

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 5539**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: JUNE 28, 2021

**SUMMARY**

**Synopsis:** Provides partial pension and retirement income exclusion for taxpayers with incomes between \$100,000 and \$150,000.

**Type of Impact:** Annual decrease in State revenue deposited into Property Tax Relief Fund.

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

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2022 and Thereafter</u></b>
<b>Annual State Revenue Loss</b>	\$51.5 million to \$72.9 million

- The Office of Legislative Services (OLS) estimates that this bill would reduce gross income tax revenue, which is deposited into the Property Tax Relief Fund by \$51.5 million to \$72.9 million annually.

**BILL DESCRIPTION**

This bill excludes from the gross income tax certain pension and retirement income for taxpayers with income between \$100,000 and \$150,000. Depending on filing status, if a taxpayer's income is greater than \$100,000, but not more than \$125,000, the taxpayer could exclude up to 50 percent of pension and other retirement income. Similarly, if the taxpayer has income greater than \$125,000, but not more than \$150,000, that taxpayer could exclude up to 25 percent of pension and other retirement income.

**FISCAL ANALYSIS**

***EXECUTIVE BRANCH***

None received.

**OFFICE OF LEGISLATIVE SERVICES**

The OLS estimates that this bill would reduce gross income tax revenue, which is deposited into the Property Tax Relief Fund, by \$51.5 million to \$72.9 million annually.

This estimate is based on data provided in the New Jersey Statistics of Income report for tax year 2016, the most recent report available. The data show that \$3.2 billion in taxable pension income was reported in tax year 2016 by 52,200 taxpayers with incomes in excess of \$100,000, but not more than \$150,000. The OLS assumes that 60 percent of these taxpayers had incomes in excess of \$100,000, but not more than \$125,000, and that the remaining 40 percent had incomes in excess of \$125,000, but not more than \$150,000.

To calculate the lower bound estimate, the OLS applies a 3.5 percent effective tax rate to the pension income allocated to each bracket and then multiplies the results by 25 percent and 50 percent, depending upon the tax bracket. The OLS repeats the same steps for the upper bound estimate, but uses an effective tax rate of 4.5 percent. Taken together, after adjusting for growth in pension income and filers (3.0 percent for the lower bound and 5.0 percent for the upper bound), the expected revenue loss from this bill would be \$51.5 million to \$72.9 million annually.

*Section: Revenue, Finance and Appropriations*  
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*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).