

SENATE, No. 756

STATE OF NEW JERSEY
219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

Senator JOSEPH PENNACCHIO

District 26 (Essex, Morris and Passaic)

SYNOPSIS

Increases gross income tax pension and retirement income exclusion for certain taxpayers.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** increasing the gross income tax pension and retirement
2 income exclusion, amending N.J.S.54A:6-10 and P.L.1977,
3 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, but
24 before January 1, 2021, of up to \$100,000 for a married couple
25 filing jointly, \$50,000 for a married person filing separately, or
26 \$75,000 for 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 taxable years beginning on or after January 1, 2021, but
29 before January 1, 2022, of up to \$120,000 for a married couple
30 filing jointly, \$50,000 for a married person filing separately, or
31 \$80,000 for 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, 2022, but
34 before January 1, 2023, of up to \$140,000 for a married couple
35 filing jointly, \$50,000 for a married person filing separately, or
36 \$85,000 for 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 taxable years beginning on or after January 1, 2023, but
39 before January 1, 2024, of up to \$160,000 for a married couple
40 filing jointly, \$50,000 for a married person filing separately, or
41 \$90,000 for 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 taxable years beginning on or after January 1, 2024, but
44 before January 1, 2025, of up to \$180,000 for a married couple
45 filing jointly, \$50,000 for a married person filing separately, or
46 \$95,000 for an individual filing as a single taxpayer or an individual
47 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

1 for taxable years beginning on or after January 1, 2025, of up to
2 \$200,000 for a married couple filing jointly, \$50,000 for a married
3 person filing separately, or \$100,000 for an individual filing as a
4 single taxpayer or an individual determining tax pursuant to
5 subsection a. of N.J.S.54A:2-1,

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

13 (2) For taxable years beginning on or after January 1, 2005,
14 before January 1, 2021, the exclusion provided by this subsection
15 shall only be allowed if the taxpayer has gross income for the
16 taxable year of not more than \$100,000;

17 for taxable years beginning on or after January 1, 2021, but
18 before January 1, 2022, the exclusion provided by the subsection
19 shall only be allowed if the taxpayer has gross income for the
20 taxable year of not more than \$120,000;

21 for taxable years beginning on or after January 1, 2022, but
22 before January 1, 2023, the exclusion provided by the subsection
23 shall only be allowed if the taxpayer has gross income for the
24 taxable year of not more than \$140,000;

25 for taxable years beginning on or after January 1, 2023, but
26 before January 1, 2024, the exclusion provided by the subsection
27 shall only be allowed if the taxpayer has gross income for the
28 taxable year of not more than \$160,000;

29 for taxable years beginning on or after January 1, 2024, but
30 before January 1, 2025, the exclusion provided by the subsection
31 shall only be allowed if the taxpayer has gross income for the
32 taxable year of not more than \$180,000;

33 for taxable years beginning on or after January 1, 2025, the
34 exclusion provided by the subsection shall only be allowed if the
35 taxpayer has gross income for the taxable year of not more than
36 \$200,000.

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

40 d. Gross income shall not include distributions from an
41 employees' trust described in section 401(a) of the Internal Revenue
42 Code of 1986, as amended (hereinafter referred to as "the Code"),
43 which is exempt from tax under section 501(a) of the Code if the
44 distribution, except the portion representing the employees'
45 contributions, is rolled over in accordance with section 402(a)(5) or
46 section 403(a)(4) of the Code. The distribution shall be paid in one
47 or more installments which constitute a lump-sum distribution
48 within the meaning of section 402(e)(4)(A) (determined without

1 reference to subsection (e)(4)(B)), or be on account of a termination
2 of a plan of which the trust is a part or, in the case of a profit-
3 sharing or stock bonus plan, a complete discontinuance of
4 contributions under such plan.

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

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

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

11 for taxable years beginning before January 1, 2000, of up to
12 \$10,000 for a married couple filing jointly, \$5,000 for a married
13 person filing separately, or \$7,500 for an individual filing as a
14 single taxpayer or an individual determining tax pursuant to
15 subsection a. of N.J.S.54A:2-1;

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

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

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

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

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

43 for taxable years beginning on or after January 1, 2018, but
44 before January 1, 2019, gross income shall not include income of up
45 to \$60,000 for a married couple filing jointly, \$30,000 for a married
46 person filing separately, or \$45,000 for an individual filing as a
47 single taxpayer or an individual determining tax pursuant to
48 subsection a. of N.J.S.54A:2-1;

