ASSEMBLY, No. 3330

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 25, 2020

Sponsored by:
Assemblyman RYAN E. PETERS
District 8 (Atlantic, Burlington and Camden)
Assemblywoman JEAN STANFIELD
District 8 (Atlantic, Burlington and Camden)

SYNOPSIS

Raises income eligibility threshold for pension and retirement income exclusion from gross income to $125,000.

CURRENT VERSION OF TEXT

As introduced.

AN ACT raising the income eligibility threshold for the pension and retirement income exclusion under the gross income tax and amending N.J.S.54A:6-10 and P.L.1977, c.273.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. N.J.S.54A:6-10 is amended to read as follows:

54A:6-10. Pensions and annuities.

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

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

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

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

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

for the taxable year beginning on or after January 1, 2002, but before January 1, 2003, of up to $17,500 for a married couple filing 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 <u>thus</u> is new matter.

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

for taxable years beginning on or after January 1, 2003, but before January 1, 2017 of up to $20,000 for a married couple filing jointly, $10,000 for a married person filing separately, or $15,000 for an individual filing as a single taxpayer or an individual determining tax pursuant to subsection a. of N.J.S.54A:2-1;

for taxable years beginning on or after January 1, 2017, but before January 1, 2018, of up to $40,000 for a married couple filing jointly, $20,000 for a married person filing separately, or $30,000 for an individual filing as a single taxpayer or an individual determining tax pursuant to subsection a. of N.J.S.54A:2-1;

for taxable years beginning on or after January 1, 2018, but before January 1, 2019, of up to $60,000 for a married couple filing jointly, $30,000 for a married person filing separately, or $45,000 for an individual filing as a single taxpayer or an individual determining tax pursuant to subsection a. of N.J.S.54A:2-1;

for taxable years beginning on or after January 1, 2019, but before January 1, 2020, of up to $80,000 for a married couple filing jointly, $40,000 for a married person filing separately, or $60,000 for an individual filing as a single taxpayer or an individual determining tax pursuant to subsection a. of N.J.S.54A:2-1; for taxable years beginning on or after January 1, 2020, of up to $100,000 for a married couple filing jointly, $50,000 for a married person filing separately, or $75,000 for an individual filing as a single taxpayer or an individual determining tax pursuant to subsection a. of N.J.S.54A:2-1,

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

(2) For taxable years beginning on or after January 1, **[**2005**]** 2018, the exclusion provided by this subsection shall only be allowed if the taxpayer has gross income for the taxable year of not more than **[**$100,000**]** $125,000.

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

d. Gross income shall not include distributions from an employees' trust described in section 401(a) of the Internal Revenue Code of 1986, as amended (hereinafter referred to as "the Code"), which is exempt from tax under section 501(a) of the Code if the distribution, except the portion representing the employees' contributions, is rolled over in accordance with section 402(a)(5) or section 403(a)(4) of the Code. The distribution shall be paid in one

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

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

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

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

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

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

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

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

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

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

for taxable years beginning on or after January 1, 2018, but before January 1, 2019, gross income shall not include income of up to $60,000 for a married couple filing jointly, $30,000 for a married person filing separately, or $45,000 for an individual filing as a

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

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

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

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

(2) For taxable years beginning on or after January 1, **[**2005**]** 2018, the exclusion provided by this subsection shall only be allowed if the taxpayer has gross income for the taxable year of not more than **[**$100,000**]** $125,000.

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

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

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

3. This act shall take effect immediately.

STATEMENT

This bill raises the annual income threshold for eligibility for the pension and other retirement income exclusion under the gross income tax to $125,000 for taxable years beginning on or after January 1, 2018.

Under current law, qualifying taxpayers with $100,000 or less in annual income and who are at least 62 years old or disabled may exclude certain pension and retirement income from taxable gross income, up to a certain amount, depending on filing status.

The current $100,000 annual income threshold for eligibility dates to 2005. The purpose of this bill is to permit more senior and disabled taxpayers to benefit from this tax relief by increasing the annual income threshold, beyond which taxpayers are ineligible for the exclusion.