

54:34-2 and 54:33-4

1/28/87

LEGISLATIVE HISTORY CHECKLIST

NJSA: 54:34-2 and 54:33-4 (Transfer inheritance tax-phaseout)

LAWS OF: 1985 CHAPTER 57

BILL NO: A1831

Sponsor(s): Doyle and Ford

Date Introduced: March 20, 1984

Committee: Assembly: Revenue, Finance and Appropriations

Senate: Revenue, Finance and Appropriations

Amended during passage: Yes Assembly Committee substituted (OCR) enacted. Amendments during passage denoted by asterisks. Substituted for 2413 (Sponsor's statement--attached)

Date of Passage: Assembly: December 6, 1984
Senate: January 31, 1985

Date of Approval: February 27, 1985

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: No

See newspaper clipping file in New Jersey Reference Department, "New Jersey-Inheritance Tax - 1981--".

(OVER)

Also attached: Governor Kean's veto to A2294 during 1982-1983 Legislative session.

See also: Kean, "New Jersey Transfer Inheritance Tax Phase-Down, 115 N.J.L.J. 317 (3-21-85).

Fiscal note (revised)--not printed

[OFFICIAL COPY REPRINT]
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 1831

STATE OF NEW JERSEY

ADOPTED: OCTOBER 22, 1984

AN ACT concerning transfer inheritance taxes ***[and]** *****,***** amend-
ing R. S. 54:34-2 *and supplementing Title 54 of the Revised*
Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. R. S. 54:34-2 is amended to read as follows:

2 54:34-2. a. (1) *The transfer of property to a husband or wife of*
3 *a decedent shall be taxed at the following rates:*

4 *For transfers made ***[from January 1, 1985 through June 30,***
4A *1985] **through December 31, 1984*:**

4B <i>*On any amount in excess of \$15,000.00, up</i>	
4C <i>to \$50,000.00</i>	2%
4D <i>On any amount in excess of \$50,000.00, up</i>	
4E <i>to \$100,000.00</i>	3%
4F <i>On any amount in excess of \$100,000.00, up</i>	
4G <i>to \$150,000.00</i>	4%*
5 <i>On any amount in excess of \$150,000.00, up</i>	
6 <i>to \$200,000.00</i>	5%
7 <i>On any amount in excess of \$200,000.00, up</i>	
8 <i>to \$300,000.00</i>	6%
9 <i>On any amount in excess of \$300,000.00, up</i>	
10 <i>to \$500,000.00</i>	7%
11 <i>On any amount in excess of \$500,000.00, up</i>	
12 <i>to \$700,000.00</i>	8%
13 <i>On any amount in excess of \$700,000.00, up</i>	
14 <i>to \$900,000.00</i>	9%
15 <i>On any amount in excess of \$900,000.00, up</i>	
16 <i>to \$1,100,000.00</i>	10%

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate committee amendments adopted January 28, 1985.

17	On any amount in excess of \$1,100,000.00, up	
18	to \$1,400,000.00	11%
19	On any amount in excess of \$1,400,000.00, up	
20	to \$1,700,000.00	12%
21	On any amount in excess of \$1,700,000.00, up	
22	to \$2,200,000.00	13%
23	On any amount in excess of \$2,200,000.00, up	
24	to \$2,700,000.00	14%
25	On any amount in excess of \$2,700,000.00, up	
26	to \$3,200,000.00	15%
27	On any amount in excess of \$3,200,000.00	16%
28	* [For transfers made from July 1, 1985 through June 30, 1986:	
29	On any amount in excess of \$500,000.00, up	
30	to \$700,000.00	8%
31	On any amount in excess of \$700,000.00, up	
32	to \$900,000.00	9%
33	On any amount in excess of \$900,000.00, up	
34	to \$1,100,000.00	10%
35	On any amount in excess of \$1,100,000.00, up	
36	to \$1,400,000.00	11%
37	On any amount in excess of \$1,400,000.00, up	
38	to \$1,700,000.00	12%
39	On any amount in excess of \$1,700,000.00, up	
40	to \$2,200,000.00	13%
41	On any amount in excess of \$2,200,000.00, up	
42	to \$2,700,000.00	14%
43	On any amount in excess of \$2,700,000.00, up	
44	to \$3,200,000.00	15%
45	On any amount in excess of \$3,200,000.00	16%] *
46	for transfers made on or after [July 1, 1986] * January 1,	
47	1985* there shall be no tax imposed under this paragraph.	
48	(2) The transfer of property to a father, mother, grandparent,	
49	[husband, wife,] child or children of a decedent, or to any child or	
50	children adopted by the decedent in conformity with the laws of	
51	this State, or of any of the United States or of a foreign country,	
52	or the issue of any child or legally adopted child of a decedent,	
53	shall be taxed at the following rates:	
54	For transfers through June 30, 1985:	
55	On any amount in excess of \$15,000.00, up	
56	to \$50,000.00	2%
56A	On any amount in excess of \$50,000.00, up	
57	to \$100,000.00	3%

