
Tax Alert

New Jersey Legislature Passes Bill to Eliminate Estate Tax



TAX PRACTICE BOARD

Stephen Brecher

646.225.5921

Stephen.Brecher@WeiserMazars.com

Jeffrey Katz

212.375.6816

Jeffrey.Katz@WeiserMazars.com

Howard Landsberg

212.375.6604

516.282.7209

Howard.Landsberg@WeiserMazars.com

James Toto

732.205.2014

James.Toto@WeiserMazars.com

Faye Tannenbaum

212.375.6713

Faye.Tannenbaum@WeiserMazars.com

EDITOR

Richard Bloom

732.475.2146

Richard.Bloom@WeiserMazars.com

The New Jersey Legislature voted this past Friday, October 7, 2016, to repeal the state's estate tax, as part of a deal that included a gasoline tax increase of 23 cents per gallon.

The current \$675,000 estate tax exemption will increase to \$2 million for decedents dying on or after January 1, 2017, and the estate tax will be fully repealed for decedents dying on or after January 1, 2018. The New Jersey inheritance tax has not been repealed.

The gasoline tax increase was the subject of much debate recently and its proceeds will be used to replenish the Transportation Trust Fund.

The bill passed by the state legislature also contained the following provisions:

- 1) The New Jersey sales and use tax rate will decrease from 7% to 6.875% on January 1, 2017 and to 6.625% on January 1, 2018.
- 2) Over a four-year period, the New Jersey pension and retirement income exclusion will increase to \$100,000 for joint filers, \$75,000 for individuals, and \$50,000 for married filing separate taxpayers, with the increases being fully phased in by January 1, 2020.
- 3) The New Jersey earned income credit will increase from 30% to 35% of the federal benefit beginning in the 2016 tax year.

Governor Christie is expected to sign the bill. A future alert analyzing the bill in further detail will then be issued.



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Richard Bloom, CPA, PFS
Partner
732.475.2146
Richard.Bloom@WeiserMazars.com

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