

ASSEMBLY, No. 896

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblywoman WRIGHT

1 AN ACT concerning the exclusion of certain retirement income from
2 gross income under the gross income tax act, amending
3 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. Gross income shall not include
10 that part of any amount received as an annuity under an annuity,
11 endowment, or life insurance contract which bears the same ratio to
12 such amount as the investment in the contract as of the annuity starting
13 date bears to the expected return under the contract as of such date.
14 Where (1) part of the consideration for an annuity, endowment, or life
15 insurance contract is contributed by the employer, and (2) during the
16 three-year period beginning on the date on which an amount is first
17 received under the contract as an annuity, the aggregate amount
18 receivable by the employee under the terms of the contract is equal to
19 or greater than the consideration for the contract contributed by the
20 employee, then all amounts received as an annuity under the contract
21 shall be excluded from gross income until there has been so excluded
22 an amount equal to the consideration for the contract contributed by
23 the employee.

24 In addition to that part of any amount received as an annuity which
25 is excludable from gross income as herein provided, gross income shall
26 not include payments of up to ~~[\$10,000.00]~~ \$20,000.00 for a married
27 couple filing jointly, ~~[\$5,000.00]~~ \$10,000.00 for a married person
28 filing separately, or ~~[\$7,500.00]~~ \$15,000.00 for an individual filing as
29 a single taxpayer or an individual determining tax pursuant to
30 subsection a. of N.J.S.54A:2-1, which are received as an annuity,
31 endowment or life insurance contract, or payments of any such
32 amounts which are received as pension, disability, or retirement

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 benefits, under any public or private plan, whether the consideration
2 therefor is contributed by the employee or employer or both, by any
3 person who is 62 years of age or older or who, by virtue of disability,
4 is or would be eligible to receive payments under the federal Social
5 Security Act.

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

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

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

22 (cf: P.L.1990, c.61, s.16)

23

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

26 3. Other retirement income. a. Gross income shall not include
27 income of up to ~~[\$10,000.00]~~ \$20,000.00 for a married couple filing
28 jointly, ~~[\$5,000.00]~~ \$10,000.00 for a married person filing separately,
29 or ~~[\$7,500.00]~~ \$15,000.00 for an individual filing as a single taxpayer
30 or an individual determining tax pursuant to subsection a. of
31 N.J.S.54A:2-1, when received in any tax year by a person aged 62
32 years or older who received no income in excess of \$3,000.00 from
33 one or more of the sources enumerated in subsections a., b., k. and p.
34 of N.J.S.54A:5-1, provided, however, that the total exclusion under
35 this subsection and that allowable under N.J.S.54A:6-10 shall not
36 exceed the amounts of the exclusions set forth in this subsection.

37 b. In addition to the exclusion provided under N.J.S.54A:6-10 and
38 subsection a. of this section, gross income shall not include income of
39 up to \$6,000.00 for a married couple filing jointly or an individual
40 determining tax pursuant to subsection a. of N.J.S.54A:2-1, or
41 \$3,000.00 for a single person or a married person filing separately,
42 who is not covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who
43 would be eligible in any year to receive payments under either section
44 if he or she were covered thereby.

45 (cf: P.L.1993, c.173, s.17)

