

ASSEMBLY, No. 1899

STATE OF NEW JERSEY

INTRODUCED MAY 6, 1996

By Assemblymen HOLZAPFEL and WOLFE

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.A.54A:6-10 and P.L.1977, c.273.

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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;

27 for taxable years beginning before January 1, 1997, of up to
28 \$10,000.00 for a married couple filing jointly, \$5,000.00 for a married
29 person filing separately, or \$7,500.00 for an individual filing as a
30 single taxpayer or an individual determining tax pursuant to subsection
31 a. of N.J.S.54A:2-1;

32 for the taxable year beginning on or after January 1, 1997, but
33 before January 1, 1998, of up to \$12,500.00 for a married couple filing
34 jointly, \$6,250.00 for a married person filing separately, or \$9,375.00

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 for an individual filing as a single taxpayer or an individual determining
2 tax pursuant to subsection a. of N.J.S.54A:2-1;
3 for the taxable year beginning on or after January 1, 1998, but
4 before January 1, 1999, of up to \$15,000.00 for a married couple filing
5 jointly, \$7,500.00 for a married person filing separately, or
6 \$11,250.00 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 the taxable year beginning on or after January 1, 1999, but
9 before January 1, 2000, of up to \$17,500.00 for a married couple filing
10 jointly, \$8,750.00 for a married person filing separately, or
11 \$13,125.00 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, 2000, of up to
14 \$20,000.00 for a married couple filing jointly, \$10,000.00 for a
15 married person filing separately, or \$15,000.00 for an individual filing
16 as a single taxpayer or an individual determining tax pursuant to
17 subsection a. of N.J.S.54A:2-1, which are received as an annuity,
18 endowment or life insurance contract, or payments of any such
19 amounts which are received as pension, disability, or retirement
20 benefits, under any public or private plan, whether the consideration
21 therefor is contributed by the employee or employer or both, by any
22 person who is 62 years of age or older or who, by virtue of disability,
23 is or would be eligible to receive payments under the federal Social
24 Security Act.

25 Gross income shall not include distributions from an employees'
26 trust described in section 401(a) of the Internal Revenue Code of
27 1986, as amended (hereinafter referred to as "the Code"), which is
28 exempt from tax under section 501(a) of the Code if the distribution,
29 except the portion representing the employees' contributions, is rolled
30 over in accordance with section 402(a)(5) or section 403(a)(4) of the
31 Code. The distribution shall be paid in one or more installments which
32 constitute a lump-sum distribution within the meaning of section
33 402(e)(4)(A) (determined without reference to subsection (e)(4)(B)),
34 or be on account of a termination of a plan of which the trust is a part
35 or, in the case of a profit-sharing or stock bonus plan, a complete
36 discontinuance of contributions under such plan.

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

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

41 3. Other retirement income. a. Gross income shall not include
42 income:

43 for taxable years beginning before January 1, 1997, of up to
44 \$10,000.00 for a married couple filing jointly, \$5,000.00 for a married
45 person filing separately, or \$7,500.00 for an individual filing as a
46 single taxpayer or an individual determining tax pursuant to subsection

1 a. of N.J.S.54A:2-1;
2 for the taxable year beginning on or after January 1, 1997, but
3 before January 1, 1998, of up to \$12,500.00 for a married couple filing
4 jointly, \$6,250.00 for a married person filing separately, or \$9,375.00
5 for an individual filing as a single taxpayer or an individual determining
6 tax pursuant to subsection a. of N.J.S.54A:2-1;

7 for the taxable year beginning on or after January 1, 1998, but
8 before January 1, 1999, of up to \$15,000.00 for a married couple filing
9 jointly, \$7,500.00 for a married person filing separately, or
10 \$11,250.00 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 the taxable year beginning on or after January 1, 1999, but
13 before January 1, 2000, of up to \$17,500.00 for a married couple
14 filing jointly, \$8,750.00 for a married person filing separately, or
15 \$13,125.00 for an individual filing as a single taxpayer or an individual
16 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

17 for taxable years beginning on or after January 1, 2000, gross
18 income shall not include income of up to \$20,000.00 for a married
19 couple filing jointly, \$10,000.00 for a married person filing separately,
20 or \$15,000.00 for an individual filing as a single taxpayer or an
21 individual determining tax pursuant to subsection a. of N.J.S.54A:2-1,
22 when received in any tax year by a person aged 62 years or older who
23 received no income in excess of \$3,000.00 from one or more of the
24 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1,
25 provided, however, that the total exclusion under this subsection and
26 that allowable under N.J.S.54A:6-10 shall not exceed the amounts of
27 the exclusions set forth in this subsection.

28 b. In addition to the exclusion provided under N.J.S.54A:6-10 and
29 subsection a. of this section, gross income shall not include income of
30 up to \$6,000.00 for a married couple filing jointly or an individual
31 determining tax pursuant to subsection a. of N.J.S.54A:2-1, or
32 \$3,000.00 for a single person or a married person filing separately,
33 who is not covered under N.J.S.54A:6-2 or N.J.S.54A:6-3, but who
34 would be eligible in any year to receive payments under either section
35 if he or she were covered thereby.

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

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38 3. This act shall take effect immediately.

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STATEMENT

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43 This bill amends the New Jersey Gross Income Tax Act (specifically
44 N.J.S.54A:6-10) to increase the amount of certain retirement income
45 a person 62 years of age or older, or a disabled individual eligible for
46 federal Social Security benefits, would be able to exclude from gross

1 income. The amounts will be increased from \$10,000 to \$20,000 of
2 certain retirement income if filing jointly as a married couple, from
3 \$7,500 to \$15,000 if filing as a single taxpayer, or from \$5,000 to
4 \$10,000 if married but filing separately, in equal increments over a
5 period of four years commencing with taxable years beginning on or
6 after January 1, 1997. Currently, a person 62 years of age or older, or
7 a disabled individual eligible for federal Social Security benefits, may
8 exclude only up to \$10,000 in retirement income if married filing
9 jointly, \$5,000 if married filing separately and \$7,500 if filing as a
10 single taxpayer. Excludable retirement income includes such items as
11 payments upon an annuity, endowment or life insurance contract,
12 pension, disability or retirement benefit payments from a private or
13 public plan, or Individual Retirement Account withdrawals.

14 In addition, section 3 of P.L.1977, c.273 (C.54A:6-15) is amended
15 to increase the excludable amounts of other retirement income to
16 match the levels in section 1 of the bill. Currently, section 3 of
17 P.L.1977, c.273 permits the exclusion from gross income of other
18 retirement income, such as interest and dividend earnings from
19 investments, but only if the taxpayer has less than \$3,000 in income
20 from such sources as a salary or wage, net profit from a business, or
21 distribution of partnership income or net share of S corporation
22 income. The above restriction is retained by the bill, as well as the
23 restriction that limits the total amount of income excludable under
24 both N.J.S.54:6-10 and section 3 of P.L.1977, c.273 to the amounts
25 set forth in section 3 of P.L.1977, c.273.

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31 Increases amount of certain retirement income that may be excluded
from gross income under the gross income tax act.