

FISCAL NOTE TO
SENATE, No. 213

STATE OF NEW JERSEY

DATED: OCTOBER 29, 1996

Senate Bill No. 213 of 1996 would repeal the Transfer Inheritance Tax.

The determination of a tax liability under the Transfer Inheritance Tax is based on the relationship between the decedent and the beneficiary, and the type and size of the transfers. Taxes are imposed on transfers to persons or beneficiaries who are not direct ancestors, descendants or spouses of the decedent, except that bequests of less than \$500 and transfers to charitable institutions and New Jersey political subdivisions are exempt from tax. In addition, other specified transfers such as life insurance proceeds and pension and annuity proceeds to named beneficiaries are exempt from tax.

The Division of Taxation has prepared a fiscal note on the bill assuming the repeal was enacted to impact fully fiscal years 1997 and 1998. Based on that assumption, the division estimated the repeal would produce a gross tax loss of \$188 million to \$209 million in fiscal year 1997 and \$196 million to \$218 million in fiscal year 1998. The division notes there would be a revenue gain from the New Jersey Estate Tax of an estimated \$20 million each year for a net revenue loss of \$168 million to \$189 million in fiscal year 1997 and \$176 million to \$198 million in fiscal year 1998. The division indicates the net loss of tax revenue in any given fiscal year depends on the timing of the effective date of the repeal. The payment of liability under the tax occurs generally up to nine months after the date of death of a person, and, depending on the size of the estate and the nature of the transfers, the amount of a payment can vary widely.

The New Jersey Estate Tax is a companion to the Transfer Inheritance Tax. It is designed to collect funds that would otherwise go for federal estate taxes from certain estates when death taxes paid to the State are insufficient to take full advantage of credits allowed under the federal tax. Federal tax payments commence when an estate's value exceeds \$700,000.

The division has provided data for deaths occurring in calendar year 1991. It indicates most inheritance tax revenue comes from estates between \$100,000 and \$900,000 with the average estate falling in the \$250,000 to \$300,000 range. The division's data show there is a distinction between those estates that are required to pay the New Jersey Estate Tax and the estates paying the Transfer Inheritance Tax. Of 541 Estate Tax taxpayers with a death in 1991, only 24 percent

paid any Transfer Inheritance Tax and the amount was very small. The same year only 9 percent of Transfer Inheritance Tax taxpayers with a date of death in 1991 had estates over \$700,000, the threshold for estate taxes.

The Office of Legislative Services (OLS) accepts the estimates made by the division noting the division is the only source of data on inheritance and estate taxes for the State.

This fiscal note has been prepared pursuant to P.L.1980, c.67.