

# ASSEMBLY, No. 3068

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 20, 2020

**Sponsored by:**

**Assemblyman ERIC HOUGHTALING**

**District 11 (Monmouth)**

**Assemblywoman JOANN DOWNEY**

**District 11 (Monmouth)**

**Assemblyman RONALD S. DANCER**

**District 12 (Burlington, Middlesex, Monmouth and Ocean)**

**SYNOPSIS**

Modifies \$100,000 income eligibility cap on pension and retirement income exclusion to allow for accounting of other deductions.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 2/24/2020)

1 AN ACT concerning the calculation of the income eligibility cap for  
2 the pension and retirement income exclusion, amending  
3 N.J.S.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.

10 a. Gross income shall not include that part of any amount  
11 received as an annuity under an annuity, endowment, or life  
12 insurance contract which bears the same ratio to such amount as the  
13 investment in the contract as of the annuity starting date bears to the  
14 expected return under the contract as of such date. Where (1) part  
15 of the consideration for an annuity, endowment, or life insurance  
16 contract is contributed by the employer, and (2) during the three-  
17 year period beginning on the date on which an amount is first  
18 received under the contract as an annuity, the aggregate amount  
19 receivable by the employee under the terms of the contract is equal  
20 to or greater than the consideration for the contract contributed by  
21 the employee, then all amounts received as an annuity under the  
22 contract shall be excluded from gross income until there has been so  
23 excluded an amount equal to the consideration for the contract  
24 contributed by the employee.

25 b. (1) In addition to that part of any amount received as an  
26 annuity which is excludable from gross income as herein provided,  
27 gross income shall not include payments:

28 for taxable years beginning before January 1, 2000, of up to  
29 \$10,000 for a married couple filing jointly, \$5,000 for a married  
30 person filing separately, or \$7,500 for an individual filing as a  
31 single taxpayer or an individual determining tax pursuant to  
32 subsection a. of N.J.S.54A:2-1;

33 for the taxable year beginning on or after January 1, 2000, but  
34 before January 1, 2001, of up to \$12,500 for a married couple filing  
35 jointly, \$6,250 for a married person filing separately, or \$9,375 for  
36 an individual filing as a single taxpayer or an individual  
37 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

38 for the taxable year beginning on or after January 1, 2001, but  
39 before January 1, 2002, of up to \$15,000 for a married couple filing  
40 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
41 an individual filing as a single taxpayer or an individual  
42 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

43 for the taxable year beginning on or after January 1, 2002, but  
44 before January 1, 2003, of up to \$17,500 for a married couple filing  
45 jointly, \$8,750 for a married person filing separately, or \$13,125 for

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 an individual filing as a single taxpayer or an individual  
2 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

3 for taxable years beginning on or after January 1, 2003, but  
4 before January 1, 2017 of up to \$20,000 for a married couple filing  
5 jointly, \$10,000 for a married person filing separately, or \$15,000  
6 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 taxable years beginning on or after January 1, 2017, but  
9 before January 1, 2018, of up to \$40,000 for a married couple filing  
10 jointly, \$20,000 for a married person filing separately, or \$30,000  
11 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, 2018, but  
14 before January 1, 2019, of up to \$60,000 for a married couple filing  
15 jointly, \$30,000 for a married person filing separately, or \$45,000  
16 for an individual filing as a single taxpayer or an individual  
17 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

18 for taxable years beginning on or after January 1, 2019, but  
19 before January 1, 2020, of up to \$80,000 for a married couple filing  
20 jointly, \$40,000 for a married person filing separately, or \$60,000  
21 for an individual filing as a single taxpayer or an individual  
22 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

23 for taxable years beginning on or after January 1, 2020, of up to  
24 \$100,000 for a married couple filing jointly, \$50,000 for a married  
25 person filing separately, or \$75,000 for an individual filing as a  
26 single taxpayer or an individual determining tax pursuant to  
27 subsection a. of N.J.S.54A:2-1,

28 which are received as an annuity, endowment or life insurance  
29 contract, or payments of any such amounts which are received as  
30 pension, disability, or retirement benefits, under any public or  
31 private plan, whether the consideration therefor is contributed by  
32 the employee or employer or both, by any person who is 62 years of  
33 age or older or who, by virtue of disability, is or would be eligible  
34 to receive payments under the federal Social Security Act.

35 (2) For taxable years beginning on or after January 1, 2005, the  
36 exclusion provided by this subsection shall only be allowed if, after  
37 accounting for all other exclusions and deductions other than that  
38 allowed under N.J.S.54A:6-15, the taxpayer has **gross** taxable  
39 income for the taxable year of not more than \$100,000.

40 c. Gross income shall not include any amount received under  
41 any public or private plan by reason of a permanent and total  
42 disability.

43 d. Gross income shall not include distributions from an  
44 employees' trust described in section 401(a) of the Internal Revenue  
45 Code of 1986, as amended (hereinafter referred to as "the Code"),  
46 which is exempt from tax under section 501(a) of the Code if the  
47 distribution, except the portion representing the employees'  
48 contributions, is rolled over in accordance with section 402(a)(5) or

1 section 403(a)(4) of the Code. The distribution shall be paid in one  
2 or more installments which constitute a lump-sum distribution  
3 within the meaning of section 402(e)(4)(A) (determined without  
4 reference to subsection (e)(4)(B)), or be on account of a termination  
5 of a plan of which the trust is a part or, in the case of a profit-  
6 sharing or stock bonus plan, a complete discontinuance of  
7 contributions under such plan.

