ASSEMBLY, No. 4423

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JULY 20, 2020

Sponsored by:
Assemblywoman AURA K. DUNN
District 25 (Morris and Somerset)

SYNOPSIS

Provides gross income tax exclusion for minimum required distributions from qualified retirement plans.

CURRENT VERSION OF TEXT

As introduced.

AN ACT providing gross income tax exclusion for minimum required distributions from qualified retirement plans, supplementing Title 54A of the New Jersey Statutes.

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

1. Gross income shall not include a "minimum required distribution" from a "qualified retirement plan" as those terms are defined in section 4974 of the federal Internal Revenue Code (26 U.S.C. s.4974).

2. This act shall take effect immediately and apply to taxable years beginning after enactment.

STATEMENT

This bill excludes from the gross income tax the required distributions from certain retirement plans.

Federal law requires a taxpayer aged 72 or older to withdraw a minimum amount each year from certain retirement plans, commonly known as a "required minimum distribution" or an RMD. If the taxpayer does not make the RMD, federal law requires the taxpayer pay a penalty in the amount of 50 percent of the RMD not withdrawn. In effect, an RMD is forced income, which is then subject to federal and State income tax.

Under this bill, RMDs will no longer be subject to the New Jersey gross income tax. The exclusion will benefit many New Jersey seniors by reducing their State income tax burden.