

# 54A:6-10

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2005 **CHAPTER:** 130

**NJSA:** 54A:6-10 (Eliminates the NJ gross income tax pension exclusion for certain high income taxpayers)

**BILL NO:** A4404 (Substituted for S2637)

**SPONSOR(S):** Sires

**DATE INTRODUCED:** June 27, 2005

**COMMITTEE:** **ASSEMBLY:** Budget  
**SENATE:**

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:** **ASSEMBLY:** June 30, 2005

**SENATE:** June 30, 2005

**DATE OF APPROVAL:** July 2, 2005

### FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) (Original version of bill enacted)

#### A4404

[SPONSOR'S STATEMENT](#): (Begins on page 4 of original bill) [Yes](#)

**COMMITTEE STATEMENT:** **ASSEMBLY:** [Yes](#)

**SENATE:** No

**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL NOTE:** No

#### S2637

[SPONSOR'S STATEMENT](#): (Begins on page 9 of original bill) [Yes](#)

**COMMITTEE STATEMENT:** **ASSEMBLY:** No

**SENATE:** Yes [6-20-2005 \(Bud & App\)](#)  
[7-1-2006 \(Bud & App\)](#)

**FLOOR AMENDMENT STATEMENT:** No

[LEGISLATIVE FISCAL NOTE:](#) [Yes](#)

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

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**REPORTS:**

No

**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

No

IS 7/13/07

P.L. 2005, CHAPTER 130, *approved July 2, 2005*  
Assembly, No. 4404

1 **AN ACT** eliminating the New Jersey gross income tax pension  
2 exclusion for certain high income taxpayers, amending  
3 N.J.S.54A:6-10 and P.L.1977, c.273.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. N.J.S.54A:6-10 is amended to read as follows:

9 54A:6-10. Pensions and annuities. Gross income shall not include  
10 that part of any amount received as an annuity under an annuity,  
11 endowment, or life insurance contract which bears the same ratio to  
12 such amount as the investment in the contract as of the annuity starting  
13 date bears to the expected return under the contract as of such date.  
14 Where (1) part of the consideration for an annuity, endowment, or life  
15 insurance contract is contributed by the employer, and (2) during the  
16 three-year period beginning on the date on which an amount is first  
17 received under the contract as an annuity, the aggregate amount  
18 receivable by the employee under the terms of the contract is equal to  
19 or greater than the consideration for the contract contributed by the  
20 employee, then all amounts received as an annuity under the contract  
21 shall be excluded from gross income until there has been so excluded  
22 an amount equal to the consideration for the contract contributed by  
23 the employee.

24 In addition to that part of any amount received as an annuity which  
25 is excludable from gross income as herein provided, gross income shall  
26 not include payments:

27 for taxable years beginning before January 1, 2000, of up to  
28 \$10,000 for a married couple filing jointly, \$5,000 for a married  
29 person filing separately, or \$7,500 for an individual filing as a single  
30 taxpayer or an individual determining tax pursuant to subsection a. of  
31 N.J.S.54A:2-1;

32 for the taxable year beginning on or after January 1, 2000, but  
33 before January 1, 2001, of up to \$12,500 for a married couple filing  
34 jointly, \$6,250 for a married person filing separately, or \$9,375 for an  
35 individual filing as a single taxpayer or an individual determining tax  
36 pursuant to subsection a. of N.J.S.54A:2-1;

37 for the taxable year beginning on or after January 1, 2001, but  
38 before January 1, 2002, of up to \$15,000 for a married couple filing  
39 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
40 an individual filing as a single taxpayer or an individual determining  
41 tax pursuant to subsection a. of N.J.S.54A:2-1;

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

Matter underlined thus is new matter.

1 for the taxable year beginning on or after January 1, 2002, but  
2 before January 1, 2003, of up to \$17,500 for a married couple filing  
3 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
4 an individual filing as a single taxpayer or an individual determining  
5 tax pursuant to subsection a. of N.J.S.54A:2-1;

6 for taxable years beginning on or after January 1, 2003, of up to  
7 \$20,000 for a married couple filing jointly, \$10,000 for a married  
8 person filing separately, or \$15,000 for an individual filing as a single  
9 taxpayer or an individual determining tax pursuant to subsection a. of  
10 N.J.S.54A:2-1, which are received as an annuity, endowment or life  
11 insurance contract, or payments of any such amounts which are  
12 received as pension, disability, or retirement benefits, under any public  
13 or private plan, whether the consideration therefor is contributed by  
14 the employee or employer or both, by any person who is 62 years of  
15 age or older or who, by virtue of disability, is or would be eligible to  
16 receive payments under the federal Social Security Act, but for taxable  
17 years beginning on or after January 1, 2005, only if the taxpayer has  
18 gross income for the taxable year of not more than \$100,000.

19 Gross income shall not include any amount received under any  
20 public or private plan by reason of a permanent and total disability.

21 Gross income shall not include distributions from an employees'  
22 trust described in section 401(a) of the Internal Revenue Code of  
23 1986, as amended (hereinafter referred to as "the Code" ), which is  
24 exempt from tax under section 501(a) of the Code if the distribution,  
25 except the portion representing the employees' contributions, is rolled  
26 over in accordance with section 402(a)(5) or section 403(a)(4) of the  
27 Code. The distribution shall be paid in one or more installments which  
28 constitute a lump-sum distribution within the meaning of section  
29 402(e)(4)(A) (determined without reference to subsection (e)(4)(B)),  
30 or be on account of a termination of a plan of which the trust is a part  
31 or, in the case of a profit-sharing or stock bonus plan, a complete  
32 discontinuance of contributions under such plan.

