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New Jersey Bill Introduced To Increase The New Jersey Estate Tax Exemption To \$1 Million

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In January, a bill was introduced in the New Jersey Legislature to increase the New Jersey estate tax exemption from \$675,000 to \$1 million. The reasoning advanced by the sponsoring senators to increase the exemption is that the \$675,000 threshold is “archaically” low, and is forcing small businesses and their owners to shut down and leave the state.

The exemption amount sets the threshold amount of assets that can pass New Jersey estate tax free to someone other than a surviving spouse. Under current law, assets in excess of \$675,000 passing to someone other than a surviving spouse will trigger a New Jersey estate tax. A New Jersey taxpayer who owns \$1 million of assets at death and bequeaths them to a child would incur a \$33,200 New Jersey estate tax under current law. Under the proposed bill, this situation would produce no New Jersey estate tax.

The threshold for filing a New Jersey estate tax return also would be increased to \$1 million under the proposed bill.

Note that in 2012, the federal exemption amount is \$5,120,000, but if Congress fails to act in 2012 and change the law, the exemption amount would be reduced to \$1 million (adjusted for inflation).

We will keep you posted on the status of this bill.

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