

Fast Facts: New Jersey's Average Home Values Are Well Below Estate Tax Threshold

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The claim that New Jersey's estate tax affects anything close to most middle-class households isn't borne out by the facts.

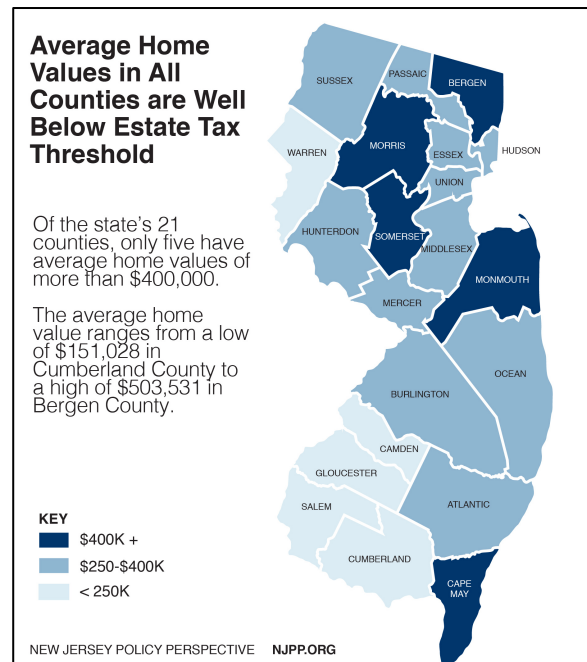
This is becoming an important issue in the discussion over a much-needed increase in the state's gasoline tax, crucial to maintaining and improving New Jersey's transportation networks. Some policymakers are making a gas tax increase conditional on a reduction in or elimination of New Jersey's estate tax. Such a move would only benefit the wealthiest New Jerseyans while further harming the state's ability to pay for essential public services.

Just 4 percent of estates – those of New Jersey's wealthiest households – include enough wealth to owe any estate tax.¹ Yet opponents of the tax keep overstating its impact. Gov. Christie, for example, charged that it “affects most middle-class families in New Jersey who own their own home.”²

Leaders of both parties have accepted this assertion as truth, and they argue that New Jersey's expensive housing market can easily put many non-wealthy families over the \$675,000 estate tax threshold. But this assertion – based on anecdotes – stands on shaky ground.

The average home value in New Jersey is \$355,685, about half of what it takes to get touched by the estate tax.³ No county has an average home value of over \$505,000, with values ranging from \$151,028 in Cumberland to \$503,531 in Bergen. Few municipalities have average home values that reach the \$675,000 estate tax threshold alone.

Less than 10 percent of New Jersey's municipalities, which include just 4 percent of the state's population, have homes with an average value starting at \$675,000 and reaching over \$3 million.⁴ More than a third (38 percent)



of these 52 communities have populations of less than 2,000 (Camden County's Tavistock – where most of the land is a golf course – takes the cake with a population of five). Another third (31 percent) have a population between 2,000 and 7,000. In addition to wealthy enclaves in Bergen, Essex, Monmouth, Morris and Somerset counties, which make up the bulk of the 52 towns, elite vacation towns along the Jersey Shore – like Stone Harbor, with an average home value of \$1.4 million – are overwhelmingly represented, suggesting that these homes are likely investment properties or second homes.

Even when adding in retirement savings, it's clear that most New Jersey families will never have to pay the estate tax for two important reasons. First, more than half of New Jersey families (53 percent) don't work for a company that provides a retirement plan.⁵ That's on par with the national average (51 percent).⁶ And most American workers without a retirement plan typically have very little savings to speak of.⁷ For those New Jersey workers with a defined contribution or employer-sponsored retirement account like a 401k, the average balance ranges between \$30,000 and \$80,000 – a fraction of what is needed to hit the estate tax threshold.⁸

The estate tax, in combination with the state inheritance tax, brings in over \$600 million a year that New Jersey uses to invest in higher education, clean water and safe communities. Most of this revenue comes from families with accumulated wealth that the vast majority of New Jerseyans can only dream of obtaining. To insinuate that the estate tax is a burden on middle-class families is perpetuating a myth that the average New Jersey household is squirreling away hundreds of thousands of dollars. It's a fictional storyline that deflects attention away from another tax break for the wealthiest residents of the state.

