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# 2024 NJ-1065

## Partnership Return Instructions

**The New Jersey Gross Income Tax Act does not follow all federal income tax provisions for partnerships.** For New Jersey Gross Income Tax purposes, all items of income, expense, gain, or loss resulting from the activities of the partnership, regardless of the item's character or category, must be included in the amount reported on the NJ-1065 as "Partnership Income" and then apportioned to each partner on Schedule NJK-1. Each partner will report its portion of the total partnership income as "distributive share of partnership income" on its individual tax return. Nonresident partners that have income or loss from New Jersey sources are also required to file a tax return to report their share of partnership income. Nonresident partners will have to attach a copy of their Schedule NJK-1 to claim credit for the tax paid on their behalf.

The partnership income information required to be reported on this form is needed to: (1) adjust certain items of federal income to conform to the New Jersey Gross Income Tax Act, and (2) separate income derived from New Jersey sources from amounts derived from all sources. These adjustments and allocations provide the basis for the reporting of partnership income by both New Jersey resident partners and nonresident partners.

The amounts reported by the partnership on federal Schedule K may require adjustments to ensure that all income, expense, gain, or loss is ultimately reported by the partners as distributive share of partnership income on the New Jersey Income Tax return. For example, interest, dividends, rents, gains, or losses earned are to be combined with federal ordinary income (loss) to arrive at New Jersey partnership income (loss).

If the partnership has receipts outside New Jersey, all income, gain, or loss **other than** nonoperational income and nonunitary partnership income must be allocated using market-based sourcing, not cost of performance, and calculated using a single sales factor. Use the allocation factor as determined by the Business Allocation Schedule (Form NJ-NR-A) unless permission has been granted to use a substitute method of allocation. See Technical Bulletin [TB-112\(R\)](#), *Gross Income Tax Allocation Sourcing for the Receipts of Business Income*, for more information.

If the partnership has a nonresident noncorporate or a nonresident corporate partner, it must pay the applicable nonresident partner tax. The nonresident partner tax is not required if the partnership is a qualified investment partnership, an investment club, is listed on a United States national stock exchange, or meets hedge fund status and its only nonresident partners are individuals, estates, or trusts.

Partnerships that are subject to tax payments must make installment payments of 25% of that tax on or before the 15th day of each of the fourth, sixth, and ninth months of the privilege period and on or before the 15th day of the first month after the close of the privilege period.

Most entities classified as partnerships for federal income tax purposes that have income or loss derived from New Jersey sources and that have more than two owners must make a payment of a filing fee of \$150 for each owner up to a maximum of \$250,000. The filing fee is due on or before the 15th day of the fourth month after the close of each privilege period. An installment payment equal to 50% of the current year's filing fee is also required at the same time.

A partnership with New Jersey qualified research expenditures, cannot claim the New Jersey Research and Development Tax Credit for Corporation Business Tax on the partnership return. However, corporate partners are entitled to their share of the credit. See [Form 306](#) for more information.

All choices affecting the calculation of income from a partnership are made by the partnership, not each partner. This includes the choice of recognized methods of accounting, methods of calculating depreciation, capitalization of organizational fees, and the use of the installment sale provisions. It also includes the classification of income and the allocation of income to New Jersey. All partnership elections are equally applicable to all partners.

### GIT and CBT Partnership Returns

The Division has two partnership tax returns: Forms NJ-1065 and NJ-CBT-1065. The Gross Income Tax Act (GIT) at [N.J.S.A. 54A:8-6](#) requires entities classified as a partnership for federal income tax purposes having a resident owner or income derived from New Jersey sources to file a Gross Income Tax return, Form NJ-1065. Partnerships with more than two owners and income or loss from New Jersey sources may also be subject to a filing fee. The fee is calculated and reported on the NJ-1065.

The Corporation Business Tax Act (CBT) at [N.J.S.A. 54:10A-15.11](#) imposes a tax on certain partnerships that have nonresident owners. Partnerships subject to the CBT must file the NJ-CBT-1065. The separate forms help distinguish the differences that exist between the Gross Income Tax and Corporation Business Tax Acts.

The filing fee is reported directly on the NJ-1065. The GIT filing fee is remitted with the Partnership Payment Voucher (NJ-1065-V). If the entity is also required to calculate and report Corporation Business Tax, the entity

must complete and file the NJ-CBT-1065. If the entity has a CBT balance due, it is remitted with the Corporation Business Tax–Partnership Payment Voucher (NJ-CBT-V).

Partnerships that are members of an entity electing to pay the Pass-Through Business Alternative Income Tax can choose where to apply the credit for their share of the tax.

- Partnership filing fee on the NJ-1065
- Nonresident partners tax on the NJ-CBT-1065
- Allocated to the partners on the Partners Directory on Form NJ-1065 if all partners are individuals, estates, or trusts
- Pass-Through Business Alternative Income Tax on the PTE-100 if they elect to pay the Pass-Through Business Alternative Income Tax

## General Instructions

### Definitions

**Partnership**, for tax purposes, means and includes a syndicate, group, pool, joint venture, and any other unincorporated organization through or by means of which any business, financial operation, or venture is carried on and that is not a corporation, trust, or estate within the meaning of the New Jersey Gross Income Tax Act. Only entities that qualify for and elect to be treated as a partnership for federal tax purposes (for example, limited liability companies and limited liability partnerships) are treated as partnerships under the New Jersey Gross Income Tax Act.

**“Tiered” Partnerships** are arrangements in which one partnership, the upper tier or “parent” partnership, is a member of, or holds an ownership interest in, another partnership (called the lower tier or “subsidiary” partnership). Tiered partnerships must complete Schedule A, NJ-1065 before completing Schedule O, if applicable.

Tiered partnerships that are unitary must use the flow-through method of accounting for income and receipts. Tiered partnerships that are nonunitary must use the separate method of accounting for income and receipts.

**Partner** means any owner of a partnership interest.

**Nonresident Noncorporate Partner** means an individual, an estate, or a trust subject to taxation pursuant to the “New Jersey Gross Income Tax Act” that is not a resident taxpayer or a resident estate or trust under that Act.

**Nonresident Corporate Partner** means a partner that is not an individual, an estate, or a trust subject to taxation pursuant to the New Jersey Gross Income Tax Act, that is not a corporation exempt from tax pursuant to N.J.S.A. 54:10A-3, and that does not maintain a regular place of business in this State other than a statutory office.

**Qualified Investment Partnership** means a partnership that has more than 10 members or partners with no member or partner owning more than a 50% interest in the entity and that derives at least 90% of its gross income from dividends, interest, payments with respect to securities, loans, and gains from the sale or other disposition of stocks or securities or foreign currencies or commodities or other similar income (including but not limited to gains from swaps, options, futures, or forward contracts) derived with respect to its business of investing or trading in those stocks, securities, currencies, or commodities, but “investment partnership” does not include a “dealer in securities” within the meaning of section 1236 of the federal Internal Revenue Code of 1986.

**Hedge Fund Status** is met for New Jersey tax purposes if the investment entity’s only activity is the purchase, holding, or sale of intangible personal property, such as commodities or securities, and such intangible personal property is not held for sale to customers as defined at N.J.S.A. 54A:5-8c. A partnership that qualifies for hedge fund status in one year may not meet the requirements every year. The entity must evaluate its situation on a yearly basis. The entity, not the partner, must make the determination.

