

TAX TALK
BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION

2009 CHANGES APPLICABLE TO NEW JERSEY TAXES

It is now that time of year where we must all file our income tax returns. I think by now most people are aware of the various major changes in the federal tax laws (making work pay tax credit, new car sales tax deduction and first-time homebuyer credit), but few are familiar with the 2009 tax law changes made by New Jersey. This article will highlight the most significant changes for individuals in 2009.

Tax Rate Increases

These increases only affect taxpayers with taxable income over \$400,000. In 2009 taxable income from \$400,000 to \$500,000 is taxed at 8%. This is up from 6.37% in 2008. Taxable income between \$500,000 and \$1,000,000 is taxed at 10.25%. This is up from 8.97% in 2008 (which was the maximum rate). Lastly taxable income in excess of \$1,000,000 is taxed at 10.75%. This is as stated earlier up from the 8.97% maximum rate in 2008. These rates are supposed to be in place for one-year only and are scheduled to revert to their respective 2008 percentages in 2010.

Property Tax Deduction

Taxpayers under 65 years of age whose New Jersey gross income is more than \$250,000 are not eligible for the property tax deduction. Taxpayers under 65 whose New Jersey gross income is between \$150,000 and \$250,000 are allowed a maximum property tax deduction of \$5,000. Taxpayers who are at least 65 years old or are blind or disabled continue to be eligible for the property tax deduction regardless of their gross income.

New Jersey Lottery Winnings

Beginning in 2009, New Jersey Lottery winnings in excess of \$10,000 are now taxable in New Jersey. Lottery losses can be offset by any other gambling losses and losses on the New Jersey lottery may be used to offset other gambling winnings.

Property Tax Reimbursement (Senior Freeze)

Taxpayers who meet the following requirements are eligible for the senior freeze:

- You must be at least 65 years old or receiving Social Security disability benefits.
- You must have lived in New Jersey for at least the last 10 years.
- You must have owned and lived in your home for at least 3 years.

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- You must have paid your property taxes.
- You must meet certain income limitations.

The income limitations are New Jersey gross income of \$80,000 or less in 2009 and \$70,000 or less in 2008. New Jersey gross income for the senior freeze includes many items, such as social security and unemployment benefits that are not included in your New Jersey income tax return.

Conclusion

This article highlights some changes applicable to tax returns filed for 2009. I would encourage taxpayers to contact a tax professional that has knowledge of additional changes in the law.