

SENATE, No. 998

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED FEBRUARY 4, 2016

Sponsored by:

Senator PAUL A. SARLO

District 36 (Bergen and Passaic)

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

Senators Turner, Beck, Bateman, Holzapfel, Cunningham, Gordon and Diegnan

SYNOPSIS

Increases the personal income tax's pension and retirement income exclusion fivefold over three years.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 9/9/2016)

1 AN ACT increasing the personal income tax's pension and
2 retirement income exclusion, amending N.J.S.54A:6-10 and
3 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.

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

25 b. (1) In addition to that part of any amount received as an
26 annuity which is excludable from gross income as herein provided,
27 gross income shall 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
31 single taxpayer or an individual determining tax pursuant to
32 subsection a. of 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
36 an individual filing as a single taxpayer or an individual
37 determining tax 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
42 determining 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
44 before January 1, 2003, of up to \$17,500 for a married couple filing
45 jointly, \$8,750 for a married person filing separately, or \$13,125 for

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.

1 an individual filing as a single taxpayer or an individual
2 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
3 for taxable years beginning on or after January 1, 2003, but
4 before the January 1, first following the date of enactment of
5 P.L. , c. (C.) (pending before the Legislature as this bill), of
6 up to \$20,000 for a married couple filing jointly, \$10,000 for a
7 married person filing separately, or \$15,000 for an individual filing
8 as a single taxpayer or an individual determining tax pursuant to
9 subsection a. of N.J.S.54A:2-1;
10 for taxable years beginning on or after the January 1, first
11 following the date of enactment of P.L. , c. (C.) (pending
12 before the Legislature as this bill), but before the January 1, second
13 following the date of enactment of P.L. , c. (C.) (pending
14 before the Legislature as this bill), of up to \$40,000 for a married
15 couple filing jointly, \$20,000 for a married person filing separately,
16 or \$30,000 for an individual filing as a single taxpayer or an
17 individual determining tax pursuant to subsection a. of
18 N.J.S.54A:2-1;
19 for taxable years beginning on or after the January 1, second
20 following the date of enactment of P.L. , c. (C.) (pending
21 before the Legislature as this bill), but before the January 1, third
22 following the date of enactment of P.L. , c. (C.) (pending
23 before the Legislature as this bill), of up to \$80,000 for a married
24 couple filing jointly, \$40,000 for a married person filing separately,
25 or \$60,000 for an individual filing as a single taxpayer or an
26 individual determining tax pursuant to subsection a. of
27 N.J.S.54A:2-1;
28 for taxable years beginning on or after the January 1, third
29 following the date of enactment of P.L. , c. (C.) (pending
30 before the Legislature as this bill), of up to \$100,000 for a married
31 couple filing jointly, \$50,000 for a married person filing separately,
32 or \$75,000 for an individual filing as a single taxpayer or an
33 individual determining tax pursuant to subsection a. of
34 N.J.S.54A:2-1,
35 which are received as an annuity, endowment or life insurance
36 contract, or payments of any such amounts which are received as
37 pension, disability, or retirement benefits, under any public or
38 private plan, whether the consideration therefor is contributed by
39 the employee or employer or both, by any person who is 62 years of
40 age or older or who, by virtue of disability, is or would be eligible
41 to receive payments under the federal Social Security Act **【**, but
42 for**】** .
43 (2) For taxable years beginning on or after January 1, 2005, the
44 exclusion provided by this subsection shall only be allowed if the
45 taxpayer has gross income for the taxable year of not more than
46 \$100,000.

1 c. Gross income shall not include any amount received under
2 any public or private plan by reason of a permanent and total
3 disability.

4 d. Gross income shall not include distributions from an
5 employees' trust described in section 401(a) of the Internal Revenue
6 Code of 1986, as amended (hereinafter referred to as "the Code"),
7 which is exempt from tax under section 501(a) of the Code if the
8 distribution, except the portion representing the employees'
9 contributions, is rolled over in accordance with section 402(a)(5) or
10 section 403(a)(4) of the Code. The distribution shall be paid in one
11 or more installments which constitute a lump-sum distribution
12 within the meaning of section 402(e)(4)(A) (determined without
13 reference to subsection (e)(4)(B)), or be on account of a termination
14 of a plan of which the trust is a part or, in the case of a profit-
15 sharing or stock bonus plan, a complete discontinuance of
16 contributions under such plan.