**Investment Clubs** are usually small groups of individuals who pool their money to invest in stock or other securities. The group usually operates informally with members pledging to pay a regular amount into the club monthly. Some clubs have a committee that gathers information on securities, selects the most promising securities, and recommends that the clubs invest in them. Most clubs require all members to vote for or against all investments, sales, trades, and the other transactions.

Investment clubs recognize as their main source of income interest, dividends, and gains on disposition of their stock and securities and usually meet hedge fund status. Investment clubs generally are not considered a business. An investment club is required to file Form NJ-1065 but is not entitled to deduct any expenses (unless it rises to the level of being in business). The member or partner of the investment club will report their share of the investment club’s income or loss as distributive share of partnership income.

If an investment club meets the following criteria, it will be exempt from the \$150 per owner annual partnership filing fee and from the requirement that a partnership make payments on behalf of its nonresident owners. The investment club must be an entity that is classified as a partnership for federal income tax purposes, all of the owners are individuals, and all of the assets are securities, cash, or cash equivalents. The market value of the total assets do not exceed, as measured on the last day of its privilege period, an amount equal to the lesser of \$432,300 or \$60,600 per owner of the entity. The investment club is not required to register itself or its membership interests with the federal Securities and Exchange Commission.

## Who Must File

Every partnership that has income or loss derived from sources in the State of New Jersey, or has any type of New Jersey resident partner, must file Form NJ-1065. A partnership must file even if its principal place of business is outside the State of New Jersey. The NJ-1065 is not solely an information return. A filing fee and tax may be imposed on the partnership. Partners subject to the Gross Income Tax must report and pay tax on their share of partnership income or loss.

## How to File

### Electronic Filing Mandate

Partnerships subject to the provisions of the Corporation Business Tax Act (that is partnerships that remit tax based on any nonresident corporate and nonresident noncorporate partner's allocable share of NJ partnership income) that utilize the services of a paid preparer must file all their returns completed by that practitioner by electronic means. Payments of the partnership liabilities along with the submission of payment-related returns (PART-200-T and CBT-206) must also be made electronically either by the partnership or by a paid tax practitioner.

In addition, partnerships with 10 or more partners must file all returns electronically regardless of whether or not they utilize the services of a paid tax preparer. To obtain the electronic filing and payment formats or to obtain additional information on electronic filing and payment options, visit the New Jersey Division of Revenue and Enterprise Services' website at [nj.gov/treasury/revenue/partnerships.shtml](http://nj.gov/treasury/revenue/partnerships.shtml) or email the Division of Revenue and Enterprise Services at [e-GovServices@treas.nj.gov](mailto:e-GovServices@treas.nj.gov).

NJ-1065 filers that do not use the services of a paid tax preparer and who have less than 10 partners have the option to file by electronic means or on paper.

## What to File

The following forms and statements must be included with the NJ-1065:

- Schedule NJK-1 for every partner;
- Pages 1 through 5 of the federal Form 1065, federal Form 8825, federal Schedule D, and any federal extension request forms filed;
- Form NJ-NR-A if either of the following conditions apply: (1) the partnership is doing business both inside and outside New Jersey, or (2) 100% of the partnership's business is carried on outside New Jersey;
- Schedule A, Tiered Partnerships, if applicable;
- Schedule O, Nonoperational Activity, if applicable;
- Worksheet GIT-DEP, Gross Income Tax Depreciation Adjustment Worksheet, if applicable;
- Schedule B, Sheltered Workshop Tax Credit, if applicable;

- Schedule L, Complete Liquidation, if applicable;
- All Schedule NJK-1s received if the partnership is a partner of another partnership;
- All Schedule PTE-K-1s received if the partnership is a member of an entity that elected to pay the Pass-Through Business Alternative Income Tax.

Form NJ-CBT-1065 must be completed if the entity calculated a tax due on its nonresident partner(s).

The Division may require that the complete federal Form 1065, including all schedules and supporting attachments, and any other documentation or information deemed necessary be submitted during the course of an audit.

If at any time during the course of an audit the Division deems it necessary, the partnership must make the NJ-1065E available for all applicable partners.

## When to File

Returns for Calendar Year 2024 are due April 15, 2025. Fiscal year returns are due the 15th day of the fourth month after the end of the tax year.

Any short period return must be filed by the due date of the federal Form 1065. The partnership should use the most current form available from the Division of Taxation.

**Postmark Date.** All New Jersey Income Tax returns postmarked on or before the due date of the return are considered to be filed on time. Returns postmarked after the due date are deemed to be late. The filing date for a late return is the day the return is received by the Division, not the postmark date.

## Where to File

If you are not required to file electronically (see Electronic Filing Mandate above) and choose to file on paper, use the addresses below.

Mail your completed **NJ-1065** to:

NJ Division of Taxation – Revenue Processing Center  
PO Box 194  
Trenton NJ 08646-0194

Mail your completed **PART-200-T** to:

NJ Division of Taxation – Revenue Processing Center  
Extension of Time to File NJ-1065  
PO Box 642  
Trenton NJ 08646

Mail your completed **NJ-1065-V** to:

NJ Division of Taxation – Revenue Processing Center  
Filing Fee on Partnerships  
PO Box 642  
Trenton NJ 08646

**Note: Do not attach the NJ-1065-V to or mail with your NJ-1065.**

## Extension of Time to File

If a five-month extension is obtained for filing federal Form 1065, then an automatic five-month extension is granted for submitting your NJ-1065. A copy of your application for federal extension, federal Form 7004, must be filed with your New Jersey return. Check the box labeled "Application for Federal Extension is Attached" on the front of your NJ-1065. If you did not obtain a federal extension and you need more time to file your New Jersey NJ-1065, federal Form 7004 must be submitted as your request to New Jersey on or before the original due date of the return.

In addition, any partnership that has a filing fee due must file PART-200-T, Partnership Application for Extension of Time to File NJ-1065. The applicable payment must accompany this form. PART-200-T must be postmarked on or before the original due date of the return. See specific instructions on the back of PART-200-T.

There is no extension of time to pay the fee due. Penalties and interest are imposed whenever the fee is paid after the original due date.

A five-month extension of time to file your NJ-1065 may be granted if at least 80% of the total fee reported on your NJ-1065 when filed is paid in the form of an installment payment or other payment made by the original due date.

**An extension of time to file the NJ-1065 does not extend the time for filing the tax returns of the partners.**

## Time Limits for Assessing Additional Filing Fees

Partnerships that are required to file an NJ-1065 may be subject to owing a filing fee. Filing fees are subject to the provisions of the Gross Income Tax Act. The Gross Income Tax Act has a three-year statute of limitations (time allowed by law) for the Division of Taxation to send a bill. The Division generally has three years from the date the entity filed its partnership return or the original due date of the return, whichever is later, to send the entity a bill for additional filing fees. There is no time limit if the entity did not file a partnership return, or if the entity filed a false or fraudulent return with the intent to evade tax. The time limit may be extended in certain circumstances.

## Accounting Method

A partnership's accounting method(s) used for the NJ-1065 must be the same as the accounting methods(s) used for federal Form 1065.

## Accounting Periods

The 2024 NJ-1065 should be used for Calendar Year 2024, or for a fiscal year that began in 2024. If filing for a fiscal year or a short tax year, enter at the top of the NJ-1065 the month and day the tax year began, and the month, day, and year that it ended. The partnership's tax

year for New Jersey Income Tax purposes must be the same as its tax year for federal income tax purposes.

