

New Jersey Repeals Estate Tax

As a result of new legislation, New Jersey has eliminated its estate tax as of January 1, 2018. Under the estate tax, New Jersey levies a tax on all assets of a decedent's estate in excess of \$675,000 (except assets passing to spouses and charities), making this tax among the most broadly applicable and onerous state death taxes in the country. Under the new law, this limit will be increased to \$2 million for deaths occurring on or after January 1, 2017, and the tax will be eliminated entirely for deaths occurring on or after January 1, 2018.

This is a significant change in the law for New Jersey residents. First, the elimination of the estate tax will reduce the impetus for some New Jersey residents to move to lower-tax jurisdictions such as Florida in an effort to escape death taxes. Second, New Jersey residents who have engaged in certain trust planning in an effort to minimize the New Jersey estate tax may be able to simplify their estate plans in important ways. New Jersey residents should consider a review of their planning in light of this change.

Significantly, New Jersey will continue to levy its separate inheritance tax on certain estates. The New Jersey inheritance tax applies to tax rates of 11-16 percent (with minimal or no exemptions) to New Jersey assets left to individuals who, generally speaking, are not a decedent's lineal ancestors or descendants, such as bequests to siblings, children-in-law, cousins, and nonrelatives.

Cozen O'Connor's Private Client Services team would be happy to discuss the proposed regulations with you and discuss your personal estate and business planning.



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