

SENATE, No. 2562

STATE OF NEW JERSEY
218th LEGISLATURE

INTRODUCED MAY 14, 2018

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

Co-Sponsored by:

Senator Bateman

SYNOPSIS

Raises income eligibility threshold for pension and retirement income exclusion from gross income to \$125,000.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/25/2019)

1 AN ACT raising the income eligibility threshold for the pension and
2 retirement income exclusion under the gross income tax and
3 amending 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.

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 of
15 the consideration for an annuity, endowment, or life insurance
16 contract is contributed by the employer, and (2) during the three-year
17 period beginning on the date on which an amount is first received
18 under the contract as an annuity, the aggregate amount receivable by
19 the employee under the terms of the contract is equal to or greater
20 than the consideration for the contract contributed by the employee,
21 then all amounts received as an annuity under the contract shall be
22 excluded from gross income until there has been so excluded an
23 amount equal to the consideration for the contract contributed by the
24 employee.

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 single
31 taxpayer or an individual determining tax pursuant to subsection a.
32 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 determining
37 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 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
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
46 an individual filing as a single taxpayer or an individual

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 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
2 for taxable years beginning on or after January 1, 2003, but before
3 January 1, 2017 of up to \$20,000 for a married couple filing jointly,
4 \$10,000 for a married person filing separately, or \$15,000 for an
5 individual filing as a single taxpayer or an individual determining tax
6 pursuant to subsection a. of N.J.S.54A:2-1;

7 for taxable years beginning on or after January 1, 2017, but before
8 January 1, 2018, of up to \$40,000 for a married couple filing jointly,
9 \$20,000 for a married person filing separately, or \$30,000 for an
10 individual filing as a single taxpayer or an individual determining tax
11 pursuant to subsection a. of N.J.S.54A:2-1;

12 for taxable years beginning on or after January 1, 2018, but before
13 January 1, 2019, of up to \$60,000 for a married couple filing jointly,
14 \$30,000 for a married person filing separately, or \$45,000 for an
15 individual filing as a single taxpayer or an individual determining tax
16 pursuant to subsection a. of N.J.S.54A:2-1;

17 for taxable years beginning on or after January 1, 2019, but before
18 January 1, 2020, of up to \$80,000 for a married couple filing jointly,
19 \$40,000 for a married person filing separately, or \$60,000 for an
20 individual filing as a single taxpayer or an individual determining tax
21 pursuant to subsection a. of N.J.S.54A:2-1;for taxable years
22 beginning on or after January 1, 2020, of up to \$100,000 for a married
23 couple filing jointly, \$50,000 for a married person filing separately,
24 or \$75,000 for an individual filing as a single taxpayer or an
25 individual determining tax pursuant to subsection a. of N.J.S.54A:2-
26 1,

27 which are received as an annuity, endowment or life insurance
28 contract, or payments of any such amounts which are received as
29 pension, disability, or retirement benefits, under any public or private
30 plan, whether the consideration therefor is contributed by the
31 employee or employer or both, by any person who is 62 years of age
32 or older or who, by virtue of disability, is or would be eligible to
33 receive payments under the federal Social Security Act.

34 (2) For taxable years beginning on or after January 1, **2005**
35 2018, the exclusion provided by this subsection shall only be allowed
36 if the taxpayer has gross income for the taxable year of not more than
37 **100,000** 125,000.

38 c. Gross income shall not include any amount received under
39 any public or private plan by reason of a permanent and total
40 disability.

41 d. Gross income shall not include distributions from an
42 employees' trust described in section 401(a) of the Internal Revenue
43 Code of 1986, as amended (hereinafter referred to as "the Code"),
44 which is exempt from tax under section 501(a) of the Code if the
45 distribution, except the portion representing the employees'
46 contributions, is rolled over in accordance with section 402(a)(5) or
47 section 403(a)(4) of the Code. The distribution shall be paid in one
48 or more installments which constitute a lump-sum distribution within

1 the meaning of section 402(e)(4)(A) (determined without reference
2 to subsection (e)(4)(B)), or be on account of a termination of a plan
3 of which the trust is a part or, in the case of a profit-sharing or stock
4 bonus plan, a complete discontinuance of contributions under such
5 plan.

6 (cf: P.L.2016, c.57, s.9)

7
8 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read
9 as follows:

10 3. Other retirement income. a. (1) Gross income shall not
11 include income:

12 for taxable years beginning before January 1, 2000, of up to
13 \$10,000 for a married couple filing jointly, \$5,000 for a married
14 person filing separately, or \$7,500 for an individual filing as a single
15 taxpayer or an individual determining tax pursuant to subsection a.
16 of N.J.S.54A:2-1;

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

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

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

32 for taxable years beginning on or after January 1, 2003, but before
33 January 1, 2017, gross income shall not include income of up to
34 \$20,000 for a married couple filing jointly, \$10,000 for a married
35 person filing separately, or \$15,000 for an individual filing as a single
36 taxpayer or an individual determining tax pursuant to subsection a.
37 of N.J.S.54A:2-1;

38 for taxable years beginning on or after January 1, 2017 but before
39 January 1, 2018, gross income shall not include income of up to
40 \$40,000 for a married couple filing jointly, \$20,000 for a married
41 person filing separately, or \$30,000 for an individual filing as a single
42 taxpayer or an individual determining tax pursuant to subsection a.
43 of N.J.S.54A:2-1;

44 for taxable years beginning on or after January 1, 2018, but before
45 January 1, 2019, gross income shall not include income of up to
46 \$60,000 for a married couple filing jointly, \$30,000 for a married
47 person filing separately, or \$45,000 for an individual filing as a single

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, 2019, but before
4 January 1, 2020, gross income shall not include income of up to
5 \$80,000 for a married couple filing jointly, \$40,000 for a married
6 person filing separately, or \$60,000 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, 2020, gross
10 income shall not include income of up to \$100,000 for a married
11 couple filing jointly, \$50,000 for a married person filing separately,
12 or \$75,000 for an individual filing as a single taxpayer or an
13 individual determining tax pursuant to subsection a. of N.J.S.54A:2-
14 1,

15 when received in any tax year by a person aged 62 years or older
16 who received no income in excess of \$3,000 from one or more of the
17 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1.

18 (2) For taxable years beginning on or after January 1, **[2005]**
19 2018, the exclusion provided by this subsection shall only be allowed
20 if the taxpayer has gross income for the taxable year of not more than
21 **[\$100,000]** \$125,000.

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

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

33 (cf: P.L.2016, c.57, s.10)

34
35 3. This act shall take effect immediately.

36 37 38 STATEMENT

39
40 This bill raises the annual income threshold for eligibility for the
41 pension and other retirement income exclusion under the gross
42 income tax to \$125,000 for taxable years beginning on or after
43 January 1, 2018.

44 Under current law, qualifying taxpayers with \$100,000 or less in
45 annual income and who are at least 62 years old or disabled may
46 exclude certain pension and retirement income from taxable gross
47 income, up to a certain amount, depending on filing status.

S2562 TURNER

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1 The current \$100,000 annual income threshold for eligibility dates
2 to 2005. The purpose of this bill is to permit more senior and disabled
3 taxpayers to benefit from this tax relief by increasing the annual
4 income threshold, beyond which taxpayers are ineligible for the
5 exclusion.