



Fein, Such, Kahn & Shepard, P.C.

C O U N S E L L O R S A T L A W

What does the New Tax Law mean for New Jersey?

December 20, 2010 by Deirdre Wheatley-Liss



I wouldn't have taken bets on it, but Washington has hammered out **how our federal tax laws are going to look for the next 2 years**. On the plus side, we know what taxes are going to look like in January 2011, which is a far better place to be than Monday of last week. On the downside, this does not represent thoughtful tax reform – instead, it is knee-jerk politicking with the intent to dump the tax issues in the voters' laps at the next election so no politician is "responsible" for having taxes go up.

The cost of this package? \$858,000,000,000.00 added to the federal deficit- yeah, that's a big number. Oh, and "added to the federal deficit" really just means that we spent \$858,000,000,000.00 that we don't have. What I'd like to see happen in the new year – an actual bi-partisan examination of how tax policy affects the economy, and a roadmap to create a balance between the amount that we are spending, and the amount of revenue being generated.

To get back to the new law, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("TRA") extends many tax cuts that were going to expire on December 31, 2010, as well as throws in some new tax laws. Some highlights:

- The maximum **federal income tax rate** will remain at 35%. New Jersey income taxes are an additional maximum 8.97%
- **Married couples** will continue to benefit from the 200% standard deduction
- High income taxpayers **will not be subject to phase-out** of itemized deductions and personal exemptions for high-income taxpayers
- Most key - "**Patch**" of **alternative minimum tax** exemption to keep rate with inflation (this is a law they should really make permanent)
- **Capital gains and dividends** will continue to be taxed at 15%. New Jersey income taxes are an additional maximum 8.97%
- **The federal estate tax** returns with a portable exemption of \$5 million per person and a maximum tax rate of 35% (more to follow). New Jersey's exemption rate continues to be \$675,000 per person and is not portable.
- The greatest opportunity is created in the increase of the **gift tax** exemption and generation skipping tax exemption to \$5 million per person at a 35% maximum rate. New Jersey does not have a gift tax.



Fein, Such, Kahn & Shepard, P.C.

C O U N S E L L O R S A T L A W

- Extension of **unemployment benefits** for 13 months
- Employees will benefit from a **2% reduction in Social Security withholding**
- Business owners **can depreciate 100% of new business assets** placed in service before January 1, 2012

My thanks to Sobel & Co for their excellent TRA summary, which I used as a resource.

This Article does not constitute legal advice nor create an attorney-client relationship.

© Fein, Such, Kahn & Shepard, P.C., all rights reserved. Permission is granted to reproduce and redistribute this article so long as (i) the entire article, including all headings and the copyright notice are included in the reproduction, and (ii) no fee or other charge is imposed.