

# ASSEMBLY, No. 5539

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MAY 5, 2021

**Sponsored by:**

**Assemblyman JOHN J. BURZICHELLI**

**District 3 (Cumberland, Gloucester and Salem)**

**Assemblyman DANIEL R. BENSON**

**District 14 (Mercer and Middlesex)**

**Assemblyman ANDREW ZWICKER**

**District 16 (Hunterdon, Mercer, Middlesex and Somerset)**

**Senator PAUL A. SARLO**

**District 36 (Bergen and Passaic)**

**Senator STEPHEN M. SWEENEY**

**District 3 (Cumberland, Gloucester and Salem)**

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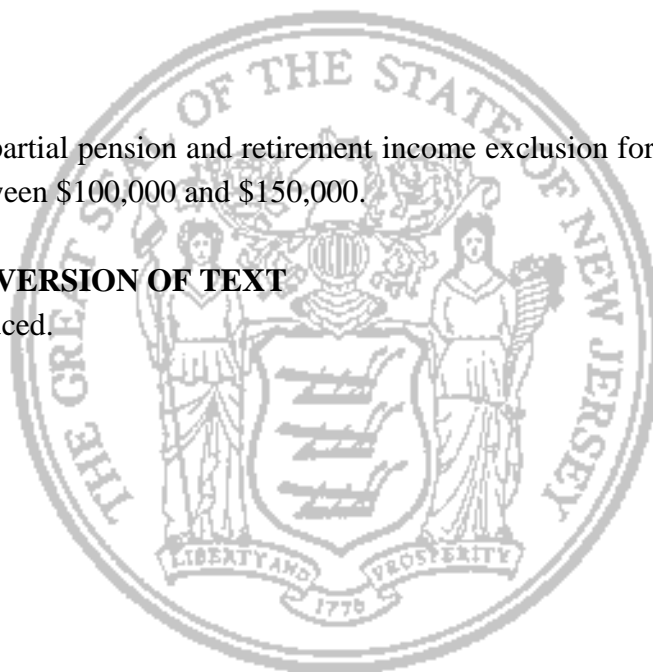
**Assemblymen Dancer, Johnson, Assemblywoman Murphy, Assemblymen Freiman, Wimberly, Assemblywomen Downey, Reynolds-Jackson, Assemblymen Houghtaling, Space, Wirths, Senators Singleton, Addiego, A.M.Bucco, Lagana, Madden, Oroho and Turner**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/24/2021)

1 AN ACT providing a partial pension and retirement income  
2 exclusion for certain taxpayers, 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 January 1, 2017 of up to \$20,000 for a married couple filing  
5 jointly, \$10,000 for a married person filing separately, or \$15,000  
6 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;  
8 for taxable years beginning on or after January 1, 2017, but  
9 before January 1, 2018, of up to \$40,000 for a married couple filing  
10 jointly, \$20,000 for a married person filing separately, or \$30,000  
11 for an individual filing as a single taxpayer or an individual  
12 determining tax pursuant to subsection a. of N.J.S.54A:2-1;  
13 for taxable years beginning on or after January 1, 2018, but  
14 before January 1, 2019, of up to \$60,000 for a married couple filing  
15 jointly, \$30,000 for a married person filing separately, or \$45,000  
16 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;  
18 for taxable years beginning on or after January 1, 2019, but  
19 before January 1, 2020, of up to \$80,000 for a married couple filing  
20 jointly, \$40,000 for a married person filing separately, or \$60,000  
21 for an individual filing as a single taxpayer or an individual  
22 determining tax pursuant to subsection a. of N.J.S.54A:2-1;  
23 for taxable years beginning on or after January 1, 2020, of up to  
24 \$100,000 for a married couple filing jointly, \$50,000 for a married  
25 person filing separately, or \$75,000 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 taxable years beginning on or after January 1, 2021, for a  
29 taxpayer with gross income in excess of \$100,000, but not more  
30 than \$125,000, 50 percent of payments for a married couple filing  
31 jointly, 25 percent of payments for a married couple filing  
32 separately, or 37.5 percent of payments for an individual filing as a  
33 single taxpayer or individual determining tax pursuant to subsection  
34 a. of N.J.S.54A:2-1;  
35 for taxable years beginning on or after January 1, 2021, for a  
36 taxpayer with gross income in excess of \$125,000, but not more  
37 than \$150,000, 25 percent of payments for a married couple filing  
38 jointly, 12.5 percent of payments for a married couple filing  
39 separately, or 18.75 percent of payments for an individual filing as  
40 a single taxpayer or individual determining tax pursuant to  
41 subsection a. of N.J.S.54A:2-1,  
42 which are received as an annuity, endowment or life insurance  
43 contract, or payments of any such amounts which are received as  
44 pension, disability, or retirement benefits, under any public or  
45 private plan, whether the consideration therefor is contributed by  
46 the employee or employer or both, by any person who is 62 years of  
47 age or older or who, by virtue of disability, is or would be eligible  
48 to receive payments under the federal Social Security Act.

1 (2) For taxable years beginning on or after January 1, 2005, but  
2 before January 1, 2021, the exclusion provided by this subsection  
3 shall only be allowed if the taxpayer has gross income for the  
4 taxable year of not more than \$100,000.