58	On any amount in excess of \$100,000.00, up	
59	to \$150,000.00	4%
60	On any amount in excess of \$150,000.00, up	
61	to \$200,000.00	5%
62	On any amount in excess of \$200,000.00, up	
63	to \$300,000.00	6%
64	On any amount in excess of \$300,000.00, up	
65	to \$500,000.00	7%
66	On any amount in excess of \$500,000.00, up	
67	to \$700,000.00	8%
68	On any amount in excess of \$700,000.00, up	
69	to \$900,000.00	9%
70	On any amount in excess of \$900,000.00, up	
71	to \$1,100,000.00	10%
72	On any amount in excess of \$1,100,000.00, up	
73	to \$1,400,000.00	11%
74	On any amount in excess of \$1,400,000.00, up	
75	to \$1,700,000.00	12%
76	On any amount in excess of \$1,700,000.00, up	
77	to \$2,200,000.00	13%
78	On any amount in excess of \$2,200,000.00, up	
79	to \$2,700,000.00	14%
80	On any amount in excess of \$2,700,000.00, up	
81	to \$3,200,000.00	15%
82	On any amount in excess of \$3,200,000.00	16%
83-84	<i>For transfers made from July 1, 1985 through June 30, 1986:</i>	
85	On any amount in excess of \$50,000.00, up	
86	to \$100,000.00	3%
87	On any amount in excess of \$100,000.00, up	
88	to \$150,000.00	4%
89	On any amount in excess of \$150,000.00, up	
90	to \$200,000.00	5%
91	On any amount in excess of \$200,000.00, up	
92	to \$300,000.00	6%
93	On any amount in excess of \$300,000.00, up	
94	to \$500,000.00	7%
95	On any amount in excess of \$500,000.00, up	
96	to \$700,000.00	8%
97	On any amount in excess of \$700,000.00, up	
98	to \$900,000.00	9%
99	On any amount in excess of \$900,000.00, up	
100	to \$1,100,000.00	10%

101	On any amount in excess of \$1,100,000.00, up	
102	to \$1,400,000.00	11%
103	On any amount in excess of \$1,400,000.00, up	
104	to \$1,700,000.00	12%
105	On any amount in excess of \$1,700,000.00, up	
106	to \$2,200,000.00	13%
107	On any amount in excess of \$2,200,000.00, up	
108	to \$2,700,000.00	14%
109	On any amount in excess of \$2,700,000.00, up	
110	to \$3,200,000.00	15%
111	On any amount in excess of \$3,200,000.00	16%
112	For transfers made from July 1, 1986 through June 30, 1987:	
113	On any amount in excess of \$150,000.00, up	
114	to \$200,000.00	5%
115	On any amount in excess of \$200,000.00, up	
116	to \$300,000.00	6%
117	On any amount in excess of \$300,000.00, up	
118	to \$500,000.00	7%
119	On any amount in excess of \$500,000.00, up	
120	to \$700,000.00	8%
121	On any amount in excess of \$700,000.00, up	
122	to \$900,000.00	9%
123	On any amount in excess of \$900,000.00, up	
124	to \$1,100,000.00	10%
125	On any amount in excess of \$1,100,000.00, up	
126	to \$1,400,000.00	11%
127	On any amount in excess of \$1,400,000.00, up	
128	to \$1,700,000.00	12%
129	On any amount in excess of \$1,700,000.00, up	
130	to \$2,200,000.00	13%
131	On any amount in excess of \$2,200,000.00, up	
132	to \$2,700,000.00	14%
133	On any amount in excess of \$2,700,000.00, up	
134	to \$3,200,000.00	15%
135	On any amount in excess of \$3,200,000.00	16%
136	For transfers made from July 1, 1987 through June 30, 1988:	
137	On any amount in excess of \$250,000.00, up	
138	to \$300,000.00	6%
139	On any amount in excess of \$300,000.00, up	
140	to \$500,000.00	7%
141	On any amount in excess of \$500,000.00, up	
142	to \$700,000.00	8%