## Passive Loss Limitations

Passive loss limitations do not apply for New Jersey Gross Income Tax purposes. The full amount of current loss may be used to offset income or gain, regardless of federal passive loss limitations.

## Determining Gain or Loss on the Sale or Disposition of Partnership Assets, Koch Effect

The partnership in determining gain or loss for New Jersey purposes on the sale or disposition of partnership asset(s) **must** use the same basis in the asset(s) as used for federal tax purposes. The New Jersey Supreme Court's decision in *Sidney & Dorothy Koch v. Director, Division of Taxation* does not apply to the sale, disposition, or liquidation of assets by a partnership.

Gains or losses incurred by a partnership are passed through to the partners to be reflected on their respective New Jersey tax returns. Partners who are taxpayers subject to New Jersey Gross Income Tax will generally report this gain or loss as a component of their "Distributive share of partnership income" unless the partnership had a complete liquidation.

Resident taxpayers that sell or dispose of a partnership interest may be entitled to a *Koch*-type adjustment to their federal basis in the partnership when determining New Jersey gain or loss. The gain or loss on the sale or disposal of the partnership interest will then be reflected on the taxpayer's New Jersey return in the category of income "Net gains or income from disposition of property." The sale or disposition of a partnership interest is the only time a partner that is a taxpayer for Gross Income Tax purposes can make *Koch*-type basis adjustments.

## Forms and Assistance

To get New Jersey tax forms:

- Visit our website at: [nj.gov/taxation](https://nj.gov/taxation)
- Write to:  
NJ Division of Taxation  
Taxpayer Form Services  
PO Box 269  
Trenton NJ 08695-0269

Assistance from a Division representative is available by contacting the Division's Customer Service Center at (609) 292-6400.

## Electronic Filing Assistance

For electronic filing assistance:

- Call the Division of Revenue and Enterprise Services' Call Center at (609) 292-9292

- Download the needed formats from the New Jersey Division of Revenue and Enterprise Services' website at: [nj.gov/treasury/revenue](http://nj.gov/treasury/revenue)

### Amended Return or Federal Change

An amended NJ-1065 must be filed if an amended federal Form 1065 is filed, or if the Internal Revenue Service changes or corrects any item of income, gain, or loss previously reported. The amended New Jersey return must be filed within 30 days of the date the amended federal Form 1065 is filed or, in the case of a federal audit, within 90 days after the final determination of the change. When an amendment to the NJ-1065 results in a need to amend the Schedules NJK-1, an amended Schedule NJK-1 must be forwarded to the Division of Taxation and to each partner.

An amended NJ-1065 and an amended Schedule NJK-1 for each partner must also be filed to correct any error on or reflect any change to the original NJ-1065, whether or not an amended federal Form 1065 was filed for that year.

To amend your original NJ-1065, get a blank NJ-1065 for the tax year that is to be amended, and check the "Amended Return" box on the front of the form. Complete the form, entering the corrected information, and attach an explanation of the changes. Entities subject to the electronic filing mandate as explained on page 4 are required to file their amended return electronically. Entities that are not subject to the electronic filing mandate have the option of filing their amended partnership return electronically or mailing it to:

NJ Division of Taxation  
Revenue Processing Center  
PO Box 194  
Trenton NJ 08646-0194

### Penalty and Interest Charges

A penalty of \$100 for each month or part of a month will be imposed for a partnership that is required to file electronically but fails to do so. In addition, a late filing penalty of 5% per month (or part of a month) up to a maximum of 25% of the outstanding tax liability will also be imposed.

The Division may impose a penalty against the partnership if the partnership is required to file an NJ-1065 and (1) fails to file the return on time, including any extension, (2) files a return that fails to show all the information required, or (3) fails to file an amended partnership return within 90 days of the date a final federal determination or disallowance is issued or within 90 days of the date the amended federal Form 1065 is filed, unless the failure is due to reasonable cause and not due to willful neglect.

**Late Filing Penalty.** 5% per month (or part of a month) up to a maximum of 25% of the outstanding tax liability when a return is filed after the due date or extended

due date will be imposed. A penalty of \$100 for each month or part of a month the return is late may also be imposed.

**Late Payment Penalty.** 5% of the outstanding tax balance may be imposed.

**Interest.** 3% above the prime rate for every month or part of a month the tax is unpaid, compounded annually. At the end of each calendar year, any tax, penalties, and interest remaining due (unpaid) will become part of the balance on which interest is charged. See Technical Bulletin [TB-21\(R\)](#) for current and previous years' interest rates.

### Fraudulent Returns

Any person who deliberately fails to file a return, files a fraudulent return, or attempts to evade the tax in any way may be liable for a penalty up to \$7,500 or imprisonment for three to five years, or both.

### Rounding Off to Whole Dollars

Money items on the return and schedules can be shown in whole dollars (eliminate amounts under 50 cents; enter amounts of 50 cents or more as the next higher dollar amount).

### Signatures

The NJ-1065 is not considered to be a return unless signed, either by a general partner, limited liability company member or, if applicable, a receiver, trustee in bankruptcy, or assignee.

Anyone who prepares a partnership return for a fee must sign the return as a "Paid Preparer" and must enter their Social Security number or federal practitioner tax identification number. The company or corporation name and federal employer identification number must be included if applicable. The preparer required to sign the partnership return must sign it by hand; signature stamps or labels are not acceptable. If someone prepares the return at no charge, the paid preparer's area does not need to be completed. A tax preparer who fails to sign the return or provide a correct tax identification number may incur a \$25 penalty for each omission.

### Composite Return for Qualified Electing Nonresident Partners

A partnership that has New Jersey source income can file a composite return (NJ-1080-C) on behalf of its qualified nonresident partners who elect to be included in the composite filing. Tax will be calculated at the highest rate, which is 10.75%, without regard to each partner's filing status, dependent exemptions, or any deductions. Composite estimated tax payments can also be made.

A partner cannot participate in the composite return if:

- The partner is an estate or trust;
- The partner is a partnership or corporation;

- The partner files on a fiscal year basis;
- The partner is a New Jersey resident during any part of the year;
- The partner derives income from New Jersey sources other than the income from this or any other composite return.

Every participating partner must make the election to be part of the composite return in writing by filing an NJ-1080E with the filing entity each year. The elections must be maintained in the partnership files. When filed, the composite return must include a list of the partners who are participating, as well as a list of those who have not elected, or are not qualified, to participate in the composite return. The list must include each partner's name, address, and federal identification number. A qualified electing nonresident participant cannot revoke an election to be included in the composite return or make an election to be included in the composite return after April 15 following the close of the tax year.

If a composite return is filed, check the box labeled "Composite Return is filed for Nonresident Partners" on the front of the NJ-1065.

## Line-by-Line Instructions

### Reporting Period

If you are reporting for a period other than Calendar Year 2024, enter the beginning and ending dates of your fiscal year.

### Partnership Name, Address, Identification

Enter the exact legal name, trade name, if any, and address of the partnership. The legal name is the name in which the business owns property or acquires debt. Enter the trade name, registered alternate name, (d/b/a name) if different from the partnership's legal name.

Enter the partnership's federal employer identification number (FEIN), principal business activity, and date the business was started.

Enter the number of resident partners and the number of nonresident or foreign partners in the spaces provided. Each partner's residency status must be determined as of the close of the partnership's tax year.

