

New Jersey Estate Taxes - Transcript

Tom Mullooly: In episode 118, we're going to talk a little bit about state estate taxes.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 118. Thanks for tuning in. We want to spend a minute or two today talking about state estate taxes here in New Jersey, but to do that, I need to take you on a little trip back in time.

Let's go back to 2001. Back then ... this is now 17 years ago ... the federal estate tax threshold was \$675,000, which means if you had assets below that amount, you didn't have to worry about estate taxes. So in 2001, the federal estate tax threshold was \$675,000. In 2001, the New Jersey threshold was also \$675,000.

Now, let's bring it forward 15 years and let's take a stop in 2016. The federal estate tax threshold has been raised from \$675,000 to \$5.4 million. The New Jersey threshold still \$675,000. In fact, that was the lowest threshold of any state in the 50 states. So in 2017, New Jersey raised their threshold to two million dollars.

So if you passed away in 2017 and you had less than two million dollars in assets to your name, no state estate taxes.

In 2018, they repealed all of it, so there are no state estate taxes currently. Now, let's go through some numbers. According to an article in Forbes magazine, in the year ended December 31, 2014 ... so a couple years ago ... New Jersey estate taxes brought in \$320 million, and New Jersey inheritance taxes, which we'll get to in a minute, brought in another \$330 million. That's \$650 million from estate taxes and inheritance taxes.

Now the state of New Jersey ... I don't know if you're aware of this ... but they're currently looking under every rock they can turn over for revenue, realize that they're passing up over \$300 million in revenue. This no state estate taxes in New Jersey, this might be a temporary situation. This is why it's really important to review your estate plan at least every couple of years.

State estate taxes, they're gone for the moment. State inheritance taxes in New Jersey ... we're one of the few states that still has an inheritance tax ... that's still in effect. Understand with the inheritance tax, you can leave money to your parents, to your spouse, to your kids, to your grandchildren, great. No estate taxes. Basically direct descendants, no problem.

However, if you leave money to a sibling, like a brother or a sister or essentially any other person, there will be some form of inheritance tax in most cases. If you're leaving money to a sibling, a brother or a sister, understand that the first 25 grand that you leave them, free. There's no inheritance tax when it comes to that. Everything above that, though, starts at 11% tax. It's big. And it goes up to 16%. If you leave money to other people besides that, there's a table that the state has which you'll have to consult, but it basically runs between 15 and 16%. So inheritance taxes haven't gone away.

By the way, any money that's left to religious organizations, to charities, any time you leave it to an organization, there's no inheritance tax due. This is something that we get a lot of questions on. If you've got questions like this, get in touch with us. We'll be happy to help you out and answer your questions.

Thanks for watching episode 118. See you on the next one.