143	<i>On any amount in excess of \$700,000.00, up</i>	
144	<i>to \$900,000.00</i>	9%
145	<i>On any amount in excess of \$900,000.00, up</i>	
146	<i>to \$1,100,000.00</i>	10%
147	<i>On any amount in excess of \$1,100,000.00, of</i>	
148	<i>to \$1,400,000.00</i>	11%
149	<i>On any amount in excess of \$1,400,000.00, up</i>	
150	<i>to \$1,700,000.00</i>	12%
151	<i>On any amount in excess of \$1,700,000.00, up</i>	
152	<i>to \$2,200,000.00</i>	13%
153	<i>On any amount in excess of \$2,200,000.00, up</i>	
154	<i>to \$2,700,000.00</i>	14%
155	<i>On any amount in excess of \$2,700,000.00, up</i>	
156	<i>to \$3,200,000.00</i>	15%
157	<i>On any amount in excess of \$3,200,000.00</i>	16%
158	<i>For transfers made on or after July 1, 1988 there shall be no</i>	
159	<i>tax imposed under this subsection.</i>	
160	<i>b. (Deleted by amendment.)</i>	
161	<i>c. The transfer of property to a brother or sister of a decedent,</i>	
162	<i>wife or widow of a son of a decedent, or husband or widower of a</i>	
163	<i>daughter of a decedent shall be taxed at the following rates:</i>	
164	<i>(1) For transfers through June 30, 1988:</i>	
165	<i>On any amount up to \$1,100,000.00</i>	11%
166	<i>On any amount in excess of \$1,100,000.00, up</i>	
167	<i>to \$1,400,000.00</i>	13%
168	<i>On any amount in excess of \$1,400,000.00, up</i>	
169	<i>to \$1,700,000.00</i>	14%
170	<i>On any amount in excess of \$1,700,000.00</i>	16%
171	<i>(2) For transfers made on or after July 1, 1988 *through June</i>	
172	<i>30, 1989]*:</i>	
173	<i>On any amount in excess of \$25,000.00, up</i>	
174	<i>to \$1,100,000.00</i>	11%
175	<i>On any amount in excess of \$1,100,000.00, up</i>	
176	<i>to \$1,400,000.00</i>	13%
177	<i>On any amount in excess of \$1,400,000.00, up</i>	
178	<i>to \$1,700,000.00</i>	14%
179	<i>On any amount in excess of \$1,700,000.00</i>	16%
180	<i>*(3) For transfers made on or after July 1, 1989:</i>	
181	<i>On any amount in excess of \$100,000.00, up</i>	
182	<i>to \$1,100,000.00</i>	11%
183	<i>On any amount in excess of \$1,100,000.00, up</i>	
184	<i>to \$1,400,000.00</i>	13%

185 *On any amount in excess of \$1,400,000.00, up*
 186 *to \$1,700,000.00* 14%

187 *On any amount in excess of \$1,700,000.00* 16%]*

188 d. The transfer of property to every other transferee, distributee
 189 or beneficiary not hereinbefore classified shall be taxed at the fol-
 190 lowing rates:

191 *[(1) *For transfers through June 30, 1989:)]**

192 *On any amount up to \$700,000.00* 15%

193 *On any amount in excess of \$700,000.00* 16%

194 *[(2) *For transfers made on or after July 1, 1989 through June*
 195 *30, 1990:*

196 *On any amount in excess of \$25,000.00, up*

197 *to \$700,000.00* 15%

198 *On any amount in excess of \$700,000.00* 16%

199 (3) *For transfers made on or after July 1, 1990:*

200 *On any amount in excess of \$100,000.00, up*

201 *to \$700,000.00* 15%

201A *On any amount in excess of \$700,000.00* 16%]*

202 For every purpose of this subtitle all persons, including the
 203 decedent, shall be deemed to have been born in lawful wedlock and
 204 this provision shall apply to the estate of every decedent whether
 205 said decedent died before March 25, 1935, or shall die thereafter,
 206 but it shall not entitle any person to a refund of any tax paid be-
 207 fore the aforementioned date.

1 *2. (New section) *The Director of the Division of Taxation shall*
 2 *prepare and transmit to the Governor and the Legislature, on or*
 3 *before October 1, 1986 and on or before October 1 annually there-*
 4 *after, a report concerning the taxation of property transfers under*
 5 *the transfer inheritance tax, R. S. 54:34-1 et seq., in such a manner*
 6 *as to facilitate an evaluation of the comparability of this State's*
 7 *inheritance tax structure to selected other states. The report shall*
 8 *also include a statistical analysis of the number and value of es-*
 9 *tates, by gross estate value and taxable estate value, for each class*
 10 *of transfer, displayed in increments of value corresponding to the*
 11 *tax rate schedule in R. S. 54:34-2 for transfers made through June*
 12 *30 of the immediately preceding fiscal year, that will enable an*
 13 *evaluation of the tax liability for gross and taxable estates. The*
 14 *report shall identify the number, value, and tax reduction on es-*
 15 *tates for the immediately preceding fiscal year, as a result of the*
 16 *change in exemptions applicable to transfers made in that year.*
 17 *The director shall include in the report such observations and*
 18 *recommendations as he shall deem appropriate concerning the tax-*

19 *ation of property transfers under the inheritance tax, R. S. 54:34-1*
20 *et seq. In addition, the report to be transmitted on or before Octo-*
21 *ber 1, 1956 shall include observations concerning the equity of tax*
22 *liabilities for transfers within the same class, specifically, but not*
23 *limited to, the relationship between siblings under a broad range of*
24 *circumstances.**

1 ***[2.]* *3.*** This act shall take effect immediately and shall be
2 applicable to transfers of property on and after January 1, 1985.

ASSEMBLY, No. 1831
STATE OF NEW JERSEY

INTRODUCED MARCH 20, 1984

By Assemblyman DOYLE and Assemblywoman FORD

AN ACT concerning transfer inheritance taxes and amending R. S.
54:34-2.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. R. S. 54:34-2 is amended to read as follows:

2 54:34-2. a. The transfer of property to a father, mother, grand-
3 parent, husband, wife, child or children of a decedent, or to any
4 child or children adopted by the decedent in conformity with the
5 laws of this State, or of any of the United States or of a foreign
6 country, or the issue of any child or legally adopted child of a
7 decedent, shall be taxed at the following rates:

8 *(1) For transfers through June 30, 1984:*

9 On any amount in excess of \$15,000.00, up to	
10 \$50,000.00	2%
11 On any amount in excess of \$50,000.00, up to	
12 \$100,000.00	3%
13 On any amount in excess of \$100,000.00, up to	
14 \$150,000.00	4%
15 On any amount in excess of \$150,000.00, up to	
16 \$200,000.00	5%
17 On any amount in excess of \$200,000.00, up to	
18 \$300,000.00	6%
19 On any amount in excess of \$300,000.00, up to	
20 \$500,000.00	7%
21 On any amount in excess of \$500,000.00, up to	
22 \$700,000.00	8%

Matter printed in italics thus is new matter.

