

ASSEMBLY, No. 1277

STATE OF NEW JERSEY 217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:

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District 10 (Ocean)

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SYNOPSIS

Doubles amount of certain retirement income that may be excluded from gross income under the gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT increasing certain retirement income exclusions under the
2 gross income tax, amending N.J.S.54A:6-10 and P.L.1977,
3 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
10 include that part of any amount received as an annuity under an
11 annuity, endowment, or life insurance contract which bears the
12 same ratio to such amount as the investment in the contract as of the
13 annuity starting date bears to the expected return under the contract
14 as of such date. Where (1) part of the consideration for an annuity,
15 endowment, or life insurance contract is contributed by the
16 employer, and (2) during the three-year period beginning on the
17 date on which an amount is first received under the contract as an
18 annuity, the aggregate amount receivable by the employee under the
19 terms of the contract is equal to or greater than the consideration for
20 the contract contributed by the employee, then all amounts received
21 as an annuity under the contract shall be excluded from gross
22 income until there has been so excluded an amount equal to the
23 consideration for the contract contributed by the employee.

24 In addition to that part of any amount received as an annuity
25 which is excludable from gross income as herein provided, gross
26 income shall 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
30 single taxpayer or an individual determining tax pursuant to
31 subsection a. of 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
35 an individual filing as a single taxpayer or an individual
36 determining tax 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
40 for an individual filing as a single taxpayer or an individual
41 determining 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]** \$35,000 for a married
44 couple filing jointly, **[\$8,750]** \$17,500 for a married person filing
45 separately, or **[\$13,125]** \$26,250 for an individual filing as a single

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

3 for taxable years beginning on or after January 1, 2003, of up to
4 **[\$20,000]** \$40,000 for a married couple filing jointly, **[\$10,000]**
5 \$20,000 for a married person filing separately, or **[\$15,000]**
6 \$30,000 for an individual filing as a single taxpayer or an individual
7 determining tax pursuant to subsection a. of N.J.S.54A:2-1, which
8 are received as an annuity, endowment or life insurance contract, or
9 payments of any such amounts which are received as pension,
10 disability, or retirement benefits, under any public or private plan,
11 whether the consideration therefor is contributed by the employee
12 or employer or both, by any person who is 62 years of age or older
13 or who, by virtue of disability, is or would be eligible to receive
14 payments under the federal Social Security Act.

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

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

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

31

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

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

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

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

46 for the taxable year beginning on or after January 1, 2001, but
47 before January 1, 2002, of up to \$15,000 for a married couple filing
48 jointly, \$7,500 for a married person filing separately, or \$11,250

1 for 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 the taxable year beginning on or after January 1, 2002, but
4 before January 1, 2003, of up to ~~[\$17,500]~~ \$35,000 for a married
5 couple filing jointly, ~~[\$8,750]~~ \$17,500 for a married person filing
6 separately, or ~~[\$13,125]~~ \$26,250 for an individual filing as a single
7 taxpayer or an individual determining tax pursuant to subsection a.
8 of N.J.S.54A:2-1;

9 for taxable years beginning on or after January 1, 2003, gross
10 income shall not include income of up to ~~[\$20,000]~~ \$40,000 for a
11 married couple filing jointly, ~~[\$10,000]~~ \$20,000 for a married
12 person filing separately, or ~~[\$15,000]~~ \$30,000 for an individual
13 filing as a single taxpayer or an individual determining tax pursuant
14 to subsection a. of N.J.S.54A:2-1, when received in any tax year by
15 a person aged 62 years or older who received no income in excess
16 of \$3,000 from one or more of the sources enumerated in
17 subsections a., b., k. and p. of N.J.S.54A:5-1, provided, however,
18 that the total exclusion under this subsection and that allowable
19 under N.J.S.54A:6-10 shall not exceed the amounts of the
20 exclusions set forth in this subsection.

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

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

30

31 3. This act shall take effect immediately.

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33

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STATEMENT

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36 This bill doubles the amount of certain retirement income a
37 person 62 years of age or older or a disabled individual may
38 exclude from taxable income under the New Jersey gross income
39 tax. The excludable amounts will be increased from \$20,000 to
40 \$40,000 for a married couple filing jointly, from \$10,000 to
41 \$20,000 for a married person filing separately, and from \$15,000 to
42 \$30,000 for an individual filing as a single taxpayer, for taxable
43 years beginning on or after January 1, 2003.

44 The bill would phase in the increase over a period of two years
45 commencing with taxable years beginning on or after January 1,
46 2002. For taxable years beginning on or after January 1, 2002, the
47 bill would increase the excludable amount from \$17,500 to \$35,000

1 in pension income if married and filing jointly, from \$8,750 to
2 \$17,500 if married but filing separately, or from \$13,125 to \$26,250
3 if filing as a single taxpayer.

4 Excludable pension income includes such items as payments
5 upon an annuity, endowment or life insurance contract, pension,
6 disability or retirement benefit payments from a private or public
7 plan, or IRA withdrawals.

8 Currently, in addition to the exclusion for pension income, a
9 person 62 years of age or older with less than \$3,000 in earned
10 income (income from salary and wages, net profits from business,
11 or distributive share of partnership income or net share of S
12 corporation income) may be able to exclude additional nonpension
13 income (such as income from private investments). The nonpension
14 retirement income exclusion is coordinated with the pension
15 exclusion so that the total amount excluded under the two
16 provisions may not exceed the \$40,000 if married and filing jointly,
17 \$20,000 if married but filing separately, or \$30,000 filing single
18 limits already stated.

19 This bill amends the pension and nonpension retirement income
20 exclusions so that the coordinated combined exclusion limits will
21 increase, phased in over a period of two years, from \$20,000 to
22 \$40,000 for a married couple filing jointly, from \$10,000 to
23 \$20,000 for a married person filing separately, and from \$15,000 to
24 \$30,000 for an individual filing as a single taxpayer. The bill
25 leaves the \$3,000 earned income limit to qualify for the nonpension
26 exclusion unchanged.