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

7 for taxable years beginning on or after January 1, 2020, but
8 before January 1, 2021, gross income shall not include income of up
9 to \$100,000 for a married couple filing jointly, \$50,000 for a
10 married person filing separately, or \$75,000 for an individual filing
11 as a single taxpayer or an individual determining tax pursuant to
12 subsection a. of N.J.S.54A:2-1;

13 for taxable years beginning on or after January 1, 2021, but
14 before January 1, 2022, gross income shall not include income of up
15 to \$120,000 for a married couple filing jointly, \$50,000 for a
16 married person filing separately, or \$80,000 for an individual filing
17 as a single taxpayer or an individual determining tax pursuant to
18 subsection a. of N.J.S.54A:2-1;

19 for taxable years beginning on or after January 1, 2022, but
20 before January 1, 2023, gross income shall not include income of up
21 to \$140,000 for a married couple filing jointly, \$50,000 for a
22 married person filing separately, or \$85,000 for an individual filing
23 as a single taxpayer or an individual determining tax pursuant to
24 subsection a. of N.J.S.54A:2-1;

25 for taxable years beginning on or after January 1, 2023, but
26 before January 1, 2024, gross income shall not include income of up
27 to \$160,000 for a married couple filing jointly, \$50,000 for a
28 married person filing separately, or \$90,000 for an individual filing
29 as a single taxpayer or an individual determining tax pursuant to
30 subsection a. of N.J.S.54A:2-1;

31 for taxable years beginning on or after January 1, 2024, but
32 before January 1, 2025, gross income shall not include income of up
33 to \$180,000 for a married couple filing jointly, \$50,000 for a
34 married person filing separately, or \$95,000 for an individual filing
35 as a single taxpayer or an individual determining tax pursuant to
36 subsection a. of N.J.S.54A:2-1;

37 for taxable years beginning on or after January 1, 2025, gross
38 income shall not include income of up to \$200,000 for a married
39 couple filing jointly, \$50,000 for a married person filing separately,
40 or \$100,000 for an individual filing as a single taxpayer or an
41 individual determining tax pursuant to subsection a. of N.J.S.54A:2-
42 1,

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

47 (2) For taxable years beginning on or after January 1, 2005,
48 before January 1, 2021, the exclusion provided by this subsection

1 shall only be allowed if the taxpayer has gross income for the
2 taxable year of not more than \$100,000;

3 for taxable years beginning on or after January 1, 2021, but
4 before January 1, 2022, the exclusion provided by the subsection
5 shall only be allowed if the taxpayer has gross income for the
6 taxable year of not more than \$120,000;

7 for taxable years beginning on or after January 1, 2022, but
8 before January 1, 2023, the exclusion provided by the subsection
9 shall only be allowed if the taxpayer has gross income for the
10 taxable year of not more than \$140,000;

11 for taxable years beginning on or after January 1, 2023, but
12 before January 1, 2024, the exclusion provided by the subsection
13 shall only be allowed if the taxpayer has gross income for the
14 taxable year of not more than \$160,000;

15 for taxable years beginning on or after January 1, 2024, but
16 before January 1, 2025, the exclusion provided by the subsection
17 shall only be allowed if the taxpayer has gross income for the
18 taxable year of not more than \$180,000;

19 for taxable years beginning on or after January 1, 2025, the
20 exclusion provided by the subsection shall only be allowed if the
21 taxpayer has gross income for the taxable year of not more than
22 \$200,000.

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 increases the gross income tax pension and retirement
42 income exclusions for married taxpayers filing jointly and
43 individuals.

44 Under current law, a taxpayer who is at least 62 years old and
45 has \$100,000 or less of annual income may claim a pension and
46 retirement income exclusion. Per P.L.2016, c.57, the amount of this
47 exclusion increases each year, up to \$100,000 for joint filers,

1 \$75,000 for individuals, and \$50,000 for married but filing
2 separately, for taxable years beginning on or after January 1, 2020.

3 This bill increases the amount of the exclusion for joint and
4 individual taxpayers as follows:

5

Filer	2021	2022	2023	2024	2025
<i>Joint</i>	\$120,000	\$140,000	\$160,000	\$180,000	\$200,000
<i>Individual</i>	\$80,000	\$85,000	\$90,000	\$95,000	\$100,000

6
7 The exclusion amount for taxpayers who are married but filing
8 separately remains unchanged by this bill, at \$50,000.

9 The bill also increases the income threshold applicable to the
10 exclusion, above which the exclusion may not be claimed, as
11 follows:

12

2021	2022	2023	2024	2025
\$120,000	\$140,000	\$160,000	\$180,000	\$200,000

13