23	On any amount in excess of \$700,000.00, up to	
24	\$900,000.00	9%
25	On any amount in excess of \$900,000.00, up to	
26	\$1,100,000.00	10%
27	On any amount in excess of \$1,100,000.00, up	
28	to \$1,400,000.00	11%
29	On any amount in excess of \$1,400,000.00, up	
30	to \$1,700,000.00	12%
31	On any amount in excess of \$1,700,000.00, up	
32	to \$2,200,000.00	13%
33	On any amount in excess of \$2,200,000.00, up	
34	to \$2,700,000.00	14%
35	On any amount in excess of \$2,700,000.00, up	
36	to \$3,200,000.00	15%
37	On any amount in excess of \$3,200,000.00	16%
38	<i>(2) For transfers made from July 1, 1984 through June 30, 1985:</i>	
39	<i>On any amount in excess of \$50,000.00, up to</i>	
40	<i>\$100,000.00</i>	<i>3%</i>
41	<i>On any amount in excess of \$100,000.00, up to</i>	
42	<i>\$150,000.00</i>	<i>4%</i>
43	<i>On any amount in excess of \$150,000.00, up to</i>	
44	<i>\$200,000.00</i>	<i>5%</i>
45	<i>On any amount in excess of \$200,000.00, up to</i>	
46	<i>\$300,000.00</i>	<i>6%</i>
47	<i>On any amount in excess of \$300,000.00, up to</i>	
48	<i>\$500,000.00</i>	<i>7%</i>
49	<i>On any amount in excess of \$500,000.00, up to</i>	
50	<i>\$700,000.00</i>	<i>8%</i>
51	<i>On any amount in excess of \$700,000.00, up to</i>	
52	<i>\$900,000.00</i>	<i>9%</i>
53	<i>On any amount in excess of \$900,000.00, up to</i>	
54	<i>\$1,100,000.00</i>	<i>10%</i>
55	<i>On any amount in excess of \$1,100,000.00, up</i>	
56	<i>to \$1,400,000.00</i>	<i>11%</i>
57	<i>On any amount in excess of \$1,400,000.00, up</i>	
58	<i>to \$1,700,000.00</i>	<i>12%</i>
59	<i>On any amount in excess of \$1,700,000.00, up</i>	
60	<i>to \$2,200,000.00</i>	<i>13%</i>
61	<i>On any amount in excess of \$2,200,000.00, up</i>	
62	<i>to \$2,700,000.00</i>	<i>14%</i>
63	<i>On any amount in excess of \$2,700,000.00, up</i>	
64	<i>to \$3,200,000.00</i>	<i>15%</i>
65	<i>On any amount in excess of \$3,200,000.00</i>	<i>16%</i>

66	(3) For transfers made from July 1, 1985 through June 30, 1986:	
67	On any amount in excess of \$100,000.00, up to	
68	\$150,000.00	4%
69	On any amount in excess of \$150,000.00, up to	
70	\$200,000.00	5%
71	On any amount in excess of \$200,000.00, up to	
72	\$300,000.00	6%
73	On any amount in excess of \$300,000.00, up to	
74	\$500,000.00	7%
75	On any amount in excess of \$500,000.00, up to	
76	\$700,000.00	8%
77	On any amount in excess of \$700,000.00, up to	
78	\$900,000.00	9%
79	On any amount in excess of \$900,000.00, up to	
80	\$1,100,000.00	10%
81	On any amount in excess of \$1,100,000.00, up	
82	to \$1,400,000.00	11%
83	On any amount in excess of \$1,400,000.00, up	
84	to \$1,700,000.00	12%
85	On any amount in excess of \$1,700,000.00, up	
86	to \$2,200,000.00	13%
87	On any amount in excess of \$2,200,000.00, up	
88	to \$2,700,000.00	14%
89	On any amount in excess of \$2,700,000.00, up	
90	to \$3,200,000.00	15%
91	On any amount in excess of \$3,200,000.00	16%
92	(4) For transfers made from July 1, 1986 through June 30, 1987:	
93	On any amount in excess of \$150,000.00, up to	
94	\$200,000.00	5%
95	On any amount in excess of \$200,000.00, up to	
96	\$300,000.00	6%
97	On any amount in excess of \$300,000.00, up to	
98	\$500,000.00	7%
99	On any amount in excess of \$500,000.00, up to	
100	\$700,000.00	8%
101	On any amount in excess of \$700,000.00, up to	
102	\$900,000.00	9%
103	On any amount in excess of \$900,000.00, up to	
104	\$1,100,000.00	10%
105	On any amount in excess of \$1,100,000.00, up	
106	to \$1,400,000.00	11%
107	On any amount in excess of \$1,400,000.00, up	
108	to \$1,700,000.00	12%