Check the appropriate boxes to indicate whether the return is a(n)

- Initial return;
- Final return; or
- Amended return.

Check the appropriate boxes to indicate if

- An application for a federal extension is attached;
- Permission has been granted for a substitute method of allocation;

- Complete Liquidation;
- This is a Qualified Investment Partnership;
- This partnership is listed on a United States national stock exchange;
- The partnership meets hedge fund status;
- This is an investment club that is exempt from the filing fee and the requirement that a partnership make payments on behalf of its nonresident owners in accordance with the criteria outlined under "General Instructions;"
- A composite return is filed for nonresident partners;
- During the period covered by the return, the partnership acquired or disposed of, directly or indirectly, a controlling interest in certain commercial property. Certain commercial property is identified as Class 4A commercial property as defined in N.J.A.C. 18:12-2.2;
- This is a Tiered Partnership;
- This is a General Partnership;
- This is a Limited Partnership;
- This is a Limited Liability Company; or
- This is a Limited Liability Partnership.

### Federal Partnership Income (Lines 1–11)

Partnerships that have had a complete liquidation must complete Schedule L before completing the front of the NJ-1065.

Tiered partnerships must complete Schedule A before completing the front of the NJ-1065. The amounts entered on lines 1–11 will be the same as the amounts entered on lines 1–11 of Schedule A, Part I, column A.

#### Line 1 – Ordinary Income (Loss) From Trade or Business Activities

Enter the amount of ordinary income or loss derived from the partnership's trade or business activities. This will be the amount reported on line 1, Schedule K, federal Form 1065.

#### Line 2 – Net Income (Loss) From Rental Real Estate Activities

Enter the net income or loss from rental real estate activities (attach a copy of your federal Form 8825). This will be the amount reported on line 2, Schedule K, federal Form 1065.

#### Line 3 – Net Income (Loss) From Other Rental Activities

Enter the net income or loss from other rental activities. This will be the amount reported on line 3c, Schedule K, federal Form 1065.

#### Line 4 – Guaranteed Payments to Partners

Enter the amount of guaranteed payments to partners reported on line 4c, Schedule K, federal Form 1065.

**Line 5 – Interest Income**

Enter the amount of interest income reported on line 5, Schedule K, federal Form 1065.

**Line 6 – Dividend Income**

Enter the amount of dividend income reported on line 6a, Schedule K, federal Form 1065.

**Line 7 – Royalty Income**

Enter the royalty income reported on line 7, Schedule K, federal Form 1065.

**Line 8 – Net Gain (Loss) From Disposition of Property**

Enter the total of the net short-term and long-term gains and/or losses reported on lines 8 and 9a, Schedule K, federal Form 1065. Attach a copy of Schedule D, federal Form 1065.

**Line 9 – Net IRC Section 1231 Gain (Loss)**

Enter the net IRC Section 1231 gain or loss reported on line 10, Schedule K, federal Form 1065.

**Line 10 – Other Income (Loss)**

Enter any other income or loss that is not included on lines 1 through 9 above. This will include the amount reported on line 11, Schedule K, federal Form 1065. If any amount is reported on this line, you must attach a schedule identifying the income or loss.

**Line 11 – Tax-Exempt Interest Income**

Enter the amount of tax-exempt interest income reported on line 18a, Schedule K, federal Form 1065.

**Line 12 – Subtotal**

Add lines 1 through 11 and enter the result.

**New Jersey Additions****Line 13a – Taxes Based on Income**

Enter the amount of taxes based on income that were deducted to determine ordinary income (loss) on line 1.

**Line 13b – Nonunitary Partnership Addition**

If the net amount of the NJK-1s from lower tier **non-unitary** partnerships is greater than the net amount of the federal K-1s from those partnerships, enter the difference.

**Line 13c – Other Additions – Specify**

Enter any other items deducted from or not included on lines 1 through 11 that are not excludable under the New Jersey Gross Income Tax Act. Specify each item added.

Examples of items that might be reported on this line:

- For assets placed in service on or after January 1, 2004, include any net addition adjustment from Worksheet GIT-DEP, if applicable, if federal income included deduction of federal special depreciation allowance or IRC Section 179 expense; federal Section 179 recapture income; or a gain or loss on disposition

of such asset. Worksheet GIT-DEP is available on the Division's website;

- Any loss incurred in connection with the disposition of exempt New Jersey or federal obligations, if included in the amount reported on line 12;
- If the net amount of the NJK-1s from lower tier **unitary** partnerships is greater than the net amount of the federal K-1s from those partnerships, enter the difference here if it is not reflected in line 13a or other line 13c items.

**Line 13d – Total Additions**

Add lines 13a through 13c and enter the result.

**Line 14 – Subtotal**

Add lines 12 and 13d and enter the result.

**New Jersey Subtractions****Line 15a – Guaranteed Payments to Partners**

Enter the amount of guaranteed payments to partners reported on line 4.

**Line 15b – Interest Income From Federal Obligations**

Enter any interest from federal obligations that is excludable from New Jersey gross income and is included in the amount reported on line 5 or 6.

**Line 15c – Interest Income From New Jersey Obligations**

Enter the amount of interest income from New Jersey obligations that is excludable from New Jersey gross income and is included in the amount reported on line 6 or 11.

**Note:** For lines 15b and 15c, amounts excludable from income include interest and dividends on obligations of the State of New Jersey or any of its political subdivisions and from tax-exempt obligations of the United States government, its territories, or instrumentalities. Distributions from New Jersey qualified investment funds are also exempt, as are distributions from other investment funds, but only to the extent the distribution is derived from obligations of the type described at N.J.S.A. 54A:6-14, et seq.

**Line 15d – IRC Section 179 Expense**

Enter the IRC Section 179 expense deduction.

**Line 15e – Nonunitary Partnership Subtraction**

If the net amount of the NJK-1s from lower tier **nonunitary** partnerships is less than the net amount of the federal K-1s from those partnerships, enter the difference.

**Line 15f – Other Subtractions – Specify**

Enter any other items that are excludable or deductible from the income included on line 12 for New Jersey Gross Income Tax purposes. Specify each item subtracted.



Examples of items that might be reported on this line:

- Dividends from exempt federal and New Jersey obligations described at N.J.S.A. 54A:6-14;
- Gains from the sale of exempt federal and New Jersey obligations excludable pursuant to N.J.S.A. 54A:5-1c;
- Meal and entertainment expenses that constitute ordinary business expenses incurred in the conduct of a trade or business that are not deductible for federal purposes;
- For assets placed in service on or after January 1, 2004, include any net subtraction adjustment from Worksheet GIT-DEP, if applicable, if federal income included deduction of federal special depreciation allowance or IRC Section 179 expense; federal Section 179 recapture income; or a gain or loss on disposition of such asset. Worksheet GIT-DEP is available on the Division's website;
- If the net amount of the NJK-1s from lower tier **unitary** partnerships is less than the net amount of the federal K-1s from those partnerships, enter the difference here if it is not reflected in lines 15a through 15d or other line 15f items.

**Note:** A partnership is **not** entitled to a basis adjustment in the calculating and reporting of partnership gain or loss from the sale or disposition of partnership assets as was extended to individuals, as in the *Koch* case, on the sale or disposition of a partnership interest. The partnership must **always** use federal adjusted basis when determining gain or loss. Only taxpayers as defined pursuant to N.J.S.A. 54A:1-2.1 are entitled to a *Koch*-type adjustment.

