

# ALERT

October 18, 2016

## Repeal of the New Jersey Estate Tax

*By Jordan M. Wassel, Esq.*

On October 14, 2016 Governor Christie signed Bill S2411 which directly impacts the New Jersey Estate Tax.

With the signing of this law, the exemption amount for New Jersey resident decedents dying on or after January 1, 2017 will increase to \$2,000,000 and on January 1, 2018 the New Jersey estate tax will be repealed completely. Previously, New Jersey had an exemption amount of \$675,000, the lowest amount among states that impose a state-wide estate tax. Any decedent that was a resident of New Jersey dying with a gross estate plus adjusted taxable gifts exceeding \$675,000 would potentially owe an estate tax.

New Jersey still does, however, have a separate inheritance tax that is imposed on property passing to anyone other than a spouse, parents or lineal descendants (children, grandchildren, and step-children, but not step-grandchildren), referred to as Class "A" Beneficiaries, or to charities, referred to as Class "E" Beneficiaries. The tax rates for additional beneficiary classifications range from 11% to 16%.

The federal estate tax remains unchanged. This year the federal exemption amount is \$5,450,000 for each person.

Individuals who have crafted their estate plans specifically around the New Jersey estate tax may wish to amend such plans, especially those who have utilized exemption trusts (aka credit shelter or residuary trusts). Florida residents who changed domicile to avoid the New Jersey estate tax may wish to consider relocating back to New Jersey after the estate tax repeal.

Other notable changes include an increase of the state gasoline tax by 23 cents and a small gradual reduction in the state sales tax, reducing sales tax from 7% to 6.875% beginning January 1, 2017 and 6.625% beginning on January 1, 2018. The New Jersey gross income tax exclusion on retirement and pension income will also undergo a gradual increase. Beginning on January 1, 2017 this exclusion will rise to \$40,000 for a married couple filing jointly, \$30,000 for individuals filing as single taxpayers, and \$20,000 for a married person filing separately. On

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January 1, 2018, these figures will rise to \$60,000, \$45,000, and \$30,000, respectively, on January 1, 2019, to \$80,000, \$60,000, and \$40,000, respectively, and on January 1, 2020, to \$100,000, \$75,000, and \$50,000, respectively.

If you have any questions regarding the effect of this change in the New Jersey estate tax, or would like assistance in preparing or amending your estate plan, please do not hesitate to contact the Trust and Estates attorneys at SPSK.

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