IMPORTANT REMINDERS

If the decedent died TESTATE you must supply a legible copy of the WILL, CODICILS and any SEPARATE WRITING.

A copy of the decedent's last full year's FEDERAL INCOME TAX RETURN is required.

All returns, forms and correspondence must contain the required SOCIAL SECURITY NUMBERS.

PAYMENTS ON ACCOUNT should be made to avoid the accrual of interest.

All CHECKS should be made payable to NJ INHERITANCE AND ESTATE TAX and sent to the New Jersey Division of Taxation, Inheritance and Estate Tax, PO Box 249, Trenton, New Jersey 08695-0249.

GENERAL INFORMATION

Inheritance and Estate Tax

Individual Tax Audit Branch
Inheritance and Estate Tax
New Jersey Division of Taxation
PO Box 249
Trenton, New Jersey 08695-0249
(609) 292-5033
www.state.nj.us/treasury/taxation/

INTRODUCTION

New Jersey has had an inheritance tax since 1892 when a 5% tax was imposed on property transferred from a deceased person ("decedent") to a beneficiary. Currently, the law imposes a graduated inheritance tax ranging from 11% to 16% on the transfer of real and personal property with an aggregate value of $500 or more to certain beneficiaries. New Jersey first enacted an Estate Tax in 1934. Its purpose was to fully absorb the credit for state estate, inheritance, succession or legacy taxes allowable in the Federal estate tax proceeding.

AMENDMENTS TO AN ORIGINAL RETURN

In the case of both resident and non-resident estates, any assets or liabilities not disclosed in the original return should be reported in the form of a supplemental affidavit executed by the duly authorized representative of the estate, next of kin, or beneficiary. Data submitted should consist of a thorough but concise description of the items being reported, including the fair market value of each on the decedent's date of death. The supplemental affidavit along with supporting documentation should be forwarded to the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton.

FORMS, INSTRUCTIONS

Necessary forms and instructions concerning the procedure to be followed in completing an inheritance tax or estate tax return may be obtained at or from the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton or downloaded from the Division's web page at www.state.nj.us/treasury/taxation/.

WHEN INHERITANCE TAX RETURNS ARE DUE

An inheritance tax return must be filed and the tax paid on the transfer of real or personal property within eight months after the death of either:

A resident decedent for the transfer of real or tangible personal property located in New Jersey or intangible personal property; wherever situated or

A nonresident decedent for the transfer of real or tangible personal property located in New Jersey. No tax is imposed on nonresident decedents for intangible personal property.

A return must be filed whenever any tax is due or when benefits are passing to other than Class "A" beneficiaries. The tax is a lien on all property for 15 years, unless paid sooner or secured by acceptable bond. Interest on unpaid tax will accrue at the rate of 10% per annum beginning 8 months after a decedent's date of death.

The return should be filed directly with the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton.

BENEFICIARY CLASSES and TAX RATES

There are five inheritance tax beneficiary classes ranging from "A" to "E", as follows:

Class "A" - Father, mother, grandparents, wife, husband, civil union partner after 2/19/07, child or children of a decedent, adopted child or children of a decedent, issue of a child or legally adopted child of a decedent, mutually acknowledged child, stepchild (includes a grandchild and great-grandchild but not a stepgrandchild or a great-stepgrandchild), and domestic partner after 7/10/04.

Class "B" - Deleted by amendment 7/1/63.

Class "C" - Brother or sister of a decedent, wife or civil union partner after 2/19/07 or widow or surviving civil union partner of a son of a decedent, or husband or civil union partner after 2/19/07 or widower or surviving civil union partner after 2/19/07 of a daughter of a decedent.

Class "D" - Every other transferee, distributee or beneficiary not otherwise classified.

Class "E" - Transfers to the State of New Jersey or any of its political subdivisions for public or charitable purposes, an educational institution, church, hospital, orphan asylum, public library, and certain other nonprofit agencies, etc.

EXEMPTIONS

In addition to the exemptions listed under "Beneficiary Classes and Tax Rates", no inheritance tax is imposed on:

Transfers to a beneficiary having an aggregate value of less than $500.

Life insurance proceeds paid to a named beneficiary.

Charitable transfers for the use of any educational institution, church, hospital, orphan asylum, public library, etc.

Transfers for public purposes made to New Jersey or any political subdivision of the State.
ESTATE TAX
In addition to the inheritance tax, the State of New Jersey imposes an estate tax on the estate of certain resident decedents. The estate tax is a tax equal to the credit available for inheritance, estate, succession or legacy taxes paid in the territory of the United States or the District of Columbia under federal estate tax law less than the portion of the credit which is attributable to property located outside New Jersey and less any New Jersey inheritance tax.

Even estates that are partially or fully exempt from inheritance tax may be subject to the New Jersey Estate Tax.

For decedents dying on or before 12/31/01 the credit allowable is calculated in accordance with the provisions of the Internal Revenue Code in effect on the decedent's date of death.

For decedents dying after 12/31/01, the credit allowable is calculated in accordance with the provisions of the Internal Revenue Code in effect on 12/31/01.

For decedents dying after 12/31/01, a 2001 Federal Form 706 must be completed in accordance with the provisions of the Internal Revenue Code in effect on 12/31/01.

For decedents dying after 12/31/01, a 2001 Federal Form 706 must be completed in accordance with the provisions of the Internal Revenue Code in effect on 12/31/01.

The completed Form L-8 is filed with the financial institution or transfer agent which will then be authorized to release the subject asset, if warranted, without the necessity of receiving a waiver from the Division. DO NOT file this form with the Division.

B. REAL PROPERTY

1. Unpaid inheritance and estate taxes constitute a lien on real property and tax waivers are required to transfer the realty. However, real property held by husband and wife or civil union partners as “tenants by the entirety” in the estate of the spouse or civil union partner first dying need not be reported and may be transferred without a waiver.

2. A REQUEST FOR A REAL PROPERTY TAX WAIVER, Forms L-8 (Resident Decedent) and L-9 NR (Non-Resident Decedent) have been created for use by Class “A” beneficiaries. These forms are to be used only when the real estate is not taxable for inheritance tax purposes and passes to Class “A” beneficiaries and the only reason to file a return is to obtain a tax waiver for real property.

Use of these forms may eliminate the need to file a formal tax return(s).

Form L-8 may not be used when, for resident decedents dying after 12/31/01, the gross estate plus adjusted taxable gifts exceeds $675,000.00 for Federal estate tax purposes under the provisions of the Internal Revenue Code in effect on 12/31/01 or there is any NJ Estate Tax payable.

These forms are to be filed with the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton. If the form is in order, the necessary waiver(s) will be promptly issued.

NEITHER THE L-8 OR L-9 MAY BE USED WHEN IT IS CLAIMED THAT A RELATIONSHIP OF MUTUALLY-ACKNOWLEDGED CHILD EXISTED.

SAFE DEPOSIT BOXES
Safe deposit boxes are no longer inventoried by the New Jersey Division of Taxation. The Division has issued a blanket release in the form of a letter from the Director, Division of Taxation to all banking institutions, safe deposit companies, trust companies, and other institutions which serve as custodians of safe deposit boxes. The contents of the boxes may be released without inspection by the Division.