33 (cf: P.L.1999, c.177, s.1)

34

35 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read  
36 as follows:

37 3. Other retirement income. a. Gross income shall not include  
38 income :

39 for taxable years beginning before January 1, 2000, of up to  
40 \$10,000 for a married couple filing jointly, \$5,000 for a married  
41 person filing separately, or \$7,500 for an individual filing as a single  
42 taxpayer or an individual determining tax pursuant to subsection a. of  
43 N.J.S.54A:2-1;

44 for the taxable year beginning on or after January 1, 2000, but  
45 before January 1, 2001, of up to \$12,500 for a married couple filing  
46 jointly, \$6,250 for a married person filing separately, or \$9,375 for an

1 individual filing as a single taxpayer or an individual determining tax  
2 pursuant to subsection a. of N.J.S.54A:2-1;

3 for the taxable year beginning on or after January 1, 2001, but  
4 before January 1, 2002, of up to \$15,000 for a married couple filing  
5 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
6 an individual filing as a single taxpayer or an individual determining  
7 tax pursuant to subsection a. of N.J.S.54A:2-1;

8 for the taxable year beginning on or after January 1, 2002, but  
9 before January 1, 2003, of up to \$17,500 for a married couple filing  
10 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
11 an individual filing as a single taxpayer or an individual determining  
12 tax pursuant to subsection a. of N.J.S.54A:2-1;

13 for taxable years beginning on or after January 1, 2003, gross  
14 income shall not include income of up to \$20,000 for a married couple  
15 filing jointly, \$10,000 for a married person filing separately, or  
16 \$15,000 for an individual filing as a single taxpayer or an individual  
17 determining tax pursuant to subsection a. of N.J.S.54A:2-1, when  
18 received in any tax year by a person aged 62 years or older who  
19 received no income in excess of \$3,000 from one or more of the  
20 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1,  
21 but for taxable years beginning on or after January 1, 2005, only if the  
22 taxpayer has gross income for the taxable year of not more than  
23 \$100,000, provided, however, that the total exclusion under this  
24 subsection and that allowable under N.J.S.54A:6-10 shall not exceed  
25 the amounts of the exclusions set forth in this subsection.

26 b. In addition to the exclusion provided under N.J.S.54A:6-10 and  
27 subsection a. of this section, gross income shall not include income of  
28 up to \$6,000 for a married couple filing jointly or an individual  
29 determining tax pursuant to subsection a. of N.J.S.54A:2-1, or \$3,000  
30 for a single person or a married person filing separately, who is not  
31 covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who would be  
32 eligible in any year to receive payments under either section if he or  
33 she were covered thereby.

34 (cf: P.L.1999, c.177, s.2)

35

36 3. This act shall take effect immediately and be retroactive to  
37 January 1, 2005.

38

39

40

#### STATEMENT

41

42 This bill eliminates the New Jersey gross income tax pension and  
43 other retirement income exclusion for certain high income taxpayers.

44 The pension exclusion and other retirement exclusion of up to  
45 \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated  
46 for taxpayers with New Jersey gross income over \$100,000. This will

1 eliminate this exclusion for approximately 6% of taxpayers.

2

3

4

5

6 Eliminates for certain high income taxpayers the New Jersey gross

7 income tax exclusion for pension and other retirement income.

# ASSEMBLY, No. 4404

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## STATE OF NEW JERSEY

### 211th LEGISLATURE

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INTRODUCED JUNE 27, 2005

**Sponsored by:**

**Assemblyman ALBIO SIRES**

**District 33 (Hudson)**

**Co-Sponsored by:**

**Senator Bryant**

**SYNOPSIS**

Eliminates for certain high income taxpayers the New Jersey gross income tax exclusion for pension and other retirement income.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 7/1/2005)**

A4404 SIRES

2

1 AN ACT eliminating the New Jersey gross income tax pension  
2 exclusion for certain high income taxpayers, amending  
3 N.J.S.54A:6-10 and P.L.1977, c.273.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7

8 1. N.J.S.54A:6-10 is amended to read as follows:

9 54A:6-10. Pensions and annuities. Gross income shall not include  
10 that part of any amount received as an annuity under an annuity,  
11 endowment, or life insurance contract which bears the same ratio to  
12 such amount as the investment in the contract as of the annuity starting  
13 date bears to the expected return under the contract as of such date.  
14 Where (1) part of the consideration for an annuity, endowment, or life  
15 insurance contract is contributed by the employer, and (2) during the  
16 three-year period beginning on the date on which an amount is first  
17 received under the contract as an annuity, the aggregate amount  
18 receivable by the employee under the terms of the contract is equal to  
19 or greater than the consideration for the contract contributed by the  
20 employee, then all amounts received as an annuity under the contract  
21 shall be excluded from gross income until there has been so excluded  
22 an amount equal to the consideration for the contract contributed by  
23 the employee.

