SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 192

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 192 of 1996 with amendments.

As amended, Senate Bill No. 192 amends N.J.S.54A:6-10 of the New Jersey Gross Income Tax Act to provide for a four year phased-in doubling of the amount certain taxpayers will be able to exclude from gross income. By the end of the phase-in, a taxpayer who is 62 years of age or older, or a disabled individual eligible for federal Social Security benefits, would be able to exclude from gross income up to $20,000 of certain retirement income if filing jointly as a married couple, $15,000 if filing as a single taxpayer, or $10,000 if married but filing separately.

Currently under N.J.S.54A:6-10, a person 62 years of age or older, or a disabled individual eligible for federal Social Security benefits, may exclude only up to $10,000 in retirement income if married filing jointly, $5,000 if married filing separately and $7,500 if filing as a single taxpayer. Excludable retirement income includes such items as payments upon an annuity, endowment or life insurance contract, pension, disability or retirement benefit payments from a private or public plan, or Individual Retirement Account withdrawals.

In addition, N.J.S.54A:6-15 is amended to provide for an identical phased-in doubling of the excludable amounts of other retirement income to match the levels in N.J.S.54A:6-10. Currently N.J.S.54A:6-15 permits the exclusion from gross income of other retirement income, such as interest and dividend earnings from investments, but only if the taxpayer has less than $3,000 in income from such sources as a salary or wage, net profit from a business, or distribution of partnership income. The above current restriction is retained by the bill, as well as the restriction which limits the total amount of income excludable under both N.J.S.54:6-10 and N.J.S.54A:6-15 at the end of the phase-in period to $20,000 for a married couple filing jointly, $15,000 if filing as a single taxpayer, or $10,000 for a married person filing separately.

This bill was prefiled for introduction in the 1996-97 session pending technical review. As reported, the bill includes the changes requested by technical review which has been performed.

COMMITTEE AMENDMENTS

The committee amended the bill at the request of the sponsor to provide for a four year phase-in period during which the amounts of certain retirement income would be increased in equal increments to finally achieve a doubling of the current excludable amounts. The phase-in period is identical to the one in Assembly Bill No. 1899 of 1996 (Holzapfel/Wolfe).

FISCAL IMPACT

The Office of Legislative Services estimates that this bill will result in a revenue loss to the State of $35 million in Fiscal year 1998, $49 million in Fiscal year 1999, $66 million in Fiscal Year 2000 and $81 million in Fiscal Year 2001. These calculations are based on information compiled by the Division of Taxation.