

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 4289

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JUNE 26, 2026

SUMMARY

Synopsis: Increases gross income tax deduction available to veterans from \$6,000 to \$9,000 and indexes deduction for inflation.

Type of Impact: Annual State revenue loss to the Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	FY 2027	FY 2028	FY 2029
State Revenue Loss	\$19.7 million	\$20.3 million	\$20.8 million

- The Office of Legislative Services (OLS) estimates that increasing the veterans’ gross income tax deduction from \$6,000 to \$9,000 and indexing the deduction for inflation would decrease annual gross income tax revenue collections by \$19.7 million in FY 2027, \$20.3 million in FY 2028, and \$20.8 million in FY 2029.
- The OLS estimate is based on approximately 249,500 veterans in New Jersey, of whom 57 percent, or about 142,000, are assumed to have taxable income and could benefit from the increased deduction, and an estimated average marginal tax rate of 4.6 percent.
- The FY 2028 and FY 2029 estimates increase the FY 2027 impact by 2.8 percent annually to account for the bill’s annual inflation adjustment to the deduction amount.

BILL DESCRIPTION

This bill increases the gross income tax deduction available to veterans from \$6,000 to \$9,000. Pursuant to current law, veterans who are honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component, or the National Guard of New Jersey in a federal active duty status, are eligible to deduct \$6,000 from their gross income for purposes of calculating their State gross income tax liability.

The bill also provides that, beginning in tax year 2027, the amount of the deduction would be adjusted annually in direct proportion to the percentage increase in the Chained Consumer Price

Index for All Urban Consumers for the 12-month period ending August 31 of the immediately preceding tax year.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would decrease gross income tax revenue collections by \$19.7 million in FY 2027, \$20.3 million in FY 2028, and \$20.8 million in FY 2029.

The estimate is based on approximately 249,500 veterans in New Jersey, according to the Office of Research and Information in the Department of Labor and Workforce Development. The OLS assumes that 57 percent of these veterans, or about 142,000, have taxable income and could benefit from the increased deduction. This percentage is based on the number of veterans currently claiming the veteran deduction. The OLS further assumes that most eligible veterans file joint returns and applies a tiered income-based methodology, resulting in an estimated average marginal tax rate of 4.6 percent.

Applying the 4.6 percent average marginal tax rate to the additional \$3,000 deduction yields an estimated State revenue loss of \$19.7 million in FY 2027. The FY 2028 and FY 2029 estimates increase this amount by 2.8 percent annually to account for the bill's annual inflation adjustment to the veterans' deduction, based on the average of August 2023, August 2024, and August 2025 12-month increases in the Chained Consumer Price Index for All Urban Consumers.

The OLS notes that the Department of the Treasury's FY 2027 Tax Expenditure Report estimates that the current veterans' deduction will reduce gross income tax revenues by approximately \$32.8 million. However, because the OLS does not have access to the individual tax return data underlying the department's estimate, this fiscal estimate relies on the OLS methodology described above.

Section: Revenue, Finance, and Appropriations
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Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).