

**SENATE, No. 121**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Senator JAMES W. HOLZAPFEL**

**District 10 (Ocean)**

**Co-Sponsored by:**

**Senator Bateman**

**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 for  
40      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 for a married couple filing  
44      jointly, \$8,750 for a married person filing separately, or \$13,125 for  
45      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  
3 before January 1, 2014, of up to \$20,000 for a married couple filing  
4 jointly, \$10,000 for a married person filing separately, or \$15,000  
5 for an individual filing as a single taxpayer or an individual  
6 determining tax pursuant to subsection a. of N.J.S.54A:2-1

7 for the taxable year beginning on or after January 1, 2014, but  
8 before January 1, 2015, of up to \$35,000 for a married couple filing  
9 jointly, \$17,500 for a married person filing separately, or \$26,250  
10 for an individual filing as a single taxpayer or an individual  
11 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

12 for taxable years beginning on or after January 1, 2015, of up to  
13 \$40,000 for a married couple filing jointly, \$20,000 for a married  
14 person filing separately, or \$30,000 for an individual filing as a  
15 single taxpayer or an individual determining tax pursuant to  
16 subsection a. of N.J.S.54A:2-1;

17 which are received as an annuity, endowment or life insurance  
18 contract, or payments of any such amounts which are received as  
19 pension, disability, or retirement benefits, under any public or  
20 private plan, whether the consideration therefor is contributed by  
21 the employee or employer or both, by any person who is 62 years of  
22 age or older or who, by virtue of disability, is or would be eligible  
23 to receive payments under the federal Social Security Act, but for  
24 taxable years beginning on or after January 1, 2005, only if the  
25 taxpayer has gross income for the taxable year of not more than  
26 \$100,000.

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

29 Gross income shall not include distributions from an employees'  
30 trust described in section 401(a) of the Internal Revenue Code of  
31 1986, as amended (hereinafter referred to as "the Code" ), which is  
32 exempt from tax under section 501(a) of the Code if the  
33 distribution, except the portion representing the employees'  
34 contributions, is rolled over in accordance with section 402(a)(5) or  
35 section 403(a)(4) of the Code. The distribution shall be paid in one  
36 or more installments which constitute a lump-sum distribution  
37 within the meaning of section 402(e)(4)(A) (determined without  
38 reference to subsection (e)(4)(B)), or be on account of a termination  
39 of a plan of which the trust is a part or, in the case of a profit-  
40 sharing or stock bonus plan, a complete discontinuance of  
41 contributions under such plan.

42 (cf: P.L.2005, c.130, s.1)

43  
44 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to  
45 read as follows:

46 3. Other retirement income. a. Gross income shall not include  
47 income:

48 for taxable years beginning before January 1, 2000, of up to

1 \$10,000 for a married couple filing jointly, \$5,000 for a married  
2 person filing separately, or \$7,500 for an individual filing as a  
3 single taxpayer or an individual determining tax pursuant to  
4 subsection a. of N.J.S.54A:2-1;

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

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

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

20 for taxable years beginning on or after January 1, 2003, but  
21 before January 1, 2014, gross income shall not include income of up  
22 to \$20,000 for a married couple filing jointly, \$10,000 for a married  
23 person filing separately, or \$15,000 for an individual filing as a  
24 single taxpayer or an individual determining tax pursuant to  
25 subsection a. of N.J.S.54A:2-1;

26 for the taxable year beginning on or after January 1, 2014, but  
27 before January 1, 2015, of up to \$35,000 for a married couple filing  
28 jointly, \$17,500 for a married person filing separately, or \$26,250  
29 for an individual filing as a single taxpayer or an individual  
30 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

31 for taxable years beginning on or after January 1, 2015, gross  
32 income shall not include income of up to \$40,000 for a married  
33 couple filing jointly, \$20,000 for a married person filing separately,  
34 or \$30,000 for an individual filing as a single taxpayer or an  
35 individual determining tax pursuant to subsection a. of  
36 N.J.S.54A:2-1;

37 when received in any tax year by a person aged 62 years or older  
38 who received no income in excess of \$3,000 from one or more of  
39 the sources enumerated in subsections a., b., k. and p. of  
40 N.J.S.54A:5-1, but for taxable years beginning on or after January  
41 1, 2005, only if the taxpayer has gross income for the taxable year  
42 of not more than \$100,000, provided, however, that the total  
43 exclusion under this subsection and that allowable under  
44 N.J.S.54A:6-10 shall not exceed the amounts of the exclusions set  
45 forth in this subsection.

46 b. In addition to the exclusion provided under N.J.S.54A:6-10  
47 and subsection a. of this section, gross income shall not include  
48 income of up to \$6,000 for a married couple filing jointly or an

individual determining tax pursuant to subsection a. of N.J.S.54A:2-1, or \$3,000 for a single person or a married person filing separately, who is not covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who would be eligible in any year to receive payments under either section if he or she were covered thereby.  
(cf: P.L.2005, c.130, s.2)

3. This act shall take effect immediately.

STATEMENT

This bill doubles the amount of certain retirement income a qualified person 62 years of age or older or disabled may exclude from taxable income under the New Jersey gross income tax over a two-year period.

The bill increases the gross income tax's combined retirement income exclusion cap according to the following schedule:

	Present	2014	2015
Married Couple			
Filing Jointly	\$20,000	\$35,000	\$40,000
Married Person			
Filing Separately	\$10,000	\$17,500	\$20,000
Individual			
Filing as a Single Taxpayer	\$15,000	\$26,750	\$30,000

The combined retirement income exclusion cap covers two components of retirement income:

- pension income, such as payments upon an annuity, endowment or life insurance contract, pension, disability or retirement benefit payments from a private or public plan, or IRA withdrawals; and
- nonpension retirement income such as income from private investments.

The bill does not revise qualification requirements for the pension income component or nonpension retirement income component of the combined retirement income exclusion cap.