24 In addition to that part of any amount received as an annuity which  
25 is excludable from gross income as herein provided, gross income shall  
26 not include payments:

27 for taxable years beginning before January 1, 2000, of up to  
28 \$10,000 for a married couple filing jointly, \$5,000 for a married  
29 person filing separately, or \$7,500 for an individual filing as a single  
30 taxpayer or an individual determining tax pursuant to subsection a. of  
31 N.J.S.54A:2-1;

32 for the taxable year beginning on or after January 1, 2000, but  
33 before January 1, 2001, of up to \$12,500 for a married couple filing  
34 jointly, \$6,250 for a married person filing separately, or \$9,375 for an  
35 individual filing as a single taxpayer or an individual determining tax  
36 pursuant to subsection a. of N.J.S.54A:2-1;

37 for the taxable year beginning on or after January 1, 2001, but  
38 before January 1, 2002, of up to \$15,000 for a married couple filing  
39 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
40 an individual filing as a single taxpayer or an individual determining  
41 tax pursuant to subsection a. of N.J.S.54A:2-1;

42 for the taxable year beginning on or after January 1, 2002, but  
43 before January 1, 2003, of up to \$17,500 for a married couple filing

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

**Matter underlined thus is new matter.**



A4404 SIRES

1 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
2 an individual filing as a single taxpayer or an individual determining  
3 tax pursuant to subsection a. of N.J.S.54A:2-1;

4 for taxable years beginning on or after January 1, 2003, of up to  
5 \$20,000 for a married couple filing jointly, \$10,000 for a married  
6 person filing separately, or \$15,000 for an individual filing as a single  
7 taxpayer or an individual determining tax pursuant to subsection a. of  
8 N.J.S.54A:2-1, which are received as an annuity, endowment or life  
9 insurance contract, or payments of any such amounts which are  
10 received as pension, disability, or retirement benefits, under any public  
11 or private plan, whether the consideration therefor is contributed by  
12 the employee or employer or both, by any person who is 62 years of  
13 age or older or who, by virtue of disability, is or would be eligible to  
14 receive payments under the federal Social Security Act, but for taxable  
15 years beginning on or after January 1, 2005, only if the taxpayer has  
16 gross income for the taxable year of not more than \$100,000.

17 Gross income shall not include any amount received under any  
18 public or private plan by reason of a permanent and total disability.

19 Gross income shall not include distributions from an employees'  
20 trust described in section 401(a) of the Internal Revenue Code of  
21 1986, as amended (hereinafter referred to as "the Code" ), which is  
22 exempt from tax under section 501(a) of the Code if the distribution,  
23 except the portion representing the employees' contributions, is rolled  
24 over in accordance with section 402(a)(5) or section 403(a)(4) of the  
25 Code. The distribution shall be paid in one or more installments which  
26 constitute a lump-sum distribution within the meaning of section  
27 402(e)(4)(A) (determined without reference to subsection (e)(4)(B)),  
28 or be on account of a termination of a plan of which the trust is a part  
29 or, in the case of a profit-sharing or stock bonus plan, a complete  
30 discontinuance of contributions under such plan.

31 (cf: P.L.1999, c.177, s.1)

32  
33 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read  
34 as follows:

35 3. Other retirement income. a. Gross income shall not include  
36 income :

37 for taxable years beginning before January 1, 2000, of up to  
38 \$10,000 for a married couple filing jointly, \$5,000 for a married  
39 person filing separately, or \$7,500 for an individual filing as a single  
40 taxpayer or an individual determining tax pursuant to subsection a. of  
41 N.J.S.54A:2-1;

42 for the taxable year beginning on or after January 1, 2000, but  
43 before January 1, 2001, of up to \$12,500 for a married couple filing  
44 jointly, \$6,250 for a married person filing separately, or \$9,375 for an  
45 individual filing as a single taxpayer or an individual determining tax  
46 pursuant to subsection a. of N.J.S.54A:2-1;

A4404 SIRES

1 for the taxable year beginning on or after January 1, 2001, but  
2 before January 1, 2002, of up to \$15,000 for a married couple filing  
3 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
4 an individual filing as a single taxpayer or an individual determining  
5 tax pursuant to subsection a. of N.J.S.54A:2-1;

6 for the taxable year beginning on or after January 1, 2002, but  
7 before January 1, 2003, of up to \$17,500 for a married couple filing  
8 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
9 an individual filing as a single taxpayer or an individual determining  
10 tax pursuant to subsection a. of N.J.S.54A:2-1;

11 for taxable years beginning on or after January 1, 2003, gross  
12 income shall not include income of up to \$20,000 for a married couple  
13 filing jointly, \$10,000 for a married person filing separately, or  
14 \$15,000 for an individual filing as a single taxpayer or an individual  
15 determining tax pursuant to subsection a. of N.J.S.54A:2-1, when  
16 received in any tax year by a person aged 62 years or older who  
17 received no income in excess of \$3,000 from one or more of the  
18 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1,  
19 but for taxable years beginning on or after January 1, 2005, only if the  
20 taxpayer has gross income for the taxable year of not more than  
21 \$100,000, provided, however, that the total exclusion under this  
22 subsection and that allowable under N.J.S.54A:6-10 shall not exceed  
23 the amounts of the exclusions set forth in this subsection.

24 b. In addition to the exclusion provided under N.J.S.54A:6-10 and  
25 subsection a. of this section, gross income shall not include income of  
26 up to \$6,000 for a married couple filing jointly or an individual  
27 determining tax pursuant to subsection a. of N.J.S.54A:2-1, or \$3,000  
28 for a single person or a married person filing separately, who is not  
29 covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who would be  
30 eligible in any year to receive payments under either section if he or  
31 she were covered thereby.

32 (cf: P.L.1999, c.177, s.2)

33  
34 3. This act shall take effect immediately and be retroactive to  
35 January 1, 2005.

36  
37  
38 STATEMENT

39  
40 This bill eliminates the New Jersey gross income tax pension and  
41 other retirement income exclusion for certain high income taxpayers.

42 The pension exclusion and other retirement exclusion of up to  
43 \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated  
44 for taxpayers with New Jersey gross income over \$100,000. This will  
45 eliminate this exclusion for approximately 6% of taxpayers.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 4404**

**STATE OF NEW JERSEY**

DATED: JULY 1, 2005

The Assembly Budget Committee reports favorably Assembly Bill No. 4404.

