

ASSEMBLY, No. 5538

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MAY 5, 2021

Sponsored by:

Assemblyman JOHN J. BURZICHELLI

District 3 (Cumberland, Gloucester and Salem)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Assemblyman Dancer

SYNOPSIS

Increases income eligibility threshold for pension and retirement exclusion from gross income to \$150,000.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/14/2021)

1 **AN ACT** increasing the income eligibility threshold for the pension
2 and retirement income exclusion under the gross income tax,
3 amending 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]**
36 2021, the exclusion provided by this subsection shall only be
37 allowed if the taxpayer has gross income for the taxable year of not
38 more than **[\$100,000]** \$150,000.

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

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

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

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

8
9 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to
10 read as follows:

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

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

18 for the taxable year beginning on or after January 1, 2000, but
19 before January 1, 2001, of up to \$12,500 for a married couple filing
20 jointly, \$6,250 for a married person filing separately, or \$9,375 for
21 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 the taxable year beginning on or after January 1, 2001, but
24 before January 1, 2002, of up to \$15,000 for a married couple filing
25 jointly, \$7,500 for a married person filing separately, or \$11,250 for
26 an individual filing as a single taxpayer or an individual
27 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

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

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

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

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

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

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

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

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

19 (2) For taxable years beginning on or after January 1, **[2005]**
20 2021, the exclusion provided by this subsection shall only be
21 allowed if the taxpayer has gross income for the taxable year of not
22 more than **[\$100,000]** \$150,000.

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

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

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

35
36 3. This act shall take effect immediately.

37
38
39 STATEMENT

40
41 This bill raises the annual income threshold for eligibility for the
42 pension and other retirement income exclusion under the gross
43 income tax to \$150,000 for taxable years beginning on or after
44 January 1, 2021.

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

1 The current \$100,000 annual income threshold for eligibility was
2 established in 2005. This bill will permit more senior and disabled
3 taxpayers to benefit from this tax exclusion by increasing the annual
4 income threshold for eligibility for this deduction.