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Ask the Biz Brain

We recently moved here from Texas. We own land with mineral rights in Texas and have begun to receive royalty checks for natural gas drilling on the land. There is no state income tax in Texas, but will New Jersey tax us on the income?

-- Nancy in Haskell Welcome to the Garden State

New Jersey has some beautiful countryside. But there is a price to be paid for that view.

Unfortunately, you will be paying for that natural gas field in the Lone Star State.

New Jersey "will tax you for any earned income such as wages and unearned income such as interest or dividends" no matter where you earned it, according to I. David Eliran, an accountant in Freehold.

"If you were a New Jersey resident for only part of the taxable year, you are subject to the tax if your income for the entire year exceeds \$20,000, or \$10,000 if your filing status is single," Eliran said.

Use schedule C of Form NJ-1040 to report net income from rents, royalties, patents and copyrights, according to Neil Becourtney, a partner in J.H.Cohn's tax practice in Roseland. You can find further information from Bulletin GIT-6, part-year residents, at www.state.nj.us/treasury/taxation.

To prevent double taxation, New Jersey allows you to take a credit against your New Jersey income tax for taxes paid to other jurisdictions, according to Susan Reed, an accountant with Sax Macy Fromm in Clifton.

"For example, had the taxpayers paid income tax in the state where the royalties were earned, they would complete schedule A on the NJ-1040 form to calculate the allowable credit," she says.

If the income had been earned in a state that taxed it at a rate of 8.5 percent, New Jersey would only allow a credit up to the rate the taxpayer would pay to the state of New Jersey, according to Reed. The maximum New Jersey rate for taxpayers earning less than \$500,000 is 6.37 percent, she said.

-- Joseph R. Perone