Assembly Bill No. 4404 eliminates the New Jersey gross income tax pension and other retirement income exclusion for certain high income taxpayers.

The pension exclusion and other retirement exclusion of up to \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated for taxpayers with New Jersey gross income over \$100,000. This will eliminate this exclusion for approximately 6% of taxpayers.

FISCAL IMPACT:

The Executive included revenue initiatives similar to this bill in the Fiscal Year 2006 Budget proposal. According to the Executive's Budget-in-Brief, the pension and retirement exclusion change will increase State revenues by \$45.0 million annually.

**SENATE, No. 2637**

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**STATE OF NEW JERSEY**  
**211th LEGISLATURE**

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INTRODUCED JUNE 16, 2005

**Sponsored by:**

**Senator WAYNE R. BRYANT**

**District 5 (Camden and Gloucester)**

**SYNOPSIS**

Eliminates for certain high income taxpayers the New Jersey gross income tax exclusion for pension and other retirement income and the property deduction and credit.

**CURRENT VERSION OF TEXT**

As introduced.



S2637 BRYANT

2

1 AN ACT eliminating the New Jersey gross income tax pension  
2 exclusion and property deduction and credit for certain high income  
3 taxpayers, amending N.J.S.54A:6-10, P.L.1977, c.273, and  
4 P.L.1996, c.60.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8

9 1. N.J.S.54A:6-10 is amended to read as follows:

10 54A:6-10. Pensions and annuities. Gross income shall not include  
11 that part of any amount received as an annuity under an annuity,  
12 endowment, or life insurance contract which bears the same ratio to  
13 such amount as the investment in the contract as of the annuity starting  
14 date bears to the expected return under the contract as of such date.  
15 Where (1) part of the consideration for an annuity, endowment, or life  
16 insurance contract is contributed by the employer, and (2) during the  
17 three-year period beginning on the date on which an amount is first  
18 received under the contract as an annuity, the aggregate amount  
19 receivable by the employee under the terms of the contract is equal to  
20 or greater than the consideration for the contract contributed by the  
21 employee, then all amounts received as an annuity under the contract  
22 shall be excluded from gross income until there has been so excluded  
23 an amount equal to the consideration for the contract contributed by  
24 the employee.

25 In addition to that part of any amount received as an annuity which  
26 is excludable from gross income as herein provided, gross income shall  
27 not include payments:

28 for taxable years beginning before January 1, 2000, of up to  
29 \$10,000 for a married couple filing jointly, \$5,000 for a married  
30 person filing separately, or \$7,500 for an individual filing as a single  
31 taxpayer or an individual determining tax pursuant to subsection a. of  
32 N.J.S.54A:2-1;

33 for the taxable year beginning on or after January 1, 2000, but  
34 before January 1, 2001, of up to \$12,500 for a married couple filing  
35 jointly, \$6,250 for a married person filing separately, or \$9,375 for an  
36 individual filing as a single taxpayer or an individual determining tax  
37 pursuant to subsection a. of N.J.S.54A:2-1;

38 for the taxable year beginning on or after January 1, 2001, but  
39 before January 1, 2002, of up to \$15,000 for a married couple filing  
40 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
41 an individual filing as a single taxpayer or an individual determining  
42 tax pursuant to subsection a. of N.J.S.54A:2-1;

43 for the taxable year beginning on or after January 1, 2002, but

**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 underlined thus is new matter.**

S2637 BRYANT

1 before January 1, 2003, of up to \$17,500 for a married couple filing  
2 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
3 an individual filing as a single taxpayer or an individual determining  
4 tax pursuant to subsection a. of N.J.S.54A:2-1;

5 for taxable years beginning on or after January 1, 2003, of up to  
6 \$20,000 for a married couple filing jointly, \$10,000 for a married  
7 person filing separately, or \$15,000 for an individual filing as a single  
8 taxpayer or an individual determining tax pursuant to subsection a. of  
9 N.J.S.54A:2-1, which are received as an annuity, endowment or life  
10 insurance contract, or payments of any such amounts which are  
11 received as pension, disability, or retirement benefits, under any public  
12 or private plan, whether the consideration therefor is contributed by  
13 the employee or employer or both, by any person who is 62 years of  
14 age or older or who, by virtue of disability, is or would be eligible to  
15 receive payments under the federal Social Security Act, but for taxable  
16 years beginning on or after January 1, 2005, only if the married couple  
17 filing jointly has gross income for the taxable year of not more than  
18 \$100,000, and only if the married person filing separately, or the  
19 individual filing as a single taxpayer, or the individual determining tax  
20 pursuant to subsection a. of N.J.S.54A:2-1, has gross income for the  
21 taxable year of not more than \$50,000.

22 Gross income shall not include any amount received under any  
23 public or private plan by reason of a permanent and total disability.

24 Gross income shall not include distributions from an employees'  
25 trust described in section 401(a) of the Internal Revenue Code of  
26 1986, as amended (hereinafter referred to as "the Code" ), which is  
27 exempt from tax under section 501(a) of the Code if the distribution,  
28 except the portion representing the employees' contributions, is rolled  
29 over in accordance with section 402(a)(5) or section 403(a)(4) of the  
30 Code. The distribution shall be paid in one or more installments which  
31 constitute a lump-sum distribution within the meaning of section  
32 402(e)(4)(A) (determined without reference to subsection (e)(4)(B)),  
33 or be on account of a termination of a plan of which the trust is a part  
34 or, in the case of a profit-sharing or stock bonus plan, a complete  
35 discontinuance of contributions under such plan.

