered in the lower section of the schedule. The expenses on the entire schedule are then added to give you the total expenses of the estate. In this example the total expenses are \$20,530.
- Schedule E** Answer the questions at the top of the schedule. If any are answered yes then complete the bottom section.
- Schedule F** Enter the name and address of each beneficiary and complete each column.

Directions for completing the worksheet using the numbers given in the example.

- Line 1** Enter the total value of the New Jersey real estate (\$100,000) and the boat (\$10,000) that was kept in New Jersey.
- Line 2** Enter the gross estate everywhere (\$500,000).
- Line 3** Divide line 1 by line 2 to get the ratio of the New Jersey taxable assets to the total (gross) estate everywhere. All decimals are to be carried to 4 places. The ratio in this example is .2200.
- Line 4** Enter the amount from the subtotal line in Schedule "C".
- Line 5** Multiply line 4 by line 3. This gives you the portion of the expenses listed on line 4 which will be subtracted from the value of the New Jersey assets listed on line 1. (\$1,386)
- Line 6** Subtract line 5 from line 1. This gives you a reduced value of the New Jersey assets that will be taxed. (\$108,614)
- Line 7** Enter the value of the net estate from IT-NR page 1, line 7. (\$479,470).
- Line 8** Divide line 6 by line 7. This gives you the ratio of the reduced value of the New Jersey assets to the total net estate everywhere. The ratio in this example is .2265.
- Line 9** Enter the New Jersey resident tax on the total net estate everywhere. Since the beneficiary in this estate is a Class "D" beneficiary (the tax rate for a Class "D" beneficiary is 15%) the tax is computed by multiplying the net estate by 15% (\$479,470 X 15%). The result is \$71,920.50. This is the tax that would be due if the decedent was a resident of New Jersey and all of his assets listed in the example were located in New Jersey.
- Line 10** Multiply the amount on line 9 by the ratio on line 8. This gives you the New Jersey Non-resident Inheritance Tax \$16,290.00. Insert this number on IT-NR page 1, line 11.

WORKSHEET 2 - METHOD 2	RATIO TAX USING NET ESTATE
1 Gross value of New Jersey real estate & tangible personal property [from Schedule "A" and/or "B(1)"]	1 110,000.00
2 Total gross estate wherever situate (IT-NR page1, line 5)	2 500,000.00
3 Gross to gross ratio (line 1 divided by line 2)	3 0.2200
4 Total of administration expense, counsel fees and commissions (from subtotal line of Schedule "C")	4 6,300.00
5 Deduction from gross value of NJ taxable property (Line 4 multiplied by line 3)	5 1,386.00
6 Net New Jersey taxable property (line 1 minus line 5)	6 108,614.00
7 Net estate wherever situate (IT-NR, page 1, line 7)	7 479,470.00
8 Ratio (line 6 divided by line 7) (not to exceed 100%)	8 0.2265
9 New Jersey Resident Tax on amount reported on line 7 (see page 2 of instructions for classes of beneficiaries and tax rates)	9 71,920.00
10 New Jersey Non-Resident Ratio Tax (Line 8 multiplied by line 9) (insert this number on IT-NR page 1, line 11)	10 16,290.00

All decimals are to be rounded to four places.

DIRECTIONS FOR COMPLETING THE INHERITANCE TAX RETURN USING THE INFORMATION GIVEN IN EXAMPLE 1 ON PAGE 14.

- IT-NR - Page 1** Enter the **total (gross) estate everywhere** on IT-NR page 1, line 5 and line 9. **(IMPORTANT)**
- Schedule A** Enter the description and values of only the New Jersey real estate
- Schedule B** Do not complete this schedule.
- Schedule B(1)** Enter the description and value of only the boat located in New Jersey
- Schedule C** Do not complete this schedule.
- Schedule E** Answer the questions at the top of the schedule. If any are answered yes then complete the bottom section. If assets are reported on this schedule then advise whether or not they are included in the total (gross) estate everywhere figure reported on IT-NR page 1, line 5.
- Schedule F** Enter the name and address of each beneficiary and complete each column

Directions for completing the worksheet using the numbers given in the example.