#### **Line 15g – Total Subtractions**

Total lines 15a through 15f and enter the result.

#### **Line 16 – Net Partnership Income**

Subtract line 15g from line 14 and enter the result.

#### **Line 17 – Nonoperational Income Elimination**

Enter the net nonoperational income (loss) to be eliminated from Schedule O, Part I, line 16.

#### **Line 18 – Nonunitary Partnership Income Elimination**

Enter the net nonunitary partnership income (loss) to be eliminated from Schedule A, Part III, line 2. Income from lower tier partnerships that are nonunitary with the taxpayer must be specifically assigned and are deducted prior to allocation. Income from lower tier partnerships that are unitary flows through to the taxpayer and cannot be deducted here.

#### **Line 19a – Total Operational Income**

Subtract the total of lines 17 and 18 from line 16 and enter the result.

## **New Jersey Allocated Income**

### **Line 19b – New Jersey Allocated Operational Income**

A Business Allocation Schedule, Form NJ-NR-A, must be completed by every partnership entity, including those that have met hedge fund status, that is not reporting 100% of its activity to New Jersey or that has not been granted permission to use a substitute method of allocation. Failure to file the NJ-NR-A or to check the box that **a substitute method of allocation has been granted** may result in 100% of your partnership's income or loss being sourced to New Jersey.

Enter the allocation factor from line 8, NJ-NR-A on the line provided at 19b. **A decimal must be entered unless you have been granted permission to use a substitute method of allocation. If permission has been granted, leave the line at 19b blank and enter the actual New Jersey source amount.** Enter 1.000000 if the partnership's receipts are all within New Jersey or 0 if all receipts are outside New Jersey. Multiply the amount on line 19a by this decimal and enter the result on line 19b, column B.

If a partnership's receipts are both within and outside New Jersey, the portion of the partnership's income, gains, expenses, or losses attributable to sources within New Jersey must, except as provided below, be determined by use of the NJ-NR-A as prepared by the partnership.

If a partnership's receipts are both within and outside New Jersey and the partnership believes that the determination of the portion of the partnership's income, gains, expenses, or losses attributable to sources within New Jersey by use of the NJ-NR-A does not provide an equitable allocation of such items, and the books and records of the partnership will disclose to the Director's satisfaction a more appropriate method of allocating such items, the partnership can request from the Director an exception from the use of the NJ-NR-A. Such request must be made in writing to: Gross Income Tax Branch, Business Allocation Exemption, PO Box 288, Trenton, NJ 08695-0288.

Your request for exception from the use of the NJ-NR-A must set forth the basis of the request and the substitute method of allocation requested to be used in lieu of the NJ-NR-A. The substitute method of allocation cannot be utilized prior to the submission of the partnership's exception request and the approval of such request by the Director. The partnership's exception request, once approved, must be made every three years, unless the Director or the partnership requests a change sooner.

#### **Line 20 – Nonoperational Income**

Enter in column A the net nonoperational income (loss) from Schedule O, Part I, line 16. Enter in column B New Jersey's taxable portion from Schedule O, Part II, line 16

**Line 21 – Nonunitary Partnership Income**

Enter in column A the amount from Schedule A, Part III, line 2. Enter in column B the amount from Schedule A, Part III, line 3. Income from lower tier partnerships that are nonunitary with the taxpayer is specifically assigned and added back here.

**Line 22 – Partnership Income (Loss)**

Enter in column A the total of lines 19a, 20, and 21, column A. Enter in column B the total of lines 19b, 20, and 21, column B.

**Line 23a – Guaranteed Payments to Partners**

Enter in column A the amount of guaranteed payments to partners reported on line 15a.

**Line 23b – Guaranteed Payments to Partners – Pension**

Enter in column A the amount of guaranteed payments to retired partners who are receiving such payments as a result of a period of service to the partnership pursuant to a retirement agreement or pension plan.

**Line 23c – Net Guaranteed Payments to Partners**

Subtract line 23b from line 23a and enter the result in column A.

Multiply the amount from line 23c, column A, by the allocation factor on line 19b. Enter the result on line 23c, column B.

If a substitute method of allocation was granted, enter the actual New Jersey source amount.

**Line 24 – Net Gain (Loss) From the Disposition of Assets as a Result of a Complete Liquidation**

Enter in column A the amount from line 12, column D of Schedule L. Enter in column B, the amount from line 12, column E of Schedule L.

**Line 25 – Total Nonresident Noncorporate Partners Share of Tax**

Enter in column B, the total nonresident noncorporate partners share of tax reported on line 2c, column I, of the Partners Directory.

**Line 26 – Total Nonresident Corporate Partners Share of Tax**

Enter in column B the total nonresident corporate partners share of tax reported on line 2c, column J, of the Partners Directory.

**Note:** If tax is reported on line 25 and/or line 26, NJ-CBT-1065 must be completed.

**Partners Directory**

List the partners in order of their ownership interest in the partnership, beginning with the partner who holds the largest share.

Partnerships should verify the residency status of each partner before completing column A. Partnerships are not to remit tax on behalf of resident partners. Resident partners will not receive a credit on their resident New Jersey tax returns for any payments made on their behalf by the partnership.

**Column A:** Use the following codes to identify the partner's residency status and type:

|     |   |  |
|-----|---|--|
| RI  | – | New Jersey Resident Individual         |
| NR  | – | Nonresident Individual                 |
| PI  | – | Part-Year Resident Individual          |
| RP  | – | New Jersey Resident Partnership        |
| NP  | – | Nonresident Partnership                |
| NPM | – | Nonresident Partnership (see below)    |
| RT  | – | New Jersey Resident Trust              |
| NT  | – | Nonresident Trust                      |
| RE  | – | New Jersey Resident Estate             |
| NE  | – | Nonresident Estate                     |
| RC  | – | New Jersey Corporation                 |
| FC  | – | Non-New Jersey Corporation             |
| FCM | – | Non-New Jersey Corporation (see below) |
| EFC | – | Exempt Foreign Corporation             |
| RO  | – | New Jersey Resident Other              |
| NO  | – | Nonresident Other                      |
| NOE | – | Nonresident Other (see below)          |
| NOM | – | Nonresident Other (see below)          |
| NUC | – | Nonresident Unitary Corporation        |

General partners must be identified. The letter "G" must be added to the end of each existing code to designate if the partner is a general partner in the entity.

Codes NPM, FCM, and NOM are used to identify nonresident partners that maintain a regular place of business in New Jersey other than a statutory office. No tax is to be remitted on their behalf or on behalf of an exempt foreign corporation (EFC), a retirement plan approved by the Internal Revenue Service (NOE), or a nonresident unitary corporation (NUC).

Code NUC is used to identify nonresident corporate partners that are members of a combined group for Corporation Business Tax purposes and are unitary with the partnership. Unitary partnerships are exempt from remitting tax on such partners.

For codes NPM, FCM, NOM, EFC, NOE, and NUC, the partnership must obtain and retain in its files a fully completed and signed NJ-1065E. The form is valid for one return period and a new form must be filed with the partnership for any subsequent return periods. If at any time during the course of an audit the Division deems it necessary, the partnership must make the form(s) available.

Attach a rider to explain the partner's entity type in detail for codes RO, NO, and NOM.