36 (cf: P.L.1999, c.177, s.1)

37

38 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read  
39 as follows:

40 3. Other retirement income. a. Gross income shall not include  
41 income :

42 for taxable years beginning before January 1, 2000, of up to  
43 \$10,000 for a married couple filing jointly, \$5,000 for a married  
44 person filing separately, or \$7,500 for an individual filing as a single  
45 taxpayer or an individual determining tax pursuant to subsection a. of  
46 N.J.S.54A:2-1;

1 for the taxable year beginning on or after January 1, 2000, but  
2 before January 1, 2001, of up to \$12,500 for a married couple filing  
3 jointly, \$6,250 for a married person filing separately, or \$9,375 for  
4 an individual filing as a single taxpayer or an individual determining  
5 tax pursuant to subsection a. of N.J.S.54A:2-1;

6 for the taxable year beginning on or after January 1, 2001, but  
7 before January 1, 2002, of up to \$15,000 for a married couple filing  
8 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
9 an individual filing as a single taxpayer or an individual determining  
10 tax pursuant to subsection a. of N.J.S.54A:2-1;

11 for the taxable year beginning on or after January 1, 2002, but  
12 before January 1, 2003, of up to \$17,500 for a married couple filing  
13 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
14 an individual filing as a single taxpayer or an individual determining  
15 tax pursuant to subsection a. of N.J.S.54A:2-1;

16 for taxable years beginning on or after January 1, 2003, gross  
17 income shall not include income of up to \$20,000 for a married couple  
18 filing jointly, \$10,000 for a married person filing separately, or  
19 \$15,000 for an individual filing as a single taxpayer or an individual  
20 determining tax pursuant to subsection a. of N.J.S.54A:2-1, when  
21 received in any tax year by a person aged 62 years or older who  
22 received no income in excess of \$3,000 from one or more of the  
23 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1,  
24 but for taxable years beginning on or after January 1, 2005, only if the  
25 married couple filing jointly has gross income for the taxable year of  
26 not more than \$100,000, and only if the married person filing  
27 separately, or the individual filing as a single taxpayer, or the  
28 individual determining tax pursuant to subsection a. of N.J.S.54A:2-1,  
29 has gross income for the taxable year of not more than \$50,000.,  
30 provided, however, that the total exclusion under this subsection and  
31 that allowable under N.J.S.54A:6-10 shall not exceed the amounts of  
32 the exclusions set forth in this subsection.

33 b. In addition to the exclusion provided under N.J.S.54A:6-10 and  
34 subsection a. of this section, gross income shall not include income of  
35 up to \$6,000 for a married couple filing jointly or an individual  
36 determining tax pursuant to subsection a. of N.J.S.54A:2-1, or \$3,000  
37 for a single person or a married person filing separately, who is not  
38 covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who would be  
39 eligible in any year to receive payments under either section if he or  
40 she were covered thereby.

41 (cf: P.L.1999, c.177, s.2)

42

43 3. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to read  
44 as follows:

45 3. a. A resident taxpayer under the "New Jersey Gross Income  
46 Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from

1 gross income for property taxes not in excess of \$10,000, subject to  
2 the limitations of subsection f. of this section, due and paid for the  
3 calendar year in which the taxes are due and payable on the taxpayer's  
4 homestead.

5 b. A deduction for property taxes shall be allowed pursuant to this  
6 section in relation to the amount of the property taxes actually paid by  
7 or allocable to a resident taxpayer who has more than one homestead,  
8 but the aggregate amount of the property taxes claimed shall not  
9 exceed the total of the proportionate amounts of property taxes  
10 assessed and levied against or allocable to each homestead for the  
11 portion of the taxable year for which the taxpayer occupied it as the  
12 taxpayer's principal residence.

13 c. If title to a homestead is held by more than one individual as  
14 joint tenants or tenants in common, each individual shall be allowed a  
15 deduction pursuant to this section only in relation to the individual's  
16 proportionate share of the property taxes assessed and levied against  
17 the homestead. The proportionate share shall be equal to that of all  
18 other individuals who hold the title, but if the conveyance under which  
19 the title is held provides for unequal interests therein, a taxpayer's  
20 share of the property taxes shall be in proportion to the taxpayer's  
21 interest in the title.

22 d. If title to a homestead is held by a husband and wife who own  
23 the homestead as tenants by the entirety, or if that husband and wife  
24 are both residential shareholders of a cooperative or mutual housing  
25 corporation and occupy the same homestead therein, and who elect to  
26 file separate income tax returns pursuant to the "New Jersey Gross  
27 Income Tax Act," N.J.S.54A:1-1 et seq., that husband and wife shall  
28 each be entitled to one-half of the deduction for property taxes for  
29 which they may be jointly eligible pursuant to this section.

30 e. If the homestead is a dwelling house consisting of more than one  
31 unit, that taxpayer shall be allowed a deduction for property taxes only  
32 in relation to the proportionate share of the property taxes assessed  
33 and levied against the residential unit occupied by the taxpayer, as  
34 determined by the local tax assessor.

