

## New Jersey Passes Law Repealing Estate Tax By 2018

10.19.16

### RELATED ATTORNEYS

Naomi Becker Collier

Joseph L. Goldman

### RELATED PRACTICE AREAS

Elder Law & Special Needs Planning

Trusts & Estates

On October 14, 2016 Governor Christie signed into law the much discussed gas tax hike bill, ultimately repealing the New Jersey estate tax in its entirety. Beginning on January 1, 2017, a decedent will not be subject to New Jersey estate tax unless his or her taxable estates are greater than \$2,000,000 (a significant increase from the current \$675,000 New Jersey estate tax exemption). For individuals dying on or after January 1, 2018, the New Jersey estate tax is repealed entirely. A decedent domiciled in New Jersey and dying in 2016, however, will remain subject to New Jersey estate tax if the value of his or her taxable estate exceeds \$675,000.

Despite the imminent repeal of the New Jersey estate tax, New Jersey will continue to impose an inheritance tax on transfers after death. Unlike the estate tax, which is based on the size an estate, this tax is based on the relationship between the decedent and the beneficiary receiving the assets. There is no inheritance tax imposed on Class A beneficiaries (spouse or civil union or domestic partner, lineal ancestors, descendants, and stepchildren) and qualifying charities. The rate of inheritance tax imposed on transfers and exemptions available to other individuals depends on the Class that they fall under. The New Jersey inheritance tax rates range from 11% to 16% (the applicable rate depends on the transfer amount and the class of beneficiary). The inheritance tax excludes the transfer of certain assets, including retirement benefits and life insurance paid directly to a beneficiary or trust. However, the inheritance tax is imposed on transfers for less than fair market value (gifts) that occur within three years of death to beneficiaries who are not Class A or qualified charities.

In light of the elimination of the New Jersey estate tax, you should consider reviewing your estate plan to ensure that it achieves your objectives. The repeal of New Jersey's estate tax does not negate the need for estate planning. There are many issues to consider during the planning process that have nothing to do with New Jersey estate tax

planning. The federal estate tax exemption remains at \$5.45 million, indexed for annual inflation, and inheritance planning might still be relevant, depending on your individual circumstances. A well thought out estate plan will let you decide for yourself what is best for you and for your family, both during your life (in the event of incapacity) and after your death.

If you have any questions about how the phase-out and elimination of the New Jersey estate tax impacts your specific planning, please contact us. We are happy to assist you in achieving your estate planning goals.