

FORM PD5

GENERAL INSTRUCTIONS

1. **FILING PROCEDURE** - On or before March 1 of the post-tax year, deduction recipients **MUST** file this Income Statement with the municipal tax collector to confirm that annual income for the preceding tax year did not exceed the \$10,000 limit, after permitted income exclusion, and that anticipated income for the current tax year will not exceed \$10,000. Deduction recipients must also confirm that all other eligibility conditions continue to be met.
2. **APPLICABLE INCOME PERIOD** - The income period is the same tax year as the tax year for which the deduction was claimed or received. For example, an Annual Post-Tax Year Statement to be filed on or before March 1, 2013 should support the deduction claim for tax year 2012 by confirming actual 2012 income. It should also support the current deduction claim for tax year 2013 by estimating 2013 anticipated income.
3. **EXTENSION OF TIME FOR FILING THIS INCOME STATEMENT** - Where illness or medical problem, as certified by a physician's statement, prevents timely filing of the Annual Post-Tax Year Income Statement the collector may at his or her discretion grant a reasonable extension of time to file but no later than May 1 of the post-tax year.
4. **INCOME DEFINED** - N.J.S.A. 54:4-8.40(a) defines "income" as all income from whatever source derived including, but not limited to, realized capital gains except for a capital gain resulting from the sale or exchange of real property owned and used by the taxpayer as his principal residence...and, in their entirety, pension, annuity and retirement benefits.

N.J.A.C. 18:14-1.1 defines "income" as salaries, wages, bonuses, commissions, tips and other compensations before payroll deductions, all dividends, interest, realized capital gains, royalties, income from rents, business income and, in their entirety, pension, annuity and retirement benefits. Realized capital gains, except for capital gain resulting from the sale or exchange of real property owned and used by the taxpayer as his principal residence,...and dividends, interest, pensions, annuities and retirement benefits must be included in full without deductions even though they may be wholly or partially exempt for Federal income tax purposes.

N.J.A.C. 18:14-1.1 further defines "business income" as gross income derived from a business, trade, profession or the rental of property after deductions of the ordinary and necessary expenses of the business, trade, profession or rental of property allowed under the Federal Internal Revenue Code and regulations.

"Disability benefits," the New Jersey Constitution and statutes are silent on the subject of disability income other than those disability benefits received under a Federal, State, or Political Subdivision program which are excludable only to the extent of the maximum benefit received under the Federal Social Security Act. Therefore, any other disability income received should be evaluated for inclusion or exclusion based on its proper treatment for Federal Income Tax purposes.

"Married/civil union person's income," income received by the applicant and spouse/civil union partner is combined in establishing eligibility for the property tax deduction unless they are living separately. N.J.S.A. 54:4-8.41 provides, in part, income of a married/civil union person includes an amount equal to the income of the spouse/civil union partner during the applicable income year, except for that portion of the year as the two were living apart in a state of separation, whether under judicial decree or otherwise.

N.J.A.C. 18:14-1.1 also provides income of claimant's family members other than a spouse/civil union partner is not to be combined with income of claimant.

NOTE: In accordance with the Civil Union Act, eligibility guidelines that apply to married couples and surviving spouses apply equally to civil union couples.

5. **EXCLUDABLE INCOME DEFINED** - Benefits are excludable under only ONE of three categories:
1. The Federal Social Security Act and all its amendments and supplements;
 2. Any other Federal government program or Federal law which provides benefits in whole and in part in lieu of Social Security benefits or for persons excluded from coverage under Social Security, including but not limited to the Federal Railroad Retirement Act and Federal pension, disability and retirement programs;
 3. Pension, disability or retirement programs of any state or its political subdivisions, or agencies for persons not covered under Social Security.
- ** NOTE:** Where the claimant and/or spouse/civil union partner receives only Social Security benefits and no benefits under 2. & 3., the amount of Social Security received can be deducted from income in full. Where the claimant and/or spouse/civil union partner receives both Social Security benefits and government retirement/disability benefits under 2. or 3., the larger of either one of the income categories can be deducted but any government pension/disability benefit deduction cannot exceed the maximum allowable Social Security benefit. The amount of federal, state, county, municipal pension, disability or retirement benefit etc. excluded should be based on actual benefits received provided that the total excluded under 2. or 3. above is not in excess of the maximum benefit amount excludable in similar circumstances under 1. Social Security. N.J.S.A. 54:4-8.40(a) (1) (2) (3).

6. **DOCUMENTARY PROOFS REQUIRED** - Each collector may require any information necessary to establish claimant's deduction entitlement.

7. **DISALLOWANCE** - Failure to timely file this statement or meet income and other eligibility requirements will result in disallowance of the deduction. Claimants will be notified by formal Notice of Disallowance. Disallowed deductions must be repaid on or before June 1 of the post-tax year or where a filing extension was granted no later than thirty days after mailing of the Notice of Disallowance. If unpaid, taxes will be delinquent, constitute a lien on the property and a personal debt of claimant.

8. **APPEALS** - Disallowed claims may be appealed to the county board of taxation.

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