**Column B:** Enter each partner's Social Security number (SSN) for individual partners or federal employer identification number (FEIN) for partners that are entities other

than individuals, as well as each partner's name and address. **For individuals, the statute requires that the address be that of the person's principal residence.** If the partner is an entity other than an individual, enter the partner's business name. For corporations, enter the address of commercial domicile. If the partner is a disregarded entity, enter the FEIN, name, and address of the beneficial owner of the DE. Enter each partner's ownership percentage as of the close of the tax year. If a partner disposed of all or part of an ownership interest during the year, list the partner by the ownership percentage before the disposition.

Enter a "Y" if this is the final Schedule NJK-1 for the partner.

**Column C:** Enter each partner's Distributive Share of Partnership Income or Loss from Part II, line 4, column A, of their Schedule NJK-1.

**Column D:** Enter each partner's Distributive Share of Partnership Income or Loss from Part II, line 4, column B, of their Schedule NJK-1.

**Column E:** Enter each partner's share of the net gain (loss) from the disposition of assets as a result of a complete liquidation from Part II, line 6, column A, of their Schedule NJK-1.

**Column F:** Enter each partner's share of the net gain (loss) from the disposition of assets as a result of a complete liquidation from Part II, line 6, column B of their Schedule NJK-1.

**Column G:** Enter each partner's share of pension income from Part II, line 5, column A, of their Schedule NJK-1.

**Column H:** Enter each nonresident noncorporate (codes NR, NT, and NE) and nonresident corporate (codes NP, FC, and NO) partner's share of New Jersey income. Total the amounts in column D and F and enter the result. If the result is a loss, do not make an entry in column H.

No entry is required if the partnership is a qualified investment partnership or if it is listed on a United States national stock exchange and has checked the appropriate boxes on the front of the NJ-1065. Also, no entry is required for a nonresident noncorporate (codes NR, NT, and NE) partner if the partnership is an investment club or meets hedge fund status and has checked the appropriate boxes on the front of the NJ-1065.

**Column I:** Enter each nonresident noncorporate partner's (codes NR, NT, and NE) share of tax. Multiply the amount from column H by 6.37%.

If an amended return is filed and the result of multiplying the amount from column H by 6.37% is less than the amount reported on the original Partners Directory, report the amount listed on the original Partners Directory.

Do not report the lesser amount, since the partner is entitled to claim credit for the originally reported amount.

If the partnership files Form PTE-100 and pays the Pass-Through Business Alternative Income Tax, no amount is required in column I for any partner that reasonably expects that their share of New Jersey tax will be refunded when they file their own return.

**Column J:** Enter each nonresident corporate partner's (codes NP, FC, and NO) share of tax. Multiply the amount from column H by 9%.

If an amended return is filed and the result of multiplying the amount from column H by 9% is less than the amount reported on the original Partners Directory, report the amount listed on the original Partners Directory. Do not report the lesser amount, since the partner is entitled to claim credit for the originally reported amount.

If the partnership files Form PTE-100 and pays the Pass-Through Business Alternative Income Tax, no amount is required in column J for any partner that reasonably expects that their share of New Jersey tax will be refunded when they file their own return.

**Column K:** Complete column K only if you indicate at Schedule A, Part II, line 3 that the Share of Pass-Through Business Alternative Income Tax will be allocated to the partners. All partners must be individuals, trusts, or estates (RI, NR, PI, RT, NT, RE, or NE). Enter in column K each partner's share of the amount from Schedule A, Part II, line 2, column J.

#### **Line 1a – Total This Page**

Total all partners' share of tax from columns I, J, and K. Enter zero if no tax is reported in column(s) I, J, and/or K.

#### **Line 1b – Total From \_\_\_\_\_ Additional Pages Attached**

Enter the total number of additional pages attached on the line provided. Enter the sum of the totals for columns I, J, and K from each additional page attached. Enter zero if no tax is reported in column(s) I, J, and/or K.

#### **Line 1c – Total Tax**

Add lines 1a and 1b from columns I, J, and K and enter the results on line 1c. Carry the total from column I to line 25 and the total from column J to line 26 on the NJ-1065.

If you indicated on Schedule A, Part II, line 3 that the share of Pass-Through Business Alternative Income Tax will be allocated to the partners, the total from column K must match the amount reported on Schedule A, Part II, line 2, column J.

#### **Signature**

The return must be signed and dated by a general partner or limited liability company member.

Anyone who prepares a return for a fee must sign the return as a “Paid Preparer” and enter their Social Security number or federal practitioner tax identification number. Include the company or corporation name and federal employer identification number, if applicable. A tax preparer who fails to sign the return or provide a tax identification number may incur a penalty of \$25 for each omission.

**Note:** A partnership that is not required to remit a payment of tax on behalf of its nonresident noncorporate or nonresident corporate partners may still be required to pay a filing fee. See the instructions for the Filing Fee Schedule that is part of PART-200-T, Partnership Application for Extension of Time to File Form NJ-1065, to see if you are required to make a payment.

## Partnership Filing Fee

Any entity classified as a partnership for federal income tax purposes, other than an investment club, that has any income or loss derived from New Jersey sources and that has more than two owners is required to make a payment of a filing fee of \$150 for each owner of an interest in the entity up to a maximum of \$250,000.

### Line 1 – Number of Partners

Enter the applicable number of each type of owner in your entity on the lines 1a through 1c. The number of owners will generally be equal to the number of Schedule NJK-1s issued. Enter the allocation factor from line 8, Form NJ-NR-A as a decimal in the box provided on line 1c. If all the partnership’s operations were carried on in New Jersey, enter 1.000000. Add lines 1a–1c and enter the total on line 1d, but do not enter more than \$250,000.

### Line 2 – Installment Payment

Multiply the amount reported on line 1d by 50% and enter the result. If you checked the box on the front of the return indicating that the return is a “Final Return,” enter zero.

### Line 3 – Pass-Through Business Alternative Income Tax Credit

If you check the partnership filing fee box at Schedule A, Part II, line 3, enter the partnership’s total Share of Pass-Through Business Alternative Income Tax from Schedule A, Part II, line 2, column J.

### Line 4 – Installment Payment From 2023

Enter the amount from line 2 of the Partnership Filing Fee section of your 2023 NJ-1065.

### Line 5 – PART-200-T Payment

Enter the amount of the payment remitted with your 2024 Partnership Application for Extension of Time to File NJ-1065.

### Lines 6 and 7

If the total of lines 1d and 2 is more than the total of lines 3, 4, and 5, there is a balance due. Complete line 6.

If the total of lines 1d and 2 is less than the total of lines 3, 4, and 5, there is an overpayment. Complete line 7.

### Line 6 – Balance Due

Subtract lines 3, 4, and 5 from the total of lines 1d and 2 and enter any balance due here. Make check payable to “State of New Jersey–PART” and remit with completed NJ-1065-V, Partnership Payment Voucher.

### Line 7 – Refund

Subtract lines 1d and 2 from the total of lines 3, 4, and 5 and enter the overpayment to be refunded.

## Schedule A

If your partnership is a partner in another partnership, limited liability company or any other entity that is treated as a partnership for federal tax purposes, complete Schedule A. Partnerships that have had a complete liquidation must complete Schedule L before completing Schedule A.

Tiered partnerships that are unitary must use the flow-through method of accounting for income and receipts. Tiered partnerships that are nonunitary must use the separate method of accounting for income and receipts. See Technical Bulletins [TB-93\(R\)](#), *The Unitary Business Principle and Combined Returns*, and [TB-112\(R\)](#), *Gross Income Tax Allocation Sourcing for the Receipts of Business Income*, for more information.

