

Chris Whalen, CPA

Accounting • Income Taxes • Consulting

Understanding The NJ EXIT TAX

Chris Whalen, CPA

(732) 673-0510

chriswhalencpa@gmail.com

EXIT



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NJ EXIT TAX

EXIT



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We are experts at analyzing NJ Real Estate Transactions that may be subject to the NJ Exit Tax. Please contact us to assist you in the process.

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The **Exit Tax** is actually a tax payment made in the name of a person or company, which is subsequently used as a credit on a NJ Income Tax Return.

UNLIKE

NJ Realty Transfer Fees

(which are lost forever)

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MYTH (Misinformation):

This is NOT True.

If you live outside of NJ and sell a NJ property,
the NJ Exit Tax must ALWAYS be taken at closing.

This is NOT True.

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If you have already had **Exit Tax** taken at a closing
it is imperative that you:

- 1) Make sure that the attorney remits this payment to NJ
correctly on your behalf.
- 2) You get a copy of that canceled check for your records.
- 3) File a NJ Tax Return to take that credit that same year.

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Basic Rules

NJ NON Residents Who Sell Real Estate in NJ

Must Make an Estimated Tax Payment of:

- 8.97 percent of the gain or
- 2 percent of the sale price, whichever is higher.

Except if The Federal Sale of Residence Gain Exclusion Applies

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NOTES:

Your official State Residency at date of closing dictates your residency!

Just because you own a home out of state already,

that does not negate your NJ residency!

Many mistakes are being made at closings.

You need to understand the law.

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EXAMPLES:

1) Florida Resident, Sells Former NJ Residence.

If NO Federal Gain, Exit Tax Should NOT Be Taken

2) Florida Resident, Sells NJ Second Home or Rental.

Exit Tax COULD Be Taken.

Except if other Federal Exclusion Applies: 1031, 1033

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GIT/REP-3

What is this form? See Next Slide

GIT/REP-3
(5-12)



State of New Jersey
SELLER'S RESIDENCY CERTIFICATION/EXEMPTION
(C.55, P.L. 2004)

(Please Print or Type)

SELLER(S) INFORMATION (See Instructions, Page 2)

Names(s)

Current Resident Address:

Street:

City, Town, Post Office

State

Zip Code

PROPERTY INFORMATION (Brief Property Description)

Block(s)

Lot(s)

Qualifier

Street Address:

City, Town, Post Office

State

Zip Code

Seller's Percentage of Ownership

Consideration

Closing Date

SELLER ASSURANCES (Check the Appropriate Box) (Boxes 2 through 10 apply to Residents and Non-residents)

- I am a resident taxpayer (individual, estate, or trust) of the State of New Jersey pursuant to N.J.S.A. 54A:1-1 et seq. and will file a resident gross income tax return and pay any applicable taxes on any gain or income from the disposition of this property.
- The real property being sold or transferred is used exclusively as my principal residence within the meaning of section 121 of the federal Internal Revenue Code of 1986, 26 U.S.C. s. 121.

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GIT/REP-3

Seller's Residency Certification/Exemption

What is this used for?

This form is to be completed by individuals, estates, trusts or any other entity selling or transferring property in New Jersey not subject to the Gross Income Tax estimated payment requirements under C55, P.L. 2004.

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GIT/REP-3

Seller's Residency Certification/Exemption

If you believe you are exempt from the NJ Exit Tax

You need to provide this completed form
to the closing attorney.

(GIT/REP-1 may also be required)

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**I hope you found this
information helpful.**

**Please contact me with any tax,
accounting or business questions.**

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