109	<i>On any amount in excess of \$1,700,000.00, up</i>	
110	<i>to \$2,200,000.00</i>	13%
111	<i>On any amount in excess of \$2,200,000.00, up</i>	
112	<i>to \$2,700,000.00</i>	14%
113	<i>On any amount in excess of \$2,700,000.00, up</i>	
114	<i>to \$3,200,000.00</i>	15%
115	<i>On any amount in excess of \$3,200,000.00</i>	16%
116	<i>(5) For transfers made from July 1, 1987 through June 30, 1988:</i>	
117	<i>On any amount in excess of \$250,000.00, up to</i>	
118	<i>\$300,000.00</i>	6%
119	<i>On any amount in excess of \$300,000.00, up to</i>	
120	<i>\$500,000.00</i>	7%
121	<i>On any amount in excess of \$500,000.00, up to</i>	
122	<i>\$700,000.00</i>	8%
123	<i>On any amount in excess of \$700,000.00, up to</i>	
124	<i>\$900,000.00</i>	9%
125	<i>On any amount in excess of \$900,000.00, up to</i>	
126	<i>\$1,100,000.00</i>	10%
127	<i>On any amount in excess of \$1,100,000.00, up</i>	
128	<i>to \$1,400,000.00</i>	11%
129	<i>On any amount in excess of \$1,400,000.00, up</i>	
130	<i>to \$1,700,000.00</i>	12%
131	<i>On any amount in excess of \$1,700,000.00, up</i>	
132	<i>to \$2,200,000.00</i>	13%
133	<i>On any amount in excess of \$2,200,000.00, up</i>	
134	<i>to \$2,700,000.00</i>	14%
135	<i>On any amount in excess of \$2,700,000.00, up</i>	
136	<i>to \$3,200,000.00</i>	15%
137	<i>On any amount in excess of \$3,200,000.00</i>	16%
138	<i>(6) For transfers made on or after July 1, 1988 there shall be</i>	
139	<i>no tax imposed under this subsection.</i>	
140	<i>b. (Deleted by amendment.)</i>	
141	<i>c. The transfer of property to a brother or sister of a decedent,</i>	
142	<i>wife or widow of a son of a decedent, or husband or widower of a</i>	
143	<i>daughter of a decedent shall be taxed at the following rates:</i>	
144	<i>(1) For transfers through June 30, 1989:</i>	
145	<i>On any amount up to \$1,100,000.00</i>	11%
146	<i>On any amount in excess of \$1,100,000.00, up</i>	
147	<i>to \$1,400,000.00</i>	13%
148	<i>On any amount in excess of \$1,400,000.00, up</i>	
149	<i>to \$1,700,000.00</i>	14%
150	<i>On any amount in excess of \$1,700,000.00</i>	16%
151	<i>(2) For transfers made from July 1, 1989 through June 30, 1990:</i>	

- 152 *On any amount in excess of \$250,000.00, up*
 153 *to \$1,100,000.00* 11%
 154 *On any amount in excess of \$1,100,000.00, up*
 155 *to \$1,400,000.00* 13%
 156 *On any amount in excess of \$1,400,000.00, up*
 157 *to \$1,700,000.00* 14%
 158 *On any amount in excess of \$1,700,000.00* 16%
 159 (3) *For transfers made on or after July 1, 1990 there shall be*
 160 *no tax imposed under this subsection.*
 161 d. The transfer of property to every other transferee, distributee
 162 or beneficiary not hereinbefore classified shall be taxed at the
 163 following rates:
 164 (1) *For transfers through June 30, 1989:*
 165 *On any amount up to \$700,000.00* 15%
 166 *On any amount in excess of \$700,000.00* 16%
 167 (2) *For transfers made from July 1, 1989 through June 30, 1990:*
 168 *On any amount in excess of \$250,000.00, up*
 169 *to \$7,000,000.00* 15%
 170 *On any amount in excess of \$700,000.00* 16%
 171 (3) *For transfers made on or after July 1, 1990 there shall be*
 172 *no tax imposed under this subsection.*
 173 For every purpose of this subtitle all persons, including the
 174 decedent, shall be deemed to have been born in lawful wedlock and
 175 this provision shall apply to the estate of every decedent whether
 176 said decedent died before March 25, 1935, or shall die thereafter,
 177 but it shall not entitle any person to a refund of any tax paid before
 178 the aforementioned date.
 1 2. This act shall take effect July 1, 1984.

STATEMENT

This bill phases out the transfer inheritance tax on all taxable transfers over the period July 1, 1984 to June 30, 1990. Class A transfers are phased out commencing with transfers made after July 1, 1984, in such a manner that all estates receive the same exemption value and at the same time the relatively smaller estates have no liability. This method will find an approximate 30% of all Class A transfers nontaxable in the first year and by the third year an approximate 75% of all Class A transfers will be nontaxable. Class A transfers on and after July 1, 1988 are not taxed.

Class C and D transfers are phased out with a \$250,000.00 exemption for transfers made between July 1, 1989 and June 30, 1990. Class C and D transfers on and after July 1, 1990 are not taxed.

