



New Jersey governor considers end to income tax reciprocity with Pennsylvania

On June 20, 2016, New Jersey Governor Chris Christie issued [Executive Order 209](#) that includes a provision instructing the state's Treasurer and Attorney General to determine the specific steps necessary to withdraw from the [Reciprocal Personal Income Tax Agreement](#) between the state and the Commonwealth of Pennsylvania and to prepare an estimate of the effects of such move on New Jersey's tax revenue collections.

Currently, Pennsylvania residents working in New Jersey may claim exemption from New Jersey nonresident income tax withholding by giving their employers [Form NJ-65](#), *Employee's Certificate of Non-Residence in New Jersey*.

When the reciprocal agreement was first enacted 39 years ago, New Jersey and Pennsylvania personal income tax rates were substantially the same; New Jersey at 2.5% compared to Pennsylvania's at 2.0%. Today, the gap in the income tax rates is far more substantial, New Jersey now having a tax rate of 8.97% compared to Pennsylvania's 3.07%. Some estimate that the loss in New Jersey nonresident income tax revenues from Pennsylvania residents working in the state is as high as \$180 million. ([NJSpotlight](#), July 18, 2016.)

Under New Jersey's constitution, the governor can withdraw from the reciprocal agreement through the issuance of an executive order; it does not require approval of the state's legislature.

In the meantime, Pennsylvanians working in New Jersey are concerned about termination of the agreement and are circulating a petition that might discourage Governor Christie from taking this step.

Pennsylvania State Representative Steve Santarsiero, who is an advocate of the petition stated, "Pennsylvanians working across the Delaware River who make \$35,000 or more per year would be subject to New Jersey's higher tiered rates, and if your taxable income from working in the Garden State is \$40,000 or more, you would pay more than 5.5% in income tax, a 55% hike. For those making considerably more, your tax liability could spike to nearly 200% - and all of that money would go to New Jersey instead of benefitting our community here at home. "

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