

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1927
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MARCH 5, 2025

SUMMARY

Synopsis: Extends veteran’s gross income tax exemption to spouses of deceased veterans.

Type of Impact: Annual State revenue loss to the Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Fiscal Year 2027</u>	<u>Fiscal Year 2028</u>	<u>Fiscal Year 2029</u>
State Revenue Loss	\$140,000 to \$700,000	\$300,000 to \$1.5 million	\$460,000 to \$2.2 million

- The Office of Legislative Services (OLS) estimates that the bill will result in a loss of State gross income tax revenues of approximately \$140,000 to \$700,000 in FY 2027. This estimate assumes that the bill will be enacted in calendar year 2025.
- The bill may allow 3,400 to 3,600 surviving spouses of deceased veterans to retain eligibility for the veterans’ gross income tax exemption in FY 2027. The State revenue loss is expected to increase over time as additional surviving spouses become eligible to claim the veterans’ gross income exemption.

BILL DESCRIPTION

The bill extends eligibility for the veterans’ gross income tax exemption to the surviving spouses of deceased veterans.

Under current law, veterans are allowed a \$6,000 exemption, which may be taken as a deduction from their income, for purposes of determining the total amount of income subject to State taxation. If a veteran dies during a taxable year, the spouse of the veteran is allowed the exemption for that taxable year if filing a joint return. However, the spouse is not allowed an exemption in subsequent years. The bill allows the spouse of the deceased veteran to continue to claim the exemption until the spouse remarries.

FISCAL ANALYSIS***EXECUTIVE BRANCH***

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will result in a loss of State gross income tax revenues of approximately \$140,000 to \$700,000 in FY 2027. The projected State revenue loss is anticipated to increase to approximately \$460,000 to \$2.2 million in FY 2029 as more surviving spouses of deceased veterans become eligible to claim the veterans' gross income tax exemption.

Assuming the bill is enacted in calendar year 2025, there will be no revenue loss prior to FY 2027 because the bill expands eligibility for the veterans' gross income tax exemption beginning on or after the January 1 next following the date of enactment. If the bill is enacted in calendar year 2025, the deduction will first be available to surviving spouses in calendar year 2026. Calendar year 2026 tax returns, in turn, will be due in April of 2027, or in FY 2027.

Using information available through the New Jersey Department of the Treasury and the United States Department of Veterans Affairs, the OLS that the bill would allow 3,400 to 3,600 surviving spouses to claim the veterans' gross income tax exemption in FY 2027. These taxpayers would be eligible to deduct \$10.1 million to \$10.9 million from their gross income. Given that most New Jersey taxpayers are subject to State marginal tax rates between 1.4 percent and 6.37 percent, the reduction in total State revenue is expected to range from \$140,000 to \$700,000 in FY 2027. The OLS anticipates that the State revenue loss will increase in fiscal years 2028 and 2029 as additional surviving spouses become eligible to claim the exemption.

Individual taxpayers will see widely varying benefits from the gross income exemption under the bill. Current law allows eligible veterans to exclude \$6,000 from their income for gross income tax purposes. At that amount, taxpayer savings will range from \$84 for a single filer making \$0 to \$20,000 (at the 1.4 percent marginal rate) and \$382.20 for a single filer making between \$75,000 and \$500,000 (at the 6.37 percent marginal rate).

Section: Revenue, Finance and Appropriations

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).