The estate tax is retained. The estate tax is designed to absorb the credit allowed under the federal estate tax statutes.

The transfer inheritance tax will be entirely phased out for all transfers made on and after July 1, 1990.

ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 1831

STATE OF NEW JERSEY

DATED: OCTOBER 22, 1984

PROVISIONS:

This bill amends the "Transfer Inheritance Tax Act" providing for the phase out of the tax as it applies to Class A transfers and increases the exemption amount for Class C and D transfers. The changes are implemented over a seven year period commencing January 1, 1985 and will be fully implemented for transfers on and after July 1, 1990.

Class A transfers are treated as two separate groups. Transfers to a surviving spouse are granted a \$150,000.00 exemption from January 1, 1985 to June 30, 1985; a \$500,000.00 exemption from July 1, 1985 to June 30, 1986; and a total exemption from the tax on and after July 1, 1986. The remainder of Class A transferees are granted a \$50,000.00 exemption from July 1, 1985 to June 1, 1986; a \$150,000.00 exemption from July 1, 1986 to June 30, 1987; a \$250,000.00 exemption from July 1, 1987 to June 30, 1988; and a total exemption from the tax on and after July 1, 1988.

Class C transferees are granted an increase in exemptions of \$25,000.00 from July 1, 1988 to June 30, 1989 and a \$100,000.00 exemption from July 1, 1989 to June 30, 1990. The tax remains in effect for this class with an exemption of \$100,000.00.

Class D transferees are granted the same increases in exemptions as granted to Class C transfers, with the increase delayed by one year in each case. The tax remains in effect for this class with an exemption of \$100,000.00.

FISCAL IMPACT:

A fiscal note has not been prepared on this Committee Substitute. It is the committee's judgment that the revenue loss for the remainder of the current fiscal year will not exceed \$10 million, an amount anticipated in the revenue estimates for this year as reflected in the Appropriations Act.

The committee favorably reports this bill.

SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 1831

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 28, 1985

As amended, this bill amends the "Transfer Inheritance Tax Act" to provide for a phaseout of the tax as it applies to Class A transfers and increases the exemption amount for Class C transfers. The changes are implemented over several years commencing January 1, 1985, and will be fully implemented for transfers on and after July 1, 1988.

Class A transferees (now a single group of beneficiaries with a \$15,000.00 exemption amount) are divided into two separate groups. Transfers to a surviving spouse on and after January 1, 1985 are granted a total exemption from the tax. The remainder of Class A transfers are granted a \$50,000.00 exemption from July 1, 1985 through June 30, 1986; a \$150,000.00 exemption from July 1, 1986 through June 30, 1987; a \$250,000.00 exemption from July 1, 1987 through June 30, 1988; and a total exemption from the tax on and after July 1, 1988.

Class C transferees (who currently receive no exemption for transfers of \$500.00 or more) are granted an exemption of \$25,000.00 beginning July 1, 1988. Class D transferees are not affected by the provisions of this bill.

COMMITTEE AMENDMENTS:

The committee made three substantive tax-related amendments:

(1) Class A spousal transfers are granted a total tax exemption on or after January 1, 1985. Previously, the spousal tax was scheduled to phase out on July 1, 1986.

(2) Class C transfers will be subject to a \$25,000.00 exemption effective July 1, 1988, rather than a phased-in exemption reaching \$100,000.00 on July 1, 1989.

(3) Class D transfers, which had been scheduled to attain a \$100,000.00 exemption on July 1, 1990, will remain unchanged from current law.

In addition, the Director of the Division of Taxation, is required to prepare an annual report to the Governor and the Legislature on the inheritance tax, emphasizing tax collections by class and estate size, so that statistical evaluations of the tax impact and incidence are made more feasible.

FISCAL IMPACT:

A fiscal note has not been prepared on the Senate committee amendments to this bill. Prior to amendment, estimated annual incremental losses were as follows:

1985— \$9 million	1989 —\$18 million
1986 — \$29 million	1990 — \$40 million
1987 — \$24 million	1991 — \$45 million
1988 — \$14 million	

In eliminating the Class A spousal tax on January 1, 1985, rather than July 1, 1986, the revenue losses for 1985 and 1986 are accelerated somewhat; however, the \$25,000.00 limitation on Class C exemptions and the retention of the current Class D tax structure will significantly decrease any projected losses in 1990 and 1991.

The committee has requested a revised fiscal note on the bill as amended.

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OFFICE OF THE GOVERNOR

NEWS RELEASE

CN-001

Contact: PAUL WOLCOTT
609-292-8956

TRENTON, N.J. 08625

Release: WED., FEB. 27, 1985

185 W. State Street
Trenton, N. J.

Governor Thomas H. Kean has signed legislation initiating a \$109 million tax cut for New Jersey residents through a phase-out and modification of the Transfer Inheritance Tax.

"There is no question that the inheritance tax has been one of the cruelest levies to burden our taxpayers," Kean said. "It has fallen heavily on every mother and father who ever labored throughout their lives to build a legacy for their children, and on the grieving widow or widower who has stood helplessly by while the State took its bite out of the financial security the couple had built during their life together."