Appendix

Average Home Values in Very Few New Jersey Towns Reach Estate Tax Threshold
Just 4 Percent of New Jerseyans Live in These 52 Municipalities

County	Municipality	Average Home Value	Population	County	Municipality	Average Home Value	Population
Atlantic	Longport	\$1,203,596	895	Monmouth	Sea Girt	\$1,560,612	1,828
Bergen	Upper Saddle River	\$967,953	8,208	Monmouth	Deal	\$2,615,507	750
Bergen	Tenafly	\$842,779	14,488	Monmouth	Colts Neck	\$836,520	10,142
Bergen	Woodcliff Lake	\$766,890	5,730	Monmouth	Fair Haven	\$705,991	6,121
Bergen	Old Tappan	\$836,189	5,750	Monmouth	Allenhurst	\$1,859,386	496
Bergen	Haworth	\$749,666	3,382	Monmouth	Loch Arbour	\$1,204,742	194
Bergen	Ho-Ho-Kus	\$820,774	4,078	Morris	Mendham Twp	\$929,090	5,869
Bergen	Wyckoff	\$734,804	16,696	Morris	Mountain Lakes	\$865,036	4,160
Bergen	Demarest	\$808,412	4,881	Morris	Madison	\$705,116	15,845
Bergen	Rockleigh	\$1,827,668	531	Morris	Harding	\$1,419,655	3,838
Bergen	Saddle River	\$1,849,667	3,152	Morris	Mendham	\$719,919	4,981
Bergen	Franklin Lakes	\$1,101,452	10,590	Morris	Chatham	\$733,489	8,962
Bergen	Englewood Cliffs	\$1,179,413	5,281	Morris	Chester Twp	\$696,315	7,838
Bergen	Cresskill	\$702,971	8,573	Morris	Chatham Twp	\$805,118	10,452
Bergen	Alpine	\$3,269,100	1,849	Ocean	Surf City	\$734,533	1,205
Bergen	Ridgewood	\$742,928	24,958	Ocean	Beach Haven	\$794,805	1,170
Camden	Tavistock	\$1,523,880	5	Ocean	Bay Head	\$1,550,291	968
Cape May	Avalon	\$1,382,489	1,334	Ocean	Lavallette	\$790,431	1,875
Cape May	Cape May Point	\$763,327	291	Ocean	Long Beach	\$998,153	3,051
Cape May	Stone Harbor	\$1,369,881	866	Ocean	Harvey Cedars	\$1,026,813	337
Essex	Essex Fells	\$934,588	2,113	Ocean	Mantoloking	\$2,666,491	296
Essex	North Caldwell	\$730,015	6,183	Ocean	BarNEGAT Light	\$822,442	574
Essex	Millburn	\$1,152,226	20,149	Somerset	Warren	\$676,673	15,311
Mercer	Princeton	\$840,402	28,572	Somerset	Far Hills	\$937,714	919
Monmouth	Rumson	\$1,305,157	7,122	Union	Summit	\$885,666	21,457
Monmouth	Avon By The Sea	\$923,435	1,901	Union	Westfield	\$703,419	30,316
Monmouth	Spring Lake	\$1,650,295	2,993				

Endnotes

¹ New Jersey Policy Perspective, *Levied on Very Few, New Jersey's Estate and Inheritance Taxes Support Colleges, Health Care & Other Services*, September 2015.

<http://www.njpp.org/reports/levied-on-very-few-new-jerseys-estate-and-inheritance-taxes-support-colleges-health-care-other-services>

² The Star-Ledger, *Will N.J. Trade a Higher Gas Tax for a Lower Death Tax?*, February 2015.

http://www.nj.com/politics/index.ssf/2015/02/should_nj_trade_a_higher_gas_tax_for_a_lower_death.htm

³ Home value estimate is based on 5-year average between 2010-2014. Data from Rutgers Center for Government Services, New Jersey Data Book. Calculated from 2013 sales data gathered in the sales ratio study of the Local Property and Public Utility Branch of the Division of Taxation in the New Jersey Department of the Treasury by dividing the total assessed value of residential property by the assessed/true value ratio and by the number of residential properties. <http://njdatabook.rutgers.edu/center-government-services-new-jersey-data-book>

⁴ For this report, we counted the consolidated Princeton as one municipality, and used the average home values from pre-consolidated Princeton Borough and Princeton Township (2010-2012) and the home values of the newly consolidated Princeton (2013-2014) to come up with a total five-year average.

⁵ AARP Public Policy Institute, *Workplace Retirement Plans Will Help Workers Build Financial Security*, August 2015. <http://www.aarp.org/content/dam/aarp/ppi/2015-07/AARP-NewJersey-state-fact-sheet.pdf>

⁶ Board of Governors of the Federal Reserve System, *Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances*, September 2014.

<http://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf>

⁷ Employee Benefit Research Institute, *The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence*, April 2015.

http://www.ebri.org/pdf/briefspdf/EBRI_IB_413_Apr15_RCS-2015.pdf

⁸ National Institute on Retirement Security, *Financial Security Scorecard: A State-by-State Analysis of Economic Pressures Facing Future Retirees*, March 2014

(http://www.nirsonline.org/storage/nirs/documents/2014%20Scorecard/final_2014_scorecard.pdf) and Judy Diamond Associates, Inc, *The States with the Fastest Growing Average 401k Account Balances*, April 2014. (<http://www.judydiamond.com/the-states-with-the-fastest-growing-average-401k-account-balances/>)