17 (cf: P.L.2005, c.130, s.1)

18

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

21 3. Other retirement income. a. (1) Gross income shall not
22 include income:

23 for taxable years beginning before January 1, 2000, of up to
24 \$10,000 for a married couple filing jointly, \$5,000 for a married
25 person filing separately, or \$7,500 for an individual filing as a
26 single taxpayer or an individual determining tax pursuant to
27 subsection a. of N.J.S.54A:2-1;

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

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

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

43 for taxable years beginning on or after January 1, 2003, but
44 before the January 1, first following the date of enactment of
45 P.L. , c. (C.) (pending before the Legislature as this bill),
46 gross income shall not include income of up to \$20,000 for a
47 married couple filing jointly, \$10,000 for a married person filing
48 separately, or \$15,000 for an individual filing as a single taxpayer

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

3 for taxable years beginning on or after the January 1, first
4 following the date of enactment of P.L. , c. (C.) (pending
5 before the Legislature as this bill), but before the January 1, second
6 following the date of enactment of P.L. , c. (C.) (pending
7 before the Legislature as this bill), gross income shall not include
8 income of up to \$40,000 for a married couple filing jointly, \$20,000
9 for a married person filing separately, or \$30,000 for an individual
10 filing as a single taxpayer or an individual determining tax pursuant
11 to subsection a. of N.J.S.54A:2-1;

12 for taxable years beginning on or after the January 1, second
13 following the date of enactment of P.L. , c. (C.) (pending
14 before the Legislature as this bill), but before the January 1, third
15 following the date of enactment of P.L. , c. (C.) (pending
16 before the Legislature as this bill), gross income shall not include
17 income of up to \$80,000 for a married couple filing jointly, \$40,000
18 for a married person filing separately, or \$60,000 for an individual
19 filing as a single taxpayer or an individual determining tax pursuant
20 to subsection a. of N.J.S.54A:2-1;

21 for taxable years beginning on or after the January 1, third
22 following the date of enactment of P.L. , c. (C.) (pending
23 before the Legislature as this bill), gross income shall not include
24 income of up to \$100,000 for a married couple filing jointly,
25 \$50,000 for a married person filing separately, or \$75,000 for an
26 individual filing as a single taxpayer or an individual determining
27 tax pursuant to subsection a. of N.J.S.54A:2-1,

28 when received in any tax year by a person aged 62 years or older
29 who received no income in excess of \$3,000 from one or more of
30 the sources enumerated in subsections a., b., k. and p. of
31 N.J.S.54A:5-1 **【, but for】** .

32 (2) For taxable years beginning on or after January 1, 2005, the
33 exclusion provided by this subsection shall only be allowed if the
34 taxpayer has gross income for the taxable year of not more than
35 \$100,000 **【, provided, however, that the】** .

36 (3) The total exclusion under this subsection and that allowable
37 under N.J.S.54A:6-10 shall not exceed the amounts of the
38 exclusions set forth in this subsection.

39 b. In addition to the exclusion provided under N.J.S.54A:6-10
40 and subsection a. of this section, gross income shall not include
41 income of up to \$6,000 for a married couple filing jointly or an
42 individual determining tax pursuant to subsection a. of N.J.S.54A:2-
43 1, or \$3,000 for a single person or a married person filing
44 separately, who is not covered under N.J.S.54A:6-2 or N.J.S.54A:6-
45 3, but who would be eligible in any year to receive payments under
46 either section if he or she were covered thereby.

47 (cf: P.L.2005, c.130, s.2)

1 3. This act shall take effect immediately.

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STATEMENT

5

6 This bill increases the personal income tax's pension and
7 retirement income exclusion fivefold over three years. The purpose
8 of this bill is to reduce the State's personal income tax's capacity to
9 diminish retirement income.

10 Generally under current law, taxpayers with \$100,000 or less of
11 annual income, who are at least 62 years old, may claim a pension
12 and retirement income exclusion of up to \$20,000 for joint filers,
13 \$15,000 for individuals, and \$10,000 for married but filing
14 separately.

15 This bill increases the personal income tax's pension and
16 retirement income exclusion to \$100,000 for joint filers, \$75,000
17 for individuals, and \$50,000 for married but filing separately. The
18 bill phases in the five-fold exclusion increase over three years as
19 follows:

20

Filer Type	Present	Year 1	Year 2	Year 3
<i>Joint</i>	\$20,000	\$40,000	\$80,000	\$100,000
<i>Individual</i>	\$15,000	\$30,000	\$60,000	\$75,000
<i>Separate</i>	\$10,000	\$20,000	\$40,000	\$50,000

21

22 The bill is scheduled to apply to taxable years beginning on or
23 after the January 1, first following the date of enactment.