Kean further condemned the inheritance tax as a vehicle which has driven people, particularly the elderly, from New Jersey in an effort to avoid the burden of the tax. At a public ceremony in Paramus, the Governor signed A-1831, sponsored by Assemblyman John P. Doyle, D-Ocean. The measure was sponsored in the Senate by State Senator Garrett W. Hagedorn, R-Bergen.

Under the current law, the inheritance tax transfers are divided into Class A, Class C and Class D, depending on the relationship with the deceased. Class A included transfers of property to the parents, grandparents, spouse, children or grandchildren of the deceased. The current law granted a \$15,000 exemption, and taxed the remainder of the inheritance at a graduated rate ranging from 2 percent to 16 percent.

- more -

Inheritance Tax

Wednesday, February 27, 1985

Page Two

The new law creates an immediate full exemption from the tax to surviving spouses. Others in the Class A category receive a \$50,000 exemption effective July 1, 1985 with phased-in exemptions of \$150,000 in 1986, \$250,000 in 1987 and full exemption in 1988.

Class C transfers, which apply to brothers, sisters, and surviving spouses of children of the deceased, are taxed at a graduated rate of 11 percent to 16 percent. Currently there are no exemptions granted in this category. The bill creates a permanent \$25,000 exemption effective July 1, 1988.

Class D transfers apply to all beneficiaries not included in Classes A and C. Class D transfers are taxed at a graduated rate of 15 percent to 16 percent. The bill makes no changes in Class D transfers.

Kean estimated that in 1985 the bill will save taxpayers \$37 million. By 1991, the annual savings are estimated at \$109 million.

The bill will also make New Jersey more competitive in the region, Kean noted.

"New Jersey is already known as a pleasant and progressive place in which to work and live," the Governor said. "The removal of this tax will only enhance that reputation."

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- 191 (1) For transfers through June 30, 1989:
- 192 On any amount up to \$700,000.00 15%
- 193 On any amount in excess of \$700,000.00 16%
- 194 (2) For transfers made on or after July 1, 1989 through June
- 195 30, 1990:
- 196 On any amount in excess of \$25,000.00, up
- 197 to \$700,000.00 15%
- 198 On any amount in excess of \$700,000.00 16%
- 199 (3) For transfers made on or after July 1, 1990:
- 200 On any amount in excess of \$100,000.00, up
- 201 to \$700,000.00 15%
- 202 On any amount in excess of \$700,000.00 16%
- 203 For every purpose of this subtitle all persons, including the
- 204 decedent, shall be deemed to have been born in lawful wedlock and
- 205 this provision shall apply to the estate of every decedent whether
- 206 said decedent died before March 25, 1935, or shall die thereafter,
- 207 but it shall not entitle any person to a refund of any tax paid be-
- 208 fore the aforementioned date.
- 1 2. This act shall take effect immediately and shall be applicable
- 2 to transfers of property on and after January 1, 1985.

STATEMENT

This bill phases out the transfer inheritance tax on "Class A" transfers and increases the amount of "Class C" and "Class D" transfers exempt from the tax. The changes are implemented over a seven year period commencing January 1, 1985 and will be fully operative on July 1, 1990.

The phase-out treats transfers to surviving spouses and other Class A transferees separately. Transfers to surviving spouses would be exempt from the tax on and after July 1, 1986. Transfers to the remaining Class A transferees would be exempt as of July 1, 1988.

Transfers of up to \$100,000.00 to Class C transferees would be exempt on and after July 1, 1989 and to Class D transferees on and after July 1, 1990.

Approved 1982
2413

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

ASSEMBLY BILL NO. 2294

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I herewith return Assembly Bill No. 2294 with my recommendations for reconsideration.

This legislation proposes to eliminate the New Jersey Transfer Inheritance Tax by phasing out the tax on Class A transfers over the next four years and by exempting Class C and D transfers from taxation as of January 1, 1987.

The inheritance tax has long been a source of anguish to senior citizens, who are often confronted with the reality of moving out of New Jersey in order to preserve their estates for their families. As these retirees relocate to states which do not impose inheritance taxes, the economy of New Jersey suffers in terms of the loss of investment capital and a decrease in State sales and income tax revenues.

While I agree that the notion of inheritance tax reform is a worthy one which is long overdue, it should be noted that this bill would result in a revenue loss of \$348.7 million between now and January 1, 1987, which is the date at which the phaseout would become complete. Due to these revenue losses, I would be unable to deliver a balanced budget, as I am constitutionally mandated to do, unless either State spending was reduced or new revenues were raised.