35 f. Notwithstanding the provisions of subsection a. of this section  
36 to the contrary: (1) a resident taxpayer shall be allowed a deduction  
37 for a taxpayer's taxable year beginning during 1996 based on 50% of  
38 the property taxes not in excess of \$5,000 paid on the taxpayer's  
39 homestead; and (2) a resident taxpayer shall be allowed a deduction  
40 for a taxpayer's taxable year beginning during 1997 based on 75% of  
41 the property taxes not in excess of \$7,500 paid on the taxpayer's  
42 homestead. Notwithstanding any other provisions of this section, for  
43 taxable years beginning on or after January 1, 2005, no resident  
44 taxpayer who is a married couple filing jointly with gross income in  
45 excess of \$200,000, or a resident taxpayer who is a married person  
46 filing separately, an individual filing as a single taxpayer, or an



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6

1 individual determining tax pursuant to subsection a. of N.J.S.54A:2-1,  
2 with gross income in excess of \$100,000, shall be allowed a deduction  
3 pursuant to this section.

4 g. Notwithstanding any other provision of this section, the  
5 deduction allowed under this section to a resident taxpayer eligible to  
6 receive a homestead property tax reimbursement pursuant to  
7 P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident  
8 taxpayer's base year property tax liability as determined pursuant to  
9 P.L.1997, c.348 (C.54:4-8.67 et al.).

10 (cf: P.L.1997, c.348, s.8)

11

12 4. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to read  
13 as follows:

14 4. a. A resident taxpayer whose homestead is a unit of residential  
15 rental property shall be allowed a deduction from gross income for  
16 that portion of the rent constituting property taxes not in excess of  
17 \$10,000, subject to the limitations of subsection d. of this section, due  
18 and paid for the calendar year in which the rent constituting taxes is  
19 due and payable, for occupancy of that homestead.

20 b. A husband and wife who elect to file separate income tax returns  
21 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
22 et seq., shall each be entitled to one-half of the property tax deduction  
23 allowed pursuant to this section.

24 c. If more than one taxpayer, other than husband and wife, qualify  
25 to deduct rent constituting property taxes by reason of their having  
26 occupied the same rented homestead, it shall be presumed that the  
27 deduction shall be equally divided. A taxpayer may, however, deduct  
28 an amount for rent constituting property taxes in the same proportion  
29 that the rent paid by that taxpayer bears to the total rent paid by all  
30 tenants of the same unit.

31 d. Notwithstanding the provisions of subsection a. of this section  
32 to the contrary: (1) a resident taxpayer whose homestead is a unit of  
33 residential rental property shall be allowed a deduction for the  
34 taxpayer's taxable year beginning during 1996 based on 50% of the  
35 rent constituting property taxes not in excess of \$5,000 paid for the  
36 occupancy of that homestead; and (2) a resident taxpayer whose  
37 homestead is a unit of residential rental property shall be allowed a  
38 deduction for the taxpayer's taxable year beginning during 1997 based  
39 on 75% of the rent constituting property taxes not in excess of \$7,500  
40 paid for the occupancy of that homestead. Notwithstanding any other  
41 provisions of this section, for taxable years beginning on or after  
42 January 1, 2005, no resident taxpayer who is a married couple filing  
43 jointly with gross income in excess of \$200,000, or a resident taxpayer  
44 who is a married person filing separately, an individual filing as a  
45 single taxpayer, or an individual determining tax pursuant to

1 subsection a. of N.J.S.54A:2-1, with gross income in excess of  
2 \$100,000, shall be allowed a deduction pursuant to this section.

3 (cf: P.L.1996, c.60, s.4)

4

5 5. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to read  
6 as follows:

7 5. a. If a taxpayer who is eligible for a deduction for property  
8 taxes under section 3 of this act for a part of the taxable year is also  
9 eligible for a deduction for rent constituting property taxes under  
10 section 4 of this act for a part of the taxable year, the taxpayer shall be  
11 allowed a deduction, not in excess of \$10,000, subject to the  
12 limitations of subsection b. of this section, the amount of which shall  
13 be equal to the sum of the amount of property taxes due and paid for  
14 the calendar year in which the property taxes are due and payable on  
15 a homestead that is not a unit of residential rental property and the  
16 amount of rent constituting property taxes due and paid for the  
17 calendar year in which the rent constituting property taxes is due and  
18 payable for the occupancy of a homestead that is a unit of residential  
19 rental property, provided however, that the amount of property taxes  
20 shall be subject to the limitations set forth in subsections b. through e.  
21 of section 3 and the amount of rent constituting property taxes shall  
22 be subject to the limitations set forth in subsections b. and c. of section  
23 4 as may be applicable.

24 b. Notwithstanding the provisions of subsection a. of this section  
25 to the contrary: (1) a taxpayer who is eligible for a deduction for  
26 property taxes under section 3 of this act for a part of the taxable year  
27 and is also eligible for a deduction for rent constituting property taxes  
28 under section 4 of this act for a part of the taxable year, shall be  
29 allowed a deduction for the taxpayer's taxable year beginning during  
30 1996 based on 50% of an amount not in excess of \$5,000, the amount  
31 of which shall be equal to the sum of the amount of property taxes  
32 paid on a homestead that is not a unit of residential rental property and  
33 the amount of rent constituting property taxes paid for the occupancy  
34 of a homestead that is a unit of residential rental property; and (2) a  
35 taxpayer who is eligible for a deduction for property taxes under  
36 section 3 of this act for a part of the taxable year and is also eligible  
37 for a deduction for rent constituting property taxes under section 4 of  
38 this act for a part of the taxable year, shall be allowed a deduction for  
39 the taxpayer's taxable year beginning during 1997 based on 75% of an  
40 amount not in excess of \$7,500, the amount of which shall be equal to  
41 the sum of the amount of property taxes paid on a homestead that is  
42 not a unit of residential rental property and the amount of rent  
43 constituting property taxes paid for the occupancy of a homestead that  
44 is a unit of residential rental property. Notwithstanding any other  
45 provisions of this section, for taxable years beginning on or after  
46 January 1, 2005, no resident taxpayer who is a married couple filing

