NJBIA

New Jersey's Estate Tax: Myth vs. Fact

Myth	Fact
New Jersey's Estate Tax is only applied on a limited number of assets.	Assets owned by New Jersey residents subject to the Estate Tax include: most financial assets, including closely held businesses, life insurance, stocks and New Jersey real property.
New Jersey's Estate Tax will not impact me, as it is a tax on the wealthy.	New Jersey's Estate Tax impacts individuals and small businesses, except for the spouse. After factoring in the value of a home or business in New Jersey, and savings or retirement income, the $675,000 threshold can be eclipsed quickly. Additionally, over 60% of New Jersey's Estate Tax revenues come from estates valued at less than $5 million.
Individuals can easily pay the Estate Tax, as they will be inheriting large amounts of money.	Since estates can be made up of illiquid assets, including interests in family-owned businesses, it may be necessary to sell these businesses or other assets in order to pay the tax bill. This is an important issue to many family-owned businesses, where future generations would like to continue running the business. There are more than 820K small businesses in New Jersey.
The Estate Tax does not have an impact on where small businesses choose to locate.	Owners of small companies may choose to move their families and their businesses away from New Jersey to avoid paying the Estate Tax. While these small businesses may avoid the Estate Tax, New Jersey misses out on revenue from income taxes, property taxes and other taxes these businesses may pay. Unfortunately, when these businesses move, they take jobs with them.
Is the Estate Tax a "double tax?"	In many instances it is. Individuals pay income taxes, property taxes on their home or business, and many other taxes while they are alive. Once they pass away, their estate is then taxed as well.
New Jersey's Estate Tax policy is competitive within our region and across the country.	New York's current Estate Tax threshold is much higher than New Jersey's and is set to match the federal government by 2019. Pennsylvania levies no Estate Tax. The federal threshold is $5.45M for one individual and $10.9M for a married couple and indexed to inflation. New Jersey is an outlier with the lowest threshold in the nation that is not indexed to inflation.
The Estate Tax does not cause individuals and business owners to leave New Jersey.	According to estate and trust experts, many receive at least 2-3 phone calls a week inquiring about how individuals can avoid New Jersey's Estate Tax by moving out of the state.
Outmigration does not have a large impact on New Jersey's economy.	When a New Jersey resident or business owner leaves the state, New Jersey's economy experiences a loss in government revenue, employment, and consumer spending. NJBIA's Outmigration Report shows that outmigration caused New Jersey to lose $18 billion in net income from 2004-2013. The economic impact of that income included a loss of $8.4 billion in household spending, $11.4 billion in economic output, 75,000 jobs and $4 billion in lost labor income over the same time frame.
The Estate Tax only impacts about 4,000 people.	The Estate Tax impacts thousands more than the unfortunate 4,000 who die here before they could wisely plan their estates to avoid the Estate Tax. Moving out of New Jersey is a real estate planning tool in order to be able to pass on a family business to the children.