I feel that it was absolutely irresponsible of the Legislature to pass this bill without addressing the severe revenue implications mentioned above. I am further disturbed because the Assembly sponsor of this legislation voted against every major revenue bill considered during my Administration. However, since I strongly believe that the senior citizens of this State should not suffer on account of the shortcomings of the Legislature, I am recommending that the inheritance tax be phased out proportionately, rather than on a graduated basis, over the next ten years. Under my proposal, the purpose behind this bill will be effectuated, but the revenue loss will be less drastic. I sincerely hope that the new Legislature takes advantage of this longer phaseout period to confront the revenue aspect of this issue.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

2

Page 1, Section 1, Line 8: After "through" omit "December 31, 1983" and insert "June 30, 1984"

Page 2, Section 1, Line 39: Insert new subsections as follows:

"(2) For transfers made from July 1, 1984 through June 30, 1985, at an amount equal to 90% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(3) For transfers made from July 1, 1985 through June 30, 1986, at an amount equal to 80% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(4) For transfers made from July 1, 1986 through June 30, 1987, at an amount equal to 70% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(5) For transfers made from July 1, 1987 through June 30, 1988, at an amount equal to 60% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(6) For transfers made from July 1, 1988 through June 30, 1989, at an amount equal to 50% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(7) For transfers made from July 1, 1989 through June 30, 1990, at an amount equal to 40% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(8) For transfers made from July 1, 1990 through June 30, 1991, at an amount equal to 30% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(9) For transfers made from July 1, 1991 through June 30, 1992, at an amount equal to 20% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(10) For transfers made from July 1, 1992 through June 30, 1993, at an amount equal to 10% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(a)(1).

(11) For transfers made on or after July 1, 1994, there shall be no tax imposed under this subsection."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

3

Page 4, Section 1, Line 130: Insert a new subsection as follows:

"(1) For transfers through June 30, 1991-".

Page 4, Section 1, Line 136: Insert new subsections as follows:

"(2) For transfers made from July 1, 1991 through June 30, 1992, at an amount equal to 75% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(c)(1).

(3) For transfers made from July 1, 1992 through June 30, 1993, at an amount equal to 50% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(c)(1).

(4) For transfers made from July 1, 1993 through June 30, 1994, at an amount equal to 25% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(c)(1).

(5) For transfers made on or after July 1, 1994, there shall be no tax imposed under this subsection."

Page 4, Section 1, Line 141: Insert a new subsection as follows:

"(1) For transfers through June 30, 1990-".

Page 4, Section 1, Line 143: Insert new subsections as follows:

"(2) For transfers made from July 1, 1991 through June 30, 1992, at an amount equal to 75% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(d)(1).

(3) For transfers made from July 1, 1992 through June 30, 1993, at an amount equal to 50% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(d)(1).

(4) For transfers made from July 1, 1993 through June 30, 1994, at an amount equal to 25% of the tax as computed in accordance with the rate schedule found in N.J.S. 54:34-2(d)(1).

(5) For transfers made on or after July 1, 1994, there shall be no tax imposed under this subsection."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

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Page 4, Section 2, Line 1: After "effect" omit "immediately" and insert
"on July 1, 1984"

Respectfully,

GOVERNOR

Attest:

Chief Counsel to the Governor

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OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATE

CONTACT: CARL GOLDEN

MONDAY, JANUARY 9, 1984

Governor Thomas H. Kean today recommended that New Jersey's transfer inheritance tax be phased out over a 10-year period starting this July 1, an action which he said would provide monetary relief to those who need it most while not having an unduly heavy impact on the State Budget.

Kean's proposals were contained in a conditional veto of A-2294, sponsored by Assemblyman John Doyle, D-Ocean, which would have repealed the tax in four years.

"As one who has been a long time supporter of reform of the inheritance tax system, I determined that a 10-year phase out is more fiscally responsible and more prudent," Kean said. "The four year repealer was neither responsible nor prudent since it would have impacted heavily upon the State Budget while providing no means to bridge the shortfall it would have created."

The Governor said the four year repealer would have cost the State nearly \$350 million by January of 1987.

Kean's proposal provides that repeal of the tax for heirs of a direct relationship --- wives, husbands, sons or daughters --- would begin this July 1 and would be reduced by 10 percent per year for 10 years.

The phase out for heirs who are brothers, sisters, or cousins of a deceased person would begin in 1990 and be reduced by 25 percent per year for four years. The same phase out schedule would apply to non-relatives who inherit an estate.

-more-

JAN 17 1984

185 W. State Street
Trenton, N. J.

NEW JERSEY STATE LIBRARY

Inheritance Tax

Page Two

January 9, 1984

"I am convinced that the four year phase out would have been counter productive since, in all likelihood, there would have been a necessity to increase another tax source to make up for the loss of revenue," Kean said. "If that source was not provided by the Legislature, it would have been necessary to cut spending for other programs to avoid a deficit situation."

"The approach I have recommended will extend immediate fiscal relief to those who need it most," Kean said. "Nearly 65 percent of the inheritance tax is paid by immediate relatives, those the deceased individual wishes most to provide for."

Kean said that many senior citizens are confronted with possibly moving out of New Jersey to preserve estates for their families and migrate to states which do not impose inheritance taxes.

"New Jersey's overall economy suffers because of a loss of capital investment as well as a decline in sales and income tax revenues because of this migration," Kean said. "The recommendations I have submitted will serve to slow down and eventually halt this migration while, at the same time, provide overdue fiscal relief to those who inherit estates."

"I am disturbed at the apparent willingness of some members of the legislature to propose and support legislation which will result in severely adverse fiscal implications for the State without proposing a means to deal effectively with those implications," Kean said. "To support or propose the repeal of taxes is both easy and politically popular."

To address the State's fiscal and budgetary needs in a responsible fashion may at times be neither of those, but it is essential," Kean said.

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