

Office of the Governor

NEWS RELEASE

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Governor Helps Retirement Nest Eggs Grow, Signs Bill to Provide State Tax Breaks for Savings in Roth IRAs

Gov. Christie Whitman today praised the virtues of saving when she signed legislation to provide additional tax breaks for those who take advantage of the federal Roth IRA program. The bill eliminates state tax on interest earned in Roth IRAs.

With the signing of the bill today, New Jersey will now treat Roth IRA accounts the same way the federal government does, taxing only on the front end. There will be no state income tax on interest earned.

"We in the state of New Jersey want to encourage savings. It's the smart thing to do for yourself, your family, and our economy," said the Governor. "The Roth IRA that was created by the federal government last year is a great idea. And today, we are making it even better for the people of New Jersey."

"With the Roth IRA, New Jerseyans can now put their money away for a rainy day and know that the money will be there, free and clear, for retirement or a first home purchase," said Gov. Whitman. "I have long been committed to ensuring that hard-earned taxpayer dollars remain where they belong - in the hands of the taxpayers. This bill will allow New Jerseyans to keep more of that hard-earned money and save up a bigger nest egg for their golden years."

The legislation, S-840, was sponsored by Senators Leonard Connors (R-Atlantic/Burlington/Ocean) and Bernard Kenny (D-Hudson) and Assembly Members Joan Quigley (D-Bergen/Hudson) and John Kelly (R-Bergen/Essex/Passaic).

Last year Congress passed the Taxpayer Relief Act of 1997, which included the creation of a special type of individual retirement account known as the Roth IRA. Contributions to Roth IRAs are made with after-tax dollars. There is no federal tax imposed on the interest earned on the Roth IRA.