- Line 1** Enter the total value of the New Jersey real estate (\$100,000) and the boat (10,000) that was kept in New Jersey.
- Line 2** Enter the gross estate everywhere from IT-NR page 1, line 5.
- Line 3** Divide line 1 by line 2 to get the ratio of the New Jersey taxable assets to the total (gross) estate everywhere. All decimals are to be carried to 4 places. The ratio in this example is .2200.
- Line 4** Enter the New Jersey Resident Tax on the total (gross) estate everywhere. Since the beneficiary in this estate is a Class "D" beneficiary (the tax rate for a Class "D" beneficiary is 15%) the tax is computed by multiplying the gross estate by 15% (\$500,000 x 15%). The result is \$75,000. This is the tax that would be due if the decedent was a resident of New Jersey and all of his assets listed in the example were located in New Jersey.
- Line 5** Multiply the amount of line 4 by the ratio on line 3. This gives you the New Jersey Non-Resident Inheritance Tax. \$16,500. Insert this number on IT-NR page 1, line 11.

WORKSHEET 3 - METHOD 3		RATIO TAX USING GROSS ESTATE	
1	Gross value of New Jersey real estate & tangible personal property [from Schedule "A" and/or "B(1)"]	1	110,000.00
2	Value of gross estate both in and outside of New Jersey (from IT-NR page 1, line 5)	2	500,000.00
3	Gross to gross ratio (line 1 divided by line 2)	3	0.2200
4	New Jersey resident tax on amount reported on line 2 above (see page 2 of the instructions for classes of beneficiaries and tax rates)	4	75,000.00
5	Ratio tax (line 3 multiplied by line 4) (insert this number on IT-NR page 1, line 11)	5	16,500.00

All decimals are to be rounded to four places.

DIRECTIONS FOR COMPLETING THE INHERITANCE TAX RETURN USING THE INFORMATION GIVEN IN EXAMPLE 2 ON PAGE 14

Schedule A Enter the description and values of the jointly owned New Jersey real estate
Do not include any other real estate.

Note that if the New Jersey real estate was not owned as Joint Tenants with the Right of Survivorship but was held in the decedent's name alone and it was specifically devised in the decedent's Last Will and Testament to the decedent's nephew this method would be used to compute the tax and the same information would be entered on Schedule "A".

If the above two mentioned situations did not apply but instead the New Jersey real estate was transferred to the nephew during the 3 year period prior to the decedent's date of death this method would be used and the information regarding the real estate would be entered on the bottom section of Schedule "E" instead of Schedule "A".

Directions for completing the worksheet using the numbers given in the example .

- Line 1** Enter the total value of the New Jersey real estate reported on Schedule "A".
- Line 2** This line is left blank since there were no assets reported on Schedule "B (1)".
- Line 3** This line is left blank since there were no assets reported on Schedule "E".
- Line 4** Add lines 1, 2 and 3.
- Line 5** Enter the New Jersey Resident Inheritance Tax on the amount reported on line 4. Since the beneficiary in this estate is a Class "D" beneficiary (the tax rate for a Class "D" beneficiary is 15%) the tax is computed by multiplying the amount on line 4 by 15% (\$160,000.00 x 15%). The result is \$24,000.00.
- Line 6** Enter the amount from line 5. In these three forms of ownership the New Jersey Resident Tax and New Jersey Non-Resident Tax is the same.

WORKSHEET 4 - METHOD 4		DIRECT TAX	
1	Enter total from Schedule A	1	160,000.00
2	Enter total from Schedule B (1)	2	
3	Enter total from Schedule E	3	
4	Total of above lines 1, 2 and 3	4	160,000.00
5	New Jersey Resident Tax on amount reported on line 4 (See page 2 of the instructions for classes of beneficiaries and tax rates)	5	24,000.00
6	New Jersey Non-Resident Inheritance Tax - Same as line 5 (Insert this number on IT-NR page 1 line 11)	6	24,000.00

WORKSHEET 5 COMBINATION DIRECT TAX AND RATIO TAX USING NET ESTATE WORKSHEET

Decedent's Name: Decedent's SS NO

For use when there are two (2) or more New Jersey taxable assets and at least one of them is specifically devised or jointly owned (joint tenants with right of survivorship), or transferred to one or more individuals within three (3) years of the decedent's death, or to take effect at or after the decedent's date of death and the other New Jersey taxable assets are held in the decedent's name alone or as tenants in common with another individual.

If the New Jersey taxable property or any amount thereof is specifically devised or jointly owned (joint tenants with right of survivorship), or transferred as indicated above, that amount is not subject to the ratio tax but rather is taxed directly to the devisee(s) or surviving joint tenant(s) at the resident tax rates.

SEE EXAMPLE 3 ON PAGE 15 FOR INFORMATION USED TO COMPLETE THIS WORKSHEET.