## Part I

### Lines 1–11

**Column A.** Follow the instructions for lines 1–11 of the NJ-1065.

**Column B.** Enter the portion of each amount reported in column A that was derived from nonunitary partnerships. For each line, this will be the sum of the amounts reported for the corresponding category on the federal Schedule K-1(s) furnished to your partnership by each subsidiary nonunitary partnership in which it is a member.

**Column C.** For each line 1 through 11, subtract the amount reported in column B from the amount reported in column A and enter the difference in column C.

### Line 12

Enter the total for each column.

## Part II

### Line 1

Check the box to indicate if you received a Schedule NJK-1. List the name, the federal identification number, and the date and state where organized for each partnership. Also, check the type of ownership (general or limited), the tax accounting method used to reflect your share of partnership activity on this return (flow through method or separate accounting) and whether or not the partnership has nexus in New Jersey.

Enter in column I the tax payments made on behalf of your partnership from each Schedule NJK-1 received from other partnerships. Enter in column J, the Share of Pass-Through Business Alternative Income Tax from each Schedule PTE-K-1 received from other partnerships.

### Line 2

Add the amount(s) on line 1, columns I and J, and enter the result on line 2, columns I and J.

### Line 3

If there is an amount on line 2, column J, indicate how that amount will be applied. Select only one.

- Allocated to the partners – Enter the amount allocated to each partner on Form NJ-1065, Partners Directory, column K. (This option is only available if all partners are individuals, estates, or trusts.)
- Partnership Filing Fee – Enter on Form NJ-1065, Partnership Filing Fee line 3.
- Nonresident Partners Tax – Enter on Form NJ-CBT-1065, line 7.
- Pass-Through Business Alternative Income Tax – Enter on Form PTE-100, line 6.

## Part III

When a lower tier partnership is nonunitary with the taxpayer, the income is reported using the separate accounting method, and you must complete Part III.

### Line 1

Check the box to indicate if you received a Schedule NJK-1. List the name and federal identification number in columns B and C.

Enter in columns D and E the Distributive Share of Partnership Income (Loss) reported on Part II, line 4, columns A and B and/or Net Gain (Loss) From Disposition of Assets as a Result of a Complete Liquidation reported on Part II, line 6, columns A and B of each Schedule NJK-1 this partnership received from another partnership. If you did not receive a Schedule NJK-1, you will have to use the information from your federal Schedule K-1 to complete Reconciliation Worksheet A to determine the proper amount to report as your distributive share of partnership income for New Jersey purposes. See publication [GIT-9P](#), *Partnership Income*.

### Line 2

Total the amounts in column D and enter the result. Also enter on Form NJ-1065, line 18 and NJ-1065, line 21, column A.

### Line 3

Total the amounts in column E and enter the result. Also enter on Form NJ-1065, line 21, column B.

## Schedule O

Complete Schedule O if the partnership is treating income as nonoperational and not subject to apportionment using the allocation factor. Tiered partnerships must complete Schedule A before completing Schedule O. Do not include gains or losses from liquidation as nonoperational income. For information about operational and nonoperational income, see the instructions for the Corporation Business Tax [Schedule O](#).

Schedule O, Part I details the items of nonoperational income and calculates the net adjustment required to eliminate the effect of the nonoperational activity on allocable net income.

Schedule O, Part II allows the aggregate nonoperational activity to be broken down into separate activities.

### General Provisions

Generally, activities of a multijurisdictional partnership that are operational in nature are apportioned to a taxing jurisdiction by the use of a business allocation formula. New Jersey uses a single sales factor. Activities that are deemed to be nonoperational are not apportioned by general formula but are specifically assigned to the jurisdiction where the nonoperational activity has nexus.

There is a presumption, which must be overcome by the taxpayer by clear and convincing evidence, that all activities of the partnership are operational in nature.

## Part I

**Column A.** Follow the instructions for lines 1–13c and 15b–15f of Form NJ-1065.

Tiered partnerships must complete Schedule A before completing lines 1–11. The amounts entered on lines 1–11 will be the same as the amounts entered on lines 1–11 of Schedule A, Part I, column C. The additions and subtractions entered on lines 13a through 14d should not include any amounts associated with income earned by nonunitary partnerships.

**Column B.** Enter the nonoperational income, gains, losses, additions or subtractions.

**Column C.** For each line 1 through 14d, subtract the amount reported in column B from the amount reported in column A and enter the difference in column C.

## Part II

### Lines 1–14d

Enter the income, gains, losses, additions, and subtractions for each nonoperational activity. Attach additional schedules as required if the number of activities exceeds two.

### Line 16

Enter the portion of the net nonoperational income for each activity taxable to New Jersey. Detail the

methodology and the calculation on a separate attachment. Enter this amount on NJ-1065, line 20, column B.

### Line 17

List all other states to which each nonoperational activity or income has been taxed.

## Schedule NJK-1

Individual, trust, and estate partners are subject to New Jersey Gross Income Tax on their share of the partnership's income, whether or not the income is actually distributed. Partners who reside in New Jersey are taxed on their share of the partnership's income, regardless of the source of the income. Nonresident partners are also subject to New Jersey Gross Income Tax on their share of the partnership's income, but only to the extent such income is allocated to New Jersey.

If the partnership has met hedge fund status and has checked the hedge fund box listed on the partner's Schedule NJK-1, the nonresident individual, trust, or estate partner is not required to report the New Jersey source amount income from column B of their Schedule NJK-1 on their nonresident Gross Income Tax return.

Schedule NJK-1 provides each partner with information regarding that partner's share of partnership income. A Schedule NJK-1 must be completed for every partner that was a partner in the partnership at any time during the year.

Partners must be furnished with a copy of their Schedule NJK-1 on or before the due date of the partnership return (NJ-1065). If a partnership interest is held by a nominee on behalf of another person, the partnership is required to furnish Schedule NJK-1 to the nominee.

A copy of all NJK-1(s) must be retained by the partnership as part of the partnership's records.

## Part I – General Information

### Name and Address

Enter the name and address of both the partner and the partnership. Enter the federal employer identification number (FEIN) of the partnership and, if the particular partner is an entity other than an individual, enter the FEIN of the partner as well. If the partner is a person, enter their Social Security number. If the partner is an Individual Retirement Arrangement (IRA), enter the identification number of the custodian of the IRA, not the Social Security number of the person for whom the IRA is maintained. If the partner is a disregarded entity, enter the FEIN, name, and address of the beneficial owner of the DE.

If spouses each had an interest in the partnership, prepare a separate Schedule NJK-1 for each spouse. If spouses held an interest together as one partner, prepare one Schedule NJK-1.

## Classification of Partner

Use the codes listed in the instructions for column A of the Partner's Directory.

## Date Partner's Interest in Partnership Began

Enter the month, day, and year the partner obtained an interest in this partnership.

## Disregarded Entities

If the partner is a DE, such as a single member LLC that did not elect to be treated as a corporation, check the box and enter the name and federal EIN of the DE.

## Partner's Profit, Loss, and Capital Sharing Percentages

Enter in column (ii), the appropriate percentages as of the end of the partnership's year. However, if a partner's interest terminated during the year, enter in column (i) the percentages that existed immediately before the termination. When the profit or loss sharing percentage has changed during the year, show the percentage before the change in column (i) and the end-of-year percentage in column (ii). If there are multiple changes on the profit and loss sharing percentage during the year, attach a statement giving the date and percentage before each change.

