

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 1899, 896 and 1176

STATE OF NEW JERSEY

ADOPTED DECEMBER 11, 1997

Sponsored by Assemblymen **HOLZAPFEL, WOLFE,**
Assemblywoman **WRIGHT** and Assemblymen **BUCCO,**
DALTON and Assemblywoman **TURNER**

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.

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;

27 for taxable years beginning before January 1,1998,of up to \$10,000
28 for a married couple filing jointly, \$5,000 for a married person filing
29 separately, or \$7,500 for an individual filing as a single taxpayer or an
30 individual determining tax pursuant to subsection a. of N.J.S.54A:2-1;
31 for the taxable year beginning on or after January 1,1998, but

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 before January 1, 1999, of up to \$12,500 for a married couple filing
2 jointly, \$6,250 for a married person filing separately, or \$9,375 for an
3 individual filing as a single taxpayer or an individual determining tax
4 pursuant to subsection a. of N.J.S.54A:2-1;

5 for the taxable year beginning on or after January 1, 1999, but
6 before January 1, 2000, of up to \$15,000 for a married couple filing
7 jointly, \$7,500 for a married person filing separately, or \$11,250 for
8 an individual filing as a single taxpayer or an individual determining
9 tax pursuant to subsection a. of N.J.S.54A:2-1;

10 for the taxable year beginning on or after January 1, 2000, but
11 before January 1, 2001, of up to \$17,500 for a married couple filing
12 jointly, \$8,750 for a married person filing separately, or \$13,125 for
13 an individual filing as a single taxpayer or an individual determining
14 tax pursuant to subsection a. of N.J.S.54A:2-1;

15 for taxable years beginning on or after January 1, 2001, of up to
16 \$20,000 for a married couple filing jointly, \$10,000 for a married
17 person filing separately, or \$15,000 for an individual filing as a single
18 taxpayer or an individual determining tax pursuant to subsection a. of
19 N.J.S.54A:2-1, which are received as an annuity, endowment or life
20 insurance contract, or payments of any such amounts which are
21 received as pension, disability, or retirement benefits, under any public
22 or private plan, whether the consideration therefor is contributed by
23 the employee or employer or both, by any person who is 62 years of
24 age or older or who, by virtue of disability, is or would be eligible to
25 receive payments under the federal Social Security Act.

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

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

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

41
42 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to read
43 as follows:

44 3. Other retirement income. a. Gross income shall not include
45 income;

46 for taxable years beginning before January 1, 1998, 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 single
3 taxpayer or an individual determining tax pursuant to subsection a. of
4 N.J.S.54A:2-1;

5 for the taxable year beginning on or after January 1,1998, but
6 before January 1, 1999, 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 determining
9 tax pursuant to subsection a. of N.J.S.54A:2-1;

10 for the taxable year beginning on or after January 1, 1999, but
11 before January 1, 2000, 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 determining
14 tax pursuant to subsection a. of N.J.S.54A:2-1;

15 for the taxable year beginning on or after January 1, 2000, but
16 before January 1, 2001, 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 determining
19 tax pursuant to subsection a. of N.J.S.54A:2-1;

20 for taxable years beginning on or after January 1, 2001, gross
21 income shall not include income of up to \$20,000 for a married couple
22 filing jointly, \$10,000 for a married person filing separately, or
23 \$15,000 for an individual filing as a single taxpayer or an individual
24 determining tax pursuant to subsection a. of N.J.S.54A:2-1, when
25 received in any tax year by a person aged 62 years or older who
26 received no income in excess of \$3,000 from one or more of the
27 sources enumerated in subsections a., b., k. and p. of N.J.S.54A:5-1,
28 provided, however, that the total exclusion under this subsection and
29 that allowable under N.J.S.54A:6-10 shall not exceed the amounts of
30 the exclusions set forth in this subsection.

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

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

40

41 3. This act shall take effect immediately.

42

43

44

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