8 (cf: P.L.2016, c.57, s.9)

9  
10 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to  
11 read as follows:

12 3. Other retirement income. a. (1) Gross income shall not  
13 include income:

14 for taxable years beginning before January 1, 2000, of up to  
15 \$10,000 for a married couple filing jointly, \$5,000 for a married  
16 person filing separately, or \$7,500 for an individual filing as a  
17 single taxpayer or an individual determining tax pursuant to  
18 subsection a. of N.J.S.54A:2-1;

19 for the taxable year beginning on or after January 1, 2000, but  
20 before January 1, 2001, of up to \$12,500 for a married couple filing  
21 jointly, \$6,250 for a married person filing separately, or \$9,375 for  
22 an individual filing as a single taxpayer or an individual  
23 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

24 for the taxable year beginning on or after January 1, 2001, but  
25 before January 1, 2002, of up to \$15,000 for a married couple filing  
26 jointly, \$7,500 for a married person filing separately, or \$11,250 for  
27 an individual filing as a single taxpayer or an individual  
28 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

29 for the taxable year beginning on or after January 1, 2002, but  
30 before January 1, 2003, of up to \$17,500 for a married couple filing  
31 jointly, \$8,750 for a married person filing separately, or \$13,125 for  
32 an individual filing as a single taxpayer or an individual  
33 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

34 for taxable years beginning on or after January 1, 2003, but  
35 before January 1, 2017, gross income shall not include income of up  
36 to \$20,000 for a married couple filing jointly, \$10,000 for a married  
37 person filing separately, or \$15,000 for an individual filing as a  
38 single taxpayer or an individual determining tax pursuant to  
39 subsection a. of N.J.S.54A:2-1;

40 for taxable years beginning on or after January 1, 2017 but  
41 before January 1, 2018, gross income shall not include income of up  
42 to \$40,000 for a married couple filing jointly, \$20,000 for a married  
43 person filing separately, or \$30,000 for an individual filing as a  
44 single taxpayer or an individual determining tax pursuant to  
45 subsection a. of N.J.S.54A:2-1;

46 for taxable years beginning on or after January 1, 2018, but  
47 before January 1, 2019, gross income shall not include income of up  
48 to \$60,000 for a married couple filing jointly, \$30,000 for a married

1 person filing separately, or \$45,000 for an individual filing as a  
2 single taxpayer or an individual determining tax pursuant to  
3 subsection a. of N.J.S.54A:2-1;

4 for taxable years beginning on or after January 1, 2019, but  
5 before January 1, 2020, gross income shall not include income of up  
6 to \$80,000 for a married couple filing jointly, \$40,000 for a married  
7 person filing separately, or \$60,000 for an individual filing as a  
8 single taxpayer or an individual determining tax pursuant to  
9 subsection a. of N.J.S.54A:2-1;

10 for taxable years beginning on or after January 1, 2020, gross  
11 income shall not include income of up to \$100,000 for a married  
12 couple filing jointly, \$50,000 for a married person filing separately,  
13 or \$75,000 for an individual filing as a single taxpayer or an  
14 individual determining tax pursuant to subsection a. of N.J.S.54A:2-  
15 1,

16 when received in any tax year by a person aged 62 years or older  
17 who received no income in excess of \$3,000 from one or more of  
18 the sources enumerated in subsections a., b., k. and p. of  
19 N.J.S.54A:5-1.

20 (2) For taxable years beginning on or after January 1, 2005, the  
21 exclusion provided by this subsection shall only be allowed if, after  
22 accounting for all other exclusions and deductions other than that  
23 allowed under N.J.S.54A:6-10, the taxpayer has **gross** taxable  
24 income for the taxable year of not more than \$100,000.

25 (3) The total exclusion under this subsection and that allowable  
26 under N.J.S.54A:6-10 shall not exceed the amounts of the  
27 exclusions set forth in this subsection.

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

36 (cf: P.L.2016, c.57, s.10)

37  
38 3. This act shall take effect immediately.

39  
40  
41 STATEMENT

42  
43 This bill modifies the income eligibility cap on the pension and  
44 retirement income exclusion.

45 A taxpayer is only eligible for the pension and retirement income  
46 exclusion if the taxpayer's gross income is not more than \$100,000.  
47 Currently, the \$100,000 is calculated without accounting for other  
48 deductions. For example, married couples filing jointly are allowed

1 to deduct \$1,000 each from gross income as personal exemptions.  
2 However, that amount must be included as income for purposes of  
3 calculating the pension and retirement income exclusion.

4 Pursuant to this bill, all deductions will be deducted before  
5 calculating income for the pension and retirement income  
6 exclusion. A taxpayer that has \$101,000 in gross income before  
7 accounting for \$2,000 in other deductions will therefore become  
8 eligible for the pension and retirement income exclusion.