5 For taxable years beginning on or after January 1, 2021, the  
6 exclusion provided by this subsection shall only be allowed if the  
7 taxpayer has gross income for the taxable year of not more than  
8 \$150,000.

9 c. Gross income shall not include any amount received under  
10 any public or private plan by reason of a permanent and total  
11 disability.

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

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

26  
27 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read  
28 as follows:

29 3. Other retirement income. a. (1) Gross income shall not  
30 include income:

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

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

41 for the taxable year beginning on or after January 1, 2001, but  
42 before January 1, 2002, of up to \$15,000 for a married couple filing  
43 jointly, \$7,500 for a married person filing separately, or \$11,250 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, 2002, but  
47 before January 1, 2003, of up to \$17,500 for a married couple filing  
48 jointly, \$8,750 for a married person filing separately, or \$13,125 for

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 January 1, 2017, gross income shall not include income of up  
5 to \$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  
7 single taxpayer or an individual determining tax pursuant to  
8 subsection a. of N.J.S.54A:2-1;

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

15 for taxable years beginning on or after January 1, 2018, but  
16 before January 1, 2019, gross income shall not include income of up  
17 to \$60,000 for a married couple filing jointly, \$30,000 for a married  
18 person filing separately, or \$45,000 for an individual filing as a  
19 single taxpayer or an individual determining tax pursuant to  
20 subsection a. of N.J.S.54A:2-1;

21 for taxable years beginning on or after January 1, 2019, but  
22 before January 1, 2020, gross income shall not include income of up  
23 to \$80,000 for a married couple filing jointly, \$40,000 for a married  
24 person filing separately, or \$60,000 for an individual filing as a  
25 single taxpayer or an individual determining tax pursuant to  
26 subsection a. of N.J.S.54A:2-1;

27 for taxable years beginning on or after January 1, 2020, gross  
28 income shall not include income of up to \$100,000 for a married  
29 couple filing jointly, \$50,000 for a married person filing separately,  
30 or \$75,000 for an individual filing as a single taxpayer or an  
31 individual determining tax pursuant to subsection a. of N.J.S.54A:2-  
32 1;

33 for taxable years beginning on or after January 1, 2021, for a  
34 taxpayer with gross income in excess of \$100,000, but not more  
35 than \$125,000, 50 percent of income for a married couple filing  
36 jointly, 25 percent of income for a married couple filing separately,  
37 or 37.5 percent of income for an individual filing as a single  
38 taxpayer or individual determining tax pursuant to subsection a. of  
39 N.J.S.54A:2-1;

40 for taxable years beginning on or after January 1, 2021, for a  
41 taxpayer with income in excess of \$125,000, but not more than  
42 \$150,000, 25 percent of gross income for a married couple filing  
43 jointly, 12.5 percent of income for a married couple filing  
44 separately, or 18.75 percent of income for an individual filing as a  
45 single taxpayer or individual determining tax pursuant to subsection  
46 a. of N.J.S.54A:2-1,

47 when received in any tax year by a person aged 62 years or older  
48 who received no income in excess of \$3,000 from one or more of

1 the sources enumerated in subsections a., b., k. and p. of  
 2 N.J.S.54A:5-1.

3 (2) For taxable years beginning on or after January 1, 2005, but  
 4 before January 1, 2021, the exclusion provided by this subsection  
 5 shall only be allowed if the taxpayer has gross income for the  
 6 taxable year of not more than \$100,000.

7 For taxable years beginning on or after January 1, 2021, the  
 8 exclusion provided by this subsection shall only be allowed if the  
 9 taxpayer has gross income for the taxable year of not more than  
 10 \$150,000.

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

14 b. In addition to the exclusion provided under N.J.S.54A:6-10  
 15 and subsection a. of this section, gross income shall not include  
 16 income of up to \$6,000 for a married couple filing jointly or an  
 17 individual determining tax pursuant to subsection a. of N.J.S.54A:2-  
 18 1, or \$3,000 for a single person or a married person filing  
 19 separately, who is not covered under N.J.S.54A:6-2 or N.J.S.54A:6-  
 20 3, but who would be eligible in any year to receive payments under  
 21 either section if he or she were covered thereby.

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

23

24 3. This act shall take effect immediately.

25

26

27 STATEMENT

28

29 This bill provides a limited exclusion from the gross income tax  
 30 on pension and retirement income for taxpayers with income  
 31 between \$100,000 and \$150,000.

32 Under current law, a taxpayer whose income exceeds \$100,000  
 33 becomes ineligible for the pension and retirement income exclusion.  
 34 The bill provides a limited exclusion as follows:

35

36 If the taxpayer has income greater than \$100,000, but not more than  
 37 \$125,000

38

Filer Type	Amount of exclusion
Married filing jointly	50 percent of pension payments and other retirement income
Married filing separately	25 percent of pension payments and other retirement income
Single	37.5 percent of pension payments and other income

39

40 If the taxpayer has income greater than \$125,000, but not more than  
 41 \$150,000

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Filer Type	Amount of exclusion
Married filing jointly	25 percent of pension payments and other retirement income
Married filing separately	12.5 percent of pension payments and other retirement income
Single	18.75 percent of pension payments and other retirement income

1