1 jointly with gross income in excess of \$200,000, or a resident taxpayer  
2 who is a married person filing separately, an individual filing as a  
3 single taxpayer, or an individual determining tax pursuant to  
4 subsection a. of N.J.S.54A:2-1, with gross income in excess of  
5 \$100,000, shall be allowed a deduction pursuant to this section.  
6 (cf: P.L.1996, c.60, s.5)

7

8 6. Section 6 of P.L.1996, c.60 (C.54A:3A-20) is amended to read  
9 as follows:

10 6. (1) Notwithstanding any provision of this act to the contrary,  
11 commencing with the taxpayer's taxable year beginning on or after  
12 January 1, 1996:

13 (a) a taxpayer; or

14 (b) a resident of this State who is 65 years of age or older at the  
15 close of the taxable year or who is allowed to claim a personal  
16 deduction as a blind or disabled taxpayer pursuant to subsection b. of  
17 N.J.S.54A:3-1 but who, pursuant to N.J.S.54A:2-4, is not subject to  
18 tax; and,

19 who paid property taxes or rent constituting property taxes on a  
20 homestead during the calendar year may elect to take a credit, instead  
21 of the deduction for which the taxpayer or resident may be eligible as  
22 provided pursuant to section 3, 4, or 5 of P.L.1996, c.60 (C.54A:3A-  
23 16, 54A:3A-18, or 54A:3A-19), in the amount of \$50, subject to the  
24 provisions of paragraph (2) of this subsection.

25 (2) Notwithstanding the provisions of paragraph (1) of this  
26 subsection, the amount of tax liability reduction or credit allowed for  
27 the taxpayer's taxable year beginning during 1996 shall be \$25 and the  
28 amount of tax liability reduction or credit allowed for the taxpayer's  
29 taxable year beginning during 1997 shall be \$37.50.

30 b. A husband and wife who elect to file separate income tax returns  
31 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
32 et seq., shall each be entitled to one-half of the credit allowed pursuant  
33 to subsection a. of this section. Notwithstanding any other provisions  
34 of this section, for taxable years beginning on or after January 1, 2005,  
35 no resident taxpayer who is a married couple filing jointly with gross  
36 income in excess of \$200,000, or a resident taxpayer who is a married  
37 person filing separately, an individual filing as a single taxpayer, or an  
38 individual determining tax pursuant to subsection a. of N.J.S.54A:2-1,  
39 with gross income in excess of \$100,000, shall be allowed a credit  
40 pursuant to this section.

41 c. The credit shall be paid to the taxpayer as a refund of  
42 overpayment pursuant to N.J.S.54A:9-7, provided however, that  
43 subsection (f) of that section shall not apply. The credit for a claimant  
44 qualified under subsection a. of this section who, pursuant to  
45 N.J.S.54A:2-4, is not subject to tax, shall be applied for annually on  
46 an application as shall be made available by the director, to be filed

1 with the director on or before the date for filing annual gross income  
2 tax returns. The director shall determine the form and manner by  
3 which a qualified applicant shall apply for a refund of an overpayment  
4 pursuant to this section, and the time of the refund of the  
5 overpayment. For the purposes of this section, refunds of  
6 overpayments may be combined with payments of rebates pursuant to  
7 P.L.1990, c.61 (C.54:4-8.57 et seq.).  
8 (cf: P.L.1996, c.60, s.6)

9  
10 7. This act shall take effect immediately and be retroactive to  
11 January 1, 2005.

12  
13  
14 STATEMENT  
15

16 This bill eliminates the New Jersey gross income tax pension and  
17 other retirement income exclusion and property deduction and credit  
18 for certain high income taxpayers.

19 The pension exclusion and other retirement exclusion of up to  
20 \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated  
21 for married taxpayers filing jointly with New Jersey gross income over  
22 \$100,000 and for single filers or married taxpayers filing separately  
23 with New Jersey gross income over \$50,000. This will eliminate this  
24 exclusion for about 5.7% of taxpayers.

25 The property tax deduction of up to \$10,000 for homestead  
26 property tax payers, and up to \$10,000 for tenants based upon 18% of  
27 rent, and the alternative \$50 credit, is eliminated for married taxpayers  
28 filing jointly with New Jersey gross income over \$200,000 and for  
29 single filers or married taxpayers filing separately with New Jersey  
30 gross income over \$100,000. This will impact about 9.4% of  
31 taxpayers who currently claim this deduction.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 2637**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 20, 2005

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2637 with committee amendments.

This bill eliminates the New Jersey gross income tax pension and other retirement income exclusion and property deduction and credit for certain high income taxpayers.

The pension exclusion and other retirement exclusion of up to \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated for taxpayers with New Jersey gross income over \$100,000. This will eliminate this exclusion for approximately 6% of taxpayers.

The property tax deduction of up to \$10,000 for homestead property tax payers, and up to \$10,000 for tenants based upon 18% of rent, and the alternative \$50 credit, is eliminated for taxpayers with New Jersey gross income over \$200,000. This will impact about 10% of taxpayers who currently claim this deduction.

#### COMMITTEE AMENDMENTS:

The committee amendments to the bill would apply the same maximum gross income level for the pension and property tax exclusions to all taxpayers, regardless of filing status. Specifically, the maximum gross income level for the pension exclusion would increase, from \$50,000 to \$100,000, for married persons filing separately and single taxpayers, while the maximum gross income level for the property tax deduction would increase from \$100,000 to \$200,000 for married persons filing separately and single taxpayers.