1. Direct tax on New Jersey taxable property specifically devised, jointly owned, or transferred as indicated above. Use worksheet 4, page 19 to compute the tax for this line.....	1	<input type="text" value="\$25,500.00"/>
2. Value of New Jersey taxable property not specifically devised, jointly owned, or transferred as indicated above.....	2	<input type="text" value="\$190,000.00"/>
3. Value of gross estate both in and outside of New Jersey (not including the New Jersey property specifically devised, jointly owned, or transferred as indicated above) (IT-NR, Page 1, Line 5 less New Jersey property described herein from Worksheet 4, Line 4).....	3	<input type="text" value="\$410,000.00"/>
4. Ratio (Line 2 divided by Line 3)	4	<input type="text" value="0.4634"/>
5. Total of administration expenses, counsel fees, and commissions (from subtotal line in Schedule "C").....	5	<input type="text" value="\$10,300.00"/>
6. Amount of Line 5 to be deducted from New Jersey taxable property not specifically devised, jointly owned, or transferred as indicated above. (Line 4 multiplied by Line 5)	6	<input type="text" value="\$4,773.00"/>
7. Net New Jersey property subject to the ratio tax (Line 2 minus Line 6)	7	<input type="text" value="\$185,227.00"/>
8. Net estate wherever situate (not including the New Jersey property specifically devised, jointly owned, or transferred as indicated above) (IT-NR, Page 1, Line 7 less the New Jersey property described herein from Worksheet 4, Line 4).....	8	<input type="text" value="\$385,600.00"/>
9. Ratio (Line 7 divide by Line 8) (not to exceed 100%).....	9	<input type="text" value="0.4804"/>
10. New Jersey resident tax on amount reported on Line 8 above (See Page 2 of the instructions for classes of beneficiaries and tax rates) ...	10	<input type="text" value="\$57,840.00"/>
11. New Jersey Non-Resident Ratio tax (Line 9 multiplied by Line 10).....	11	<input type="text" value="\$27,786.00"/>
12. Total New Jersey Non-Resident direct tax and ratio tax (Line 1 plus Line 11) (Insert this amount on IT-NR page 1, Line 11).....	12	<input type="text" value="\$53,286.00"/>

NOTE

In the event that any amount of the estate is contingent, the ratio calculated on Line 9 above should be applied to the resident compromise tax to compute the nonresident compromise tax due.

All decimals are to be rounded to four places.

WORKSHEET 6 COMBINATION DIRECT TAX AND RATIO TAX USING GROSS ESTATE WORKSHEET

Decedent's Name: Decedent's SS NO

For use when there are two (2) or more New Jersey taxable assets and at least one of them is specifically devised or jointly owned (joint tenants with right of survivorship), or transferred to one or more individuals within three (3) years of the decedent's death, or to take effect at or after the decedent's date of death and the other New Jersey taxable assets are held in the decedent's name alone or as tenants in common with another individual.

If the New Jersey taxable property or any amount thereof is specifically devised or jointly owned (joint tenants with right of survivorship), or transferred as indicated above, that amount is not subject to the ratio tax but rather is taxed directly to the devisee(s) or surviving joint tenant(s) at the resident tax rates.

SEE EXAMPLE 3 ON PAGE 15 FOR INFORMATION USED TO COMPLETE THIS WORKSHEET.

1. Direct tax on New Jersey taxable property specifically devised, jointly owned, or transferred as indicated above. Use worksheet 4, page 19 to compute the tax for this line.....	1	<input type="text" value="\$25,500.00"/>
2. Value of New Jersey taxable property not specifically devised, jointly owned, or transferred as indicated above.....	2	<input type="text" value="\$190,000.00"/>
3. Value of gross estate both in and outside of New Jersey (not including the New Jersey property specifically devised, jointly owned, or transferred as indicated above) (IT-NR Page 1, Line 5 less New Jersey property described herein from Worksheet 4, Line 4).....	3	<input type="text" value="\$410,000.00"/>
4. Ratio (Line 2 divided by Line 3)	4	<input type="text" value="0.4634"/>
5. New Jersey resident tax on amount reported on Line 3 above (see page 2 of the instructions for classes of beneficiaries and tax rates)	5	<input type="text" value="\$61,500.00"/>
6. New Jersey Non-Resident ratio tax on the amount reported on line 3. (Line 4 multiplied by Line 5)	6	<input type="text" value="\$28,499.00"/>
7. Total New Jersey direct tax and ratio tax (Line 1 plus Line 6) (Insert this amount on IT-NR Page 1, Line 11).....	7	<input type="text" value="\$53,999.00"/>

NOTE

In the event that any amount of the estate is contingent, the ratio calculated on Line 4 above should be applied to the resident compromise tax to compute the nonresident compromise tax due.

All decimals are to be rounded to four places.