

Understanding The New Jersey Estate Tax

BY RACHEL RINNINSLAND

AS A TRUSTS and estates attorney, I am amazed by the number of clients who come to me who have no knowledge of the estate tax that is imposed by the State of New Jersey. That could be because until January 1, 2002, the New Jersey estate tax was a non-issue. What is the New Jersey estate tax, you ask? It is a tax imposed on any individual's estate that passes to someone other than a spouse that exceeds \$675,000. Theoretically, if the value of your estate is \$675,001, that one dollar in excess of the exemption amount is subject to the New Jersey estate tax.

So what does this mean? If you are a New Jersey resident, either an individual or couple, whose assets exceed \$675,000, estate tax planning should now be a concern. How do you know if your assets exceed \$675,000? Comprise of list of your assets, the list should include the following: real estate, stocks, bonds or mutual

funds, bank accounts, life insurance, 50 percent ownership of joint assets with spouse or 100 percent unless contribution can be proven, IRA's, traditional or Roth, 401k's, 403(b)'s, US Savings Bonds, Certificates of Deposit, annuities, business interests, anything that you have an ownership interest in either individually or jointly. Next subtract out your liabilities, mortgage, home equity, credit card debt. This will determine the value of your gross estate. If that amount exceeds \$675,000, your estate is required to file a New Jersey estate tax return and may be subject to the New Jersey estate tax. The tax liability on a gross estate of one million dollars is \$33,200, for a gross estate of \$2 million estate the tax liability is \$99,600.

The New Jersey estate tax is due on the decedent's date of death but can be extended for an additional six months. If any tax is owed it is best to pay them within the nine-

month period to avoid interest and penalties. Any tax not paid within nine months generally bears interest at the rate of ten percent (10 percent) per annum from the expiration of nine months until the time the tax actually

paid. There is no limit on the amount of the estate tax. So as your wealth increases over time, so does your tax liability. There are several types of estate planning devices that can help to reduce your estate tax liability. These techniques can be as simple as creating a will with a bypass or credit shelter trust to be funded with the New Jersey exemption amount at

the first spouse's death.

At the present time there is no intent to modify and/or revisit the current estate tax laws imposed in New Jersey. Even in the event that changes are made to the federal estate tax law, it is highly unlikely that any comparable legislation will be enacted in New Jersey due to budget deficits and property tax reform. In order to

address concerns regarding the New Jersey estate tax you should sit down with your attorney to review your estate plan as a whole to ensure it addresses any potential estate tax liability.

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