

Office of the Governor

PO BOX 004
TRENTON, NJ 08625

NEWS RELEASE

CONTACT: Jayne O'Connor
Julie Plocinik
609-777-2600

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Governor Updates New Jersey Tax Law on Capital Gains, Provides Greater Tax Relief

Gov. Christie Whitman today signed legislation that will provide tax relief to New Jerseyans.

The Governor signed A-1296, sponsored by Assembly Members Michael Carroll (R-Morris) and Scott Garrett (R-Sussex/Hunterdon/Morris) and Senators Bernard Kenny (D-Hudson) and John Adler (D-Camden), which conforms state law to recent federal changes to laws governing treatment of capital gains. The legislation updates New Jersey's treatment of capital gains derived from the sale of a principal residence for the purpose of calculating of income tax liability.

The legislation will provide tax relief by increasing the allowable gross income tax exclusion and enabling additional eligible taxpayers to sell their homes without reporting gains of up to \$500,000. The bill increases the allowable gross income tax exclusion to \$250,000 for single filers and \$500,000 for joint filers. Additionally, the bill broadens the exclusion by making it available to all filers regardless of age, as long as the filer has lived in the residence for two out of the five years prior to the sale. Previous law allowed taxpayers to "roll forward" their capital gains and defer reporting of income, allowing for investment. Previous law had only allowed persons over the age of 55 to exclude \$125,000 in capital gains from reportable income.

The bill is based upon an identical federal law enacted last year. Sales of homes occurring after May 5, 1997 will be eligible for the tax relief provided for in this bill. Individuals who are filing income tax returns for the April 15 deadline will be able to take advantage of this change in the law. Individuals who have already filed their tax returns and wish to take advantage of this change in the law can file an amended tax return.

Taxpayers with questions about the new law can call 609-588- 2200.