

2021 Tax Planning

New Jersey Tax Updates

New Jersey Millionaires Tax and Middle Class Rebate

- The revised New Jersey Fiscal year 2021 (FY2021) budget will raise the state's gross income tax rate on incomes between \$1 million and \$5 million per year.
- The rate will increase from the current 8.97% to 10.75% for every dollar earned between \$1 million and \$5 million annually, bringing it in line with the rate for income earned over \$5 million annually and back to the rate paid in 2010.
- The new income tax – part of \$32.4 billion spending plan that lawmakers are set to approve by the end of the month – will increase the number of people who pay the state's top marginal rate of 10.75% by extending it to those who earn between \$1 million and \$5 million a year.
- Additionally, the Governor and Legislative leaders announced an up to \$500 rebate for families with incomes under \$150,000 per couple – or \$75,000 for a single individual – with at least one dependent child.
- This rebate will automatically be distributed to eligible taxpayers in the summer of 2021, providing relief for middle class families.
- The Governor also announced that the definition of "dependent" in the state tax code will be changed to match the federal tax code.
- The proposals still needs to pass the State Legislature by October 1st, but there's a strong possibility of that happening with Democrats controlling both chambers of the New Jersey state government.
- We will keep you updated if there are any changes to this proposal. If you believe you may be impacted by this new legislation, please contact your financial advisor or tax professional to discuss further.

On September 17th, 2020 Governor Murphy announced the details of the revised Fiscal Year 2021 Budget. As part of the new budget, New Jersey millionaires will see an increase in taxes and the middle class will be receiving a rebate to help in the recovery from the coronavirus crisis and the impact it has had on the New Jersey economy.

