## [ Alerts and Updates ]

## New Jersey Taxes on the Rise

## July 28, 2009

New Jersey recently enacted legislation which increases individual tax rates, taxes lottery winnings and limits the property tax deduction. The new law increases the individual income tax rates for taxpayers with gross income exceeding $\$ 400,000$ for the entire 2009 tax year. In response to the rate increase, the N.J. Division of Taxation has issued revised withholding tables, which take effect immediately and must be instituted by all employers no later than October 1, 2009. On January 1, 2010, the withholding rates will revert back to the prior rates.

Through December 2009, employers must withhold at a rate of 12 percent from salaries, wages and other remuneration paid in excess of $\$ 400,000$. The N.J. Division of Taxation has issued two sets of revised withholding tables: one for the period of October 1 , 2009 through December 31, 2009, and the second for January 1, 2010, and forward. The 2009 tax rates increase as follows:

- From 6.37 percent to 8 percent on gross income greater than $\$ 400,000$ but equal to or less than $\$ 500,000$
- From 8.97 percent to 10.25 percent on gross income greater than $\$ 500,000$ but equal to or less than $\$ 1,000,000$
- From 8.97 percent to 10.75 percent on gross income greater than $\$ 1,000,000$

Penalties and interest will not be imposed on the underpayment of estimated tax or withholding due to the tax increase on wages received prior to October 1, 2009.

In addition to the tax rate increase, beginning in 2009, New Jersey will now tax lottery winnings that were previously exempt from New Jersey income tax. New Jersey gross income tax withholding of 3 percent is required on lottery winnings in excess of $\$ 10,000$.

Finally, the property tax deduction of up to $\$ 10,000$ is eliminated beginning in 2009 for taxpayers with gross income in excess of $\$ 250,000$ and who are not over 65 years of age or eligible for deductions based on blindness or disability. The deduction is capped at $\$ 5,000$ for taxpayers with gross income of at least $\$ 150,000$ but less than $\$ 250,000$.

## For Further Information

If you have any questions regarding this Alert, or for further information, please contact Michael A. Gillen, director of the Tax Accounting Group, or Steven M. Packer, manager in the Tax Accounting Group, or the practitioner with whom you are regularly in contact.

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