"Capital Ownership" means the portion of the capital that the partner would receive if the partnership was liquidated at the end of the year and the undivided interests in the partnership's assets and liabilities were distributed.

## Part II – Income Information

The amounts reported in column A, Schedule NJK-1, represent the partner's share of the partnership's income, gain, or loss from all sources as reported in column A, NJ-1065. The partner's share shall be determined by the partnership agreement in the same manner as the partner's distributive share of partnership income is determined for federal income tax purposes. Column A, Schedule NJK-1, must be completed for every partner, regardless of residency.

The amounts reported in column B, Schedule NJK-1, represent the partner's share of the partnership's income, gain, or loss allocated to New Jersey as reported in column B, NJ-1065. Column B, Schedule NJK-1, should be completed for all partners.

### Line 1 – Partnership Income (Loss)

Enter on line 1, column A, the partner's share of partnership income or loss reported on line 22, column A, NJ-1065.

Enter on line 1, column B, the partner's share of partnership income or loss reported on line 22, column B, NJ-1065.

**Line 2 – Net Guaranteed Payments**

Enter on line 2, column A, the partner's amount of net guaranteed payments reported on line 23c, column A, NJ-1065.

Enter on line 2, column B, the amount from column A multiplied by the allocation factor from line 19b, NJ-1065.

**Line 3 – Partner's 401(k) Contribution**

Enter on line 3, column A, the amount of the partner's contribution to a 401(k) plan. Do not include contributions in excess of federal limits and taxable for federal income tax purposes on this line.

Enter on line 3, column B, the amount from column A multiplied by the allocation factor from line 19b, NJ-1065.

**Line 4 – Distributive Share of Partnership Income (Loss)**

Add lines 1 and 2, column A, then subtract line 3, column A. Enter the result on line 4, column A.

Add lines 1 and 2, column B, then subtract line 3, column B. Enter the result on line 4, column B.

**Line 5 – Pension**

Enter on line 5, column A, the partner's share of guaranteed payments – pension reported on line 23b, column A, NJ-1065. The partner to whom the guaranteed payment was made must be receiving the payment as a result of a period of service to the partnership pursuant to a retirement agreement or pension plan.

Make no entry on line 5, column B. Pension income to nonresidents is not subject to New Jersey Gross Income Tax.

**Line 6 – Net Gain (Loss) from the Disposition of Assets as a Result of a Complete Liquidation**

Enter on line 6, column A, the partner's share of the net gain (loss) from the disposition of assets as a result of a complete liquidation reported on line 24, column A, NJ-1065.

Enter on line 6, column B, the partner's share of the net gain (loss) from the disposition of assets as a result of a complete liquidation reported on line 24, column B, NJ-1065.

**Part III – Partner's Information****Line 1 – Nonresident Partner's Share of New Jersey Tax**

Enter on line 1 the partner's share of New Jersey tax reported in either column I or column J of the Partners Directory.

If an amended Schedule NJK-1 is filed, do not report less than the amount reported on the original Schedule NJK-1.

**Line 2 – Partner's HEZ Deduction**

If the partnership is a qualified primary care medical or dental practice located in or within 5 miles of a Health Enterprise Zone (HEZ), the partnership must determine if the partners are entitled to an HEZ deduction and the amount. The partner's deduction is entered on the partner's Schedule NJK-1 and deducted on the partner's Gross Income Tax return. See the Division's website for qualification and calculation information.

Enter the partner's HEZ deduction.

**Line 3 – Partner's Sheltered Workshop Tax Credit**

Enter on line 3 the partner's share of the Available Sheltered Workshop Tax Credit from line 8 of the Partnership's Schedule B, Sheltered Workshop Tax Credit.

**Line 4 – Share of Pass-Through Business Alternative Income Tax**

Enter on line 4 the partner's Share of Pass-Through Business Alternative Income Tax reported in column K of the Partners Directory.

**Part IV****Supplemental Information**

Attach a separate schedule to provide any detailed information affecting the partner's share of income, such as I.R.C. § 754 adjustments. Use Part IV to report corporate partners' shares of the New Jersey Research and Development Tax Credit. This credit is only available for corporate partners.

**Business Allocation Schedule  
NJ-NR-A**

If business activities are carried on *both inside and outside New Jersey*, use this form to determine the allocation factor. This will be applied to the business's operational income to determine the amount from New Jersey sources.

The allocation factor uses market-based sourcing, not cost of performance, to determine the portion of the business income sourced to New Jersey. The allocation factor is calculated using a single sales factor formula rather than a three-factor formula. See [N.J.A.C. 18:7-7.1](#) through [N.J.A.C. 18:7-10.1](#) and Technical Bulletin [TB-112\(R\)](#), *Gross Income Tax Allocation Sourcing for the Receipts of Business Income*, for more information.

Only activities related to operational activity are to be used when calculating the allocation factor. **Do not include nonoperational activity or receipts from non-unitary partnerships.**

Nonoperational income is income or loss generated by activities outside the regular trade or operating activities of a business. See [N.J.S.A. 54:10A-6.1](#) for more information.

Receipts from lower tier nonunitary partnerships do not flow through to the taxpayer and are not included on the NJ-NR-A. However, receipts from lower tier unitary partnerships flow through and are included in the receipts reported on the NJ-NR-A.

**Be sure that Form NJ-NR-A is enclosed with Form NJ-1065 and that the name and address on the Business Allocation Schedule agree exactly with the name and address on the return with which it is enclosed.**

#### **Lines 1–5 – Receipts**

##### **Receipts Allocated to New Jersey**

- Receipts from sales of tangible personal property if the goods are shipped to points within New Jersey
- Receipts from the sale of goods if shipped to a New Jersey or a non-New Jersey customer where possession is transferred in New Jersey
- Receipts from the sale of goods shipped to a taxpayer from outside New Jersey to a New Jersey customer by a common carrier
- Services performed if the benefit of the service is received in New Jersey
- Rentals from property situated in New Jersey
- Royalties from the use in New Jersey of patents, copyrights, and trademarks
- All other business receipts earned in New Jersey

**Receipts Not Allocated to New Jersey.** Receipts from the sale of goods shipped from outside New Jersey to a New Jersey location where the goods are picked up by a common carrier and transported to a customer outside New Jersey are not allocated to New Jersey.

**Receipts From Sales of Capital Assets.** Receipts from sales of capital assets not held for sale to customers in the regular course of business, either within or outside New Jersey, should be included in the numerator and the denominator based on the net gain recognized and not on gross selling prices. If the taxpayer's business is the buying and selling of real estate or of securities for trading purposes, gross receipts from the sales of such assets should be included in the numerator and the denominator of the receipts fraction.

##### **Lines 6 – Total Receipts From All Sales, Services, and Other Business Transactions In New Jersey**

Add lines 1 through 5 and enter the total.

##### **Line 7 – Total Receipts From All Sales, Services, and Other Business Transactions Everywhere**

Enter on line 7 the total receipts from all sales made, services performed, and business transactions conducted both inside and outside New Jersey during the period covered by the return.

##### **Line 8 – Allocation Factor**

Divide line 6 by line 7 and enter the result. Also enter this decimal on the following lines:

- Line 19b, Form NJ-1065; and
- Partnership Filing Fee, Form NJ-1065.