#### FISCAL IMPACT:

The Executive included revenue initiatives similar to this bill in the Fiscal Year 2006 Budget proposal. According to the Executive's Budget-in-Brief, the pension and retirement exclusion change will increase State revenues by \$45.0 million annually. The property tax deduction and credit change will increase State revenues by \$85 million annually. Accordingly, the estimated, combined impact of the proposals in this bill are \$130.0 million annually.

The OLS concurs with this estimate as the aggregate data published annually by the New Jersey Division of Taxation in the *Statistics of Income* is consistent with the Executive's estimates. Moreover, the OLS anticipates the amendments to the bill will only produce a small reduction in the amount of revenue anticipated, as the amendments will impact a relatively small number of taxpayers.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## **SENATE, No. 2637**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JULY 1, 2006

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2637 (1R).

Senate Bill No. 2673, as amended, eliminates the New Jersey gross income tax pension and other retirement income exclusion for certain high income taxpayers.

The pension exclusion and other retirement exclusion of up to \$20,000, \$15,000 or \$10,000 depending on filing status is eliminated for taxpayers with New Jersey gross income over \$100,000. This will eliminate this exclusion for approximately 6% of taxpayers.

### COMMITTEE AMENDMENTS:

The amendments omit provisions that otherwise would have imposed income qualifications for the gross income tax property tax deduction and alternative property tax credit.

### FISCAL IMPACT:

The Executive included revenue initiatives similar to this bill in the Fiscal Year 2006 Budget proposal. According to the Executive's Budget-in-Brief, the pension and retirement exclusion change will increase State revenues by \$45.0 million annually.

The Office of Legislative Services concurs with this estimate as the aggregate data published annually by the New Jersey Division of Taxation in the *Statistics of Income* is consistent with the Executive's estimates.

**FISCAL NOTE**  
**SENATE, No. 2637**  
**STATE OF NEW JERSEY**  
**211th LEGISLATURE**

DATED: JUNE 28, 2005

**SUMMARY**

**Synopsis:** Eliminates for certain high income taxpayers the New Jersey gross income tax exclusion for pension and other retirement income and the property deduction and credit.

**Type of Impact:** Increased annual revenues in the Property Tax Relief Fund.

**Agencies Affected:** Department of the Treasury.

**Executive Estimate**

<b>Fiscal Impact</b>	<b><u>Annual Impact</u></b>
<b>State Revenue</b>	\$130,000,000

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! The Executive's estimate for the two components of the bill are: 1) \$45 million for the elimination of the pension and retirement income exclusion for certain high income taxpayers; and 2) \$85 million for the elimination of the property tax deduction and credit for certain high income taxpayers.

**BILL DESCRIPTION**

Senate Bill No. 2637 of 2005 eliminates the New Jersey gross income tax pension and other retirement income exclusion and the property deduction and credit for certain high income taxpayers. The pension and retirement exclusion is eliminated for joint filers with income over \$100,000 and for taxpayers who are single or married filing separately with income over \$50,000. The property deduction and credit is eliminated for joint filers with income over \$200,000 and for taxpayers who are single or married filing separately with income over \$100,000.



## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

The Executive included revenue initiatives similar to this bill in the Fiscal Year 2006 Budget proposal. According to the Executive's Budget-in-Brief, the pension and retirement exclusion change will increase State revenues by \$45.0 million annually. The property tax deduction and credit change will increase State revenues by \$85 million annually, affecting 9.4 percent of the taxpayers who currently claim these tax benefits. Accordingly, the estimated, combined impact of the proposals in this bill are \$130.0 million annually.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concurs with the Executive estimate. The OLS does not have access to the detailed taxpayer return data that would allow a precise calculation of the impact of this bill, but believes the Executive estimates are reasonable. The aggregate data published annually by the New Jersey Division of Taxation in the *Statistics of Income* is consistent with the Executive's estimates.

The Executive estimate for the property tax deduction and credit portion of the bill is for an annual State revenue increase of \$85 million. That amount is approximately 25 percent of the estimated annual revenue loss from the full property tax deduction and credit. Based on the *Statistics of Income* data, excluding the top 9-10 percent of taxpayers currently receiving the deduction and credit would account for about 25 percent of the value of deduction and credit, so the Executive estimate is reasonable.

The Executive estimate for the pension and retirement income portion of the bill is for an annual State revenue increase of \$45 million. The other retirement income component has a relatively small fiscal impact, because less than 30,000 taxpayers with any taxable income claim this exclusion and the vast majority of those taxpayers (more than two-thirds) earn less than \$50,000 annually and would not be affected by this bill. The OLS estimates this component would increase revenues by less than \$5 million annually. The bulk of the Executive's \$45 million estimate is due to the pension component. Unfortunately, while the *Statistics of Income* data report pension income, the data do not report the amount of *excluded* pension income, making a precise estimate of how much pension income would no longer be excluded under this bill difficult. Less than 90,000 senior taxpayers earn over \$50,000 in NJ gross income. Assuming that 50,000 high income seniors claim some pension exclusion, the average tax benefit would be about \$800 in order to achieve \$40 million in State income tax revenue. Actual pension exclusion tax benefits may range up to a maximum of \$1,974 (\$20,000 x the highest 8.97 percent marginal tax rate), so the \$800 amount is plausible, within the confines of the limited *Statistics of Income* data. Accordingly, the OLS believes the Executive estimate of increased State revenues to be reasonable.

Section: *Revenue, Finance and Appropriations*

Analyst: *Martin Poethke*  
*Lead Fiscal Analyst*

Approved: *David J. Rosen*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.