

## June 26, 2023 – Wealth Planning Commentary

### State incentives to keep retirees from fleeing

Residents with high property taxes are adversely impacted by the state and local tax (SALT) deduction cap of \$10,000. The cap was part of the Tax Cutting Jobs Act (TCJA) that was enacted in 2017. Prior to TCJA, individuals could reduce their taxable income by deducting either sales tax or combined property, state, and local taxes without limitation. The SALT cap is disproportionately impacting homeowners in states with high property taxes by limiting the benefit residents can receive from the deduction. Senior citizens are experiencing increased property assessments and taxes, forcing some homeowners to forfeit their homes and migrate to lower tax states.

While the cap on SALT is expected to expire at the end of 2025, some states are offering additional incentives to property owners to effectuate long term change. Phil Murphy, the Governor of New Jersey, announced last week that the state will offer property tax reprieve for senior citizens starting in 2026. NJ state has the highest property tax in the US. Other high tax states include Illinois, New Hampshire, Connecticut, and Vermont. It's possible that these states may follow NJ and introduce their own versions of property tax deduction plans.

Starting 2026, NJ homeowners that are age 65 and over and make less than \$500k a year may receive up to a 50% property tax reduction for a maximum of \$6,500. The purpose of the new legislation is to lessen the burden on retired seniors who may feel pressured to relocate to more tax-friendly states and aims to incentivize retired seniors to stay in NJ. Today the state offers tax relief to qualified seniors who make less than \$150k annually. Under the Anchor and Senior Freeze tax programs, \$1,500 is available to offset property tax.

New Jersey is not the only state trying to woo retirees. Florida offers homestead exemptions of up to \$50k on the main residence to individuals 65 and older and does not tax withdrawals from retirement accounts. States like Alabama, Nevada, Wyoming, and South Dakota also do not tax retirement account withdrawals. Seniors in Mississippi are exempt from property taxes for up to \$7,500 of the assessed value. Kentucky and Georgia offer extra income tax breaks and deductions for seniors.

The purpose of senior tax relief is to help individuals afford to age where they've long called home. With the new legislation and the expiration of SALT cap on the horizon, retired residents in New Jersey may now have a reason to stay put and not flee to a more tax friendly state.

#### Disclosures

Investment advisory services offered through Robertson Stephens Wealth Management, LLC ("Robertson Stephens"), an SEC-registered investment advisor. Registration does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. This material is for general informational purposes only and should not be construed as investment, tax or legal advice. Please consult with your Advisor prior to making any investment decisions. This material is an investment advisory publication intended for investment advisory clients and prospective clients only. Robertson Stephens only transacts business in states in which it is properly registered or is excluded or exempted from registration. A copy of Robertson Stephens' current written disclosure brochure filed with the SEC which discusses, among other things, Robertson Stephens' business practices, services and fees, is available through the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). © 2023 Robertson Stephens Wealth Management, LLC. All rights reserved. Robertson Stephens is a registered trademark of Robertson Stephens Wealth Management, LLC in the United States and elsewhere.