

P.L. 2021, CHAPTER 129, *approved June 29, 2021*  
Assembly, No. 5539

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 employee, 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 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  
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;

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

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

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

16 for taxable years beginning on or after January 1, 2018, but  
17 before January 1, 2019, of up to \$60,000 for a married couple filing  
18 jointly, \$30,000 for a married person filing separately, or \$45,000  
19 for an individual filing as a single taxpayer or an individual  
20 determining tax pursuant to 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, of up to \$80,000 for a married couple filing  
23 jointly, \$40,000 for a married person filing separately, or \$60,000  
24 for an individual filing as a single taxpayer or an individual  
25 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

26 for taxable years beginning on or after January 1, 2020, of up to  
27 \$100,000 for a married couple filing jointly, \$50,000 for a married  
28 person filing separately, or \$75,000 for an individual filing as a  
29 single taxpayer or an individual determining tax pursuant to  
30 subsection a. of N.J.S.54A:2-1;

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

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

45 which are received as an annuity, endowment or life insurance  
46 contract, or payments of any such amounts which are received as  
47 pension, disability, or retirement benefits, under any public or  
48 private plan, whether the consideration therefor is contributed by

1 the employee or employer or both, by any person who is 62 years of  
2 age or older or who, by virtue of disability, is or would be eligible  
3 to receive payments under the federal Social Security Act.

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

8 For taxable years beginning on or after January 1, 2021, the  
9 exclusion provided by this subsection shall only be allowed if the  
10 taxpayer has gross income for the taxable year of not more than  
11 \$150,000.

12 c. Gross income shall not include any amount received under  
13 any public or private plan by reason of a permanent and total  
14 disability.

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

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

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

32 3. Other retirement income. a. (1) Gross income shall not  
33 include income:

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

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

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

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

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

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

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

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

30 for taxable years beginning on or after January 1, 2020, gross  
31 income shall not include income of up to \$100,000 for a married  
32 couple filing jointly, \$50,000 for a married person filing separately,  
33 or \$75,000 for an individual filing as a single taxpayer or an  
34 individual determining tax pursuant to subsection a. of N.J.S.54A:2-  
35 1;

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

43 for taxable years beginning on or after January 1, 2021, for a  
44 taxpayer with income in excess of \$125,000, but not more than  
45 \$150,000, 25 percent of gross income for a married couple filing  
46 jointly, 12.5 percent of income for a married couple filing  
47 separately, or 18.75 percent of income for an individual filing as a

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

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

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

11 For taxable years beginning on or after January 1, 2021, the  
12 exclusion provided by this subsection shall only be allowed if the  
13 taxpayer has gross income for the taxable year of not more than  
14 \$150,000.

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

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

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

27

28 3. This act shall take effect immediately.

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#### STATEMENT

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

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

39

40 If the taxpayer has income greater than \$100,000, but not more than  
41 \$125,000

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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

2

3 If the taxpayer has income greater than \$125,000, but not more than  
4 \$150,000

5

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

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