

Under the Dome with DeAngelo

*An Update on the New Jersey State Government by Assemblyman Wayne DeAngelo
(Winter (January – February) 2017)*

Come back and join us Under the Dome where this year's winter weather is all over the spectrum and so are the issues being debated in Trenton's State House.

With the advent of the new year, there were several measures that went into effect that directly affect the wallets of New Jerseys. For everyone, the sales tax rate will slightly be lowered to 6.87 percent from 7 percent. Next year, the rate will decrease further to 6.625 percent. While this decrease may not be a dramatic impact on day to day purchases, it will predominantly be seen in larger purchases.

At the same time, there has been an increase in the minimum wage to \$8.44 effective January 1. This slight six cent increase is as a result of a question on the statewide ballot a couple years ago that put in place annual slight increases. There are continued efforts to put in place much more substantial increases in the minimum wage anywhere from \$10 per hour to \$15 per hour. Those legislative efforts are still under debate with concerns being raised about the potential impact to businesses of all size and their ability to absorb this additional labor costs.

In the last year, the Legislature has worked to enact several basic tax cuts in order to help bring our tax burden down for residents. Under a recent law, married couples will be able to exclude more of their retirement income included in their state income taxes. Beginning in 2017 through subsequent phases over the next four years, the amount will increase from \$20,000 to \$100,000 for joint filers; \$50,000 for married individuals filing separately; and \$75,000 for single filers.

This increase helps make New Jersey competitive with other states. There are 36 other states that offer exclusions for state or federal pension income or both or exclusions for retirement income. In New York, individual filers can currently exclude \$20,000 while couples can exclude \$40,000. Pennsylvania does not tax private or public pension income. The Department of Treasury claims that an estimated \$160 million per month of pension payment go out of state. That is the equivalent of 21 percent of the total dollars provided to retirees.

Also created was the Secure Choice Savings Plan that allows individuals to set-up automatic payroll deductions while at work in order to voluntarily begin saving for retirement. Far too many people are forced to stay in the workforce longer than perhaps they should because they are lacking financial stability. This will provide an option for those still in the workforce to take action to start their own nest egg for when the time comes to retire.

Another new law that was an off-shot of the deduction for retirees was a \$3,000 tax credit for veterans. The tax deductions will be provided to honorably discharged veterans of the Armed Forces or National Guard in a federal active Duty Status. This is a small tangible financial benefit for those who gave more to their country than could be remotely counted in dollars and cents.

This year, the estate tax will now only be imposed on estates worth more than \$2 million. Previously, about 3,500 estates in New Jersey valued at more than \$675,000 were subject to the tax. While this value of an estate may seem high, the reality is that once all assets are considered

– home, automobiles, money in a checking or savings accounts, and other valuable – the value of a full estate can quickly add up. For several years, residents have been clamoring for an adjustment to the estate tax so that families are not facing this financial hit when an estate may transfer hands. The current year change to an estate over \$2 million being taxed is a phase-in step in that direction. Then the entire estate tax will be expected to end after January 1, 2018

Finally, the State Legislature acted to bring about additional tax relief for lower-income families. The Earned Income Tax Credit (EITC) will increase from 30 percent of the federal level to 35 percent. This will translate to a benefit of about a \$200 tax credit for 600,000 New Jersey residents. Eligibility will depend upon income levels as in the case of most tax credits. For instance, individuals will earn under \$14,800 annually if single; a married couple with three or more children making under \$53,00 qualify.

Is it estimated that 20 percent of those who have previously been eligible for this program have not claimed the credit because they are unaware of it. However, these are among the New Jerseyans who need it the most with approximately three quarters of the recipients earning under \$20,000. So be sure to speak with the individual who may help prepare your tax returns or look into these programs to be sure that you are receiving all the financial breaks that you deserve.

I hope that the start of 2017 has been a good one for everyone and I will see you back here Under the Dome next month.

Editor's Note: Assemblyman Wayne DeAngelo (D-Hamilton) represents the 14th Legislative District which includes parts of Mercer and Middlesex counties. He can be reached at AsmDeAngelo@njleg.org; phone (609) 631-7501; www.WayneDeAngelo.com; Facebook: Assemblyman Wayne DeAngelo; or Twitter: @DeAngeloLD14.