

NJ Income Tax – Income Exclusions

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There are several retirement income exclusions you may qualify to use that will reduce your taxable income.

Pension Exclusion


The exclusion amounts are being increased over a four-year period, beginning with Tax Year 2017, as shown below:

Retirement Income Exclusions for Tax Year 2017 and After			
Tax Year	Filing Status		
	Married/CU Couple, Filing Joint Return	Married, CU Partner, Filing Separate Return	Single, or Head of Household, or Qualifying Widow(er)/ Surviving CU Partner
2017	\$ 40,000	\$ 20,000	\$ 30,000
2018	60,000	30,000	45,000
2019	80,000	40,000	60,000
2020 and after	100,000	50,000	75,000

You qualify for the pension exclusion if:

- You (and/or your spouse/civil union partner, if filing jointly) were 62 or older or disabled as defined by Social Security guidelines on the last day of the tax year (December 31 for calendar year filers); **and**
- Your total income for the entire year was \$100,000 or less.

If you qualify, you can claim the lesser of your actual taxable pension income **or** the maximum pension exclusion amount for your filing status (see chart above).

Note: When you and your spouse/civil union partner file a joint return and only one of you is 62 or  older or disabled, you can still claim the maximum pension exclusion. However, you can exclude only

the pension, annuity, or IRA withdrawal of the qualified spouse/civil union partner.

Other Retirement Income Exclusion

You may be able to exclude other types of income (wages, interest, dividends, etc.) from your total income. There are two parts to these exclusions, and each part has different eligibility requirements.

Part I: Unclaimed Pension Exclusion. If you did not use the maximum pension exclusion amount for your filing status, you qualify to use the unclaimed portion if:


- You (and/or your spouse/civil union partner, if filing jointly) were 62 or older on the last day of the tax year; **and**
- Your total income for the entire year was \$100,000 or less; **and**
- Your income from wages, net profits from business, distributive share of partnership income, and net pro rata share of S corporation income totals \$3,000 or less.

Note: When you and your spouse/civil union partner file a joint return and only one of you is 62 or older or disabled, you can exclude only the income of the qualified spouse/civil union partner.

Part II: Special Exclusion. This exclusion is for taxpayers who cannot receive Social Security or Railroad Retirement benefits. Since most taxpayers qualify for those benefits, few taxpayers are eligible to use the special exclusion. If you qualify, you can claim this benefit even if you used your maximum pension exclusion. You qualify if:

- You (and/or your spouse/civil union partner, if filing jointly) were 62 or older on the last day of the tax year; and
- You (and your spouse/civil union partner, if filing jointly) cannot receive Social Security or Railroad Retirement benefits, but you would have been eligible for benefits if you had fully participated in either program.

More Information


See Tax Topic Bulletin GIT-1 (<http://www.state.nj.us/treasury/taxation/pdf/pubs/tgi-ee/git1.pdf>)  784 kb, Pensions and Annuities, for more information.

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