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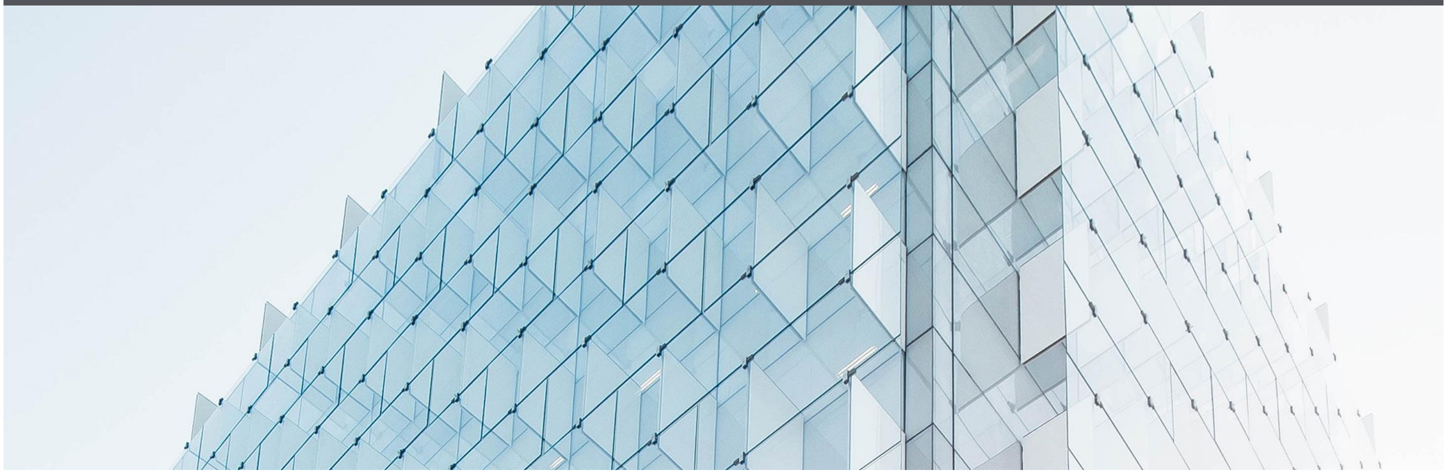

SEPTEMBER 2, 2025

The Impact of the New Jersey Mansion Tax Bill

INTRODUCTION

The New Jersey Mansion Tax Bill, which was signed by Governor Murphy on June 30, 2025, brings significant changes to the taxation of certain real property transfers in New Jersey. Previously, a flat rate of one percent was applied to property transfers over $1 million, affecting residential, commercial, certain farm properties, and cooperative units. This tax was imposed on the buyer. Effective July 10, 2025, the new legislation increases taxes on transfers over $2 million and shifts the payment responsibility to the seller. The new tax rates are designed to generate additional state revenue and address the financial dynamics of high-value property transactions.

AFFECTED PROPERTY TYPES

The legislation applies to various property types, including:

- **Class 2 "Residential" Properties**: These include properties designed for use as homes, such as single-family houses and residential condominiums for use by not more than four families.
- **Class 3A "Farm Property (Regular)" with Residential Structures**: This category covers farm properties that include buildings or structures intended for residential use.
- **Cooperative Units**: These are units within a cooperative housing corporation, where residents own shares in the corporation rather than owning their individual units outright.
- **Class 4A "Commercial Properties"**: This class includes properties used for business purposes, such as office buildings, retail spaces, and other commercial establishments.

The legislation also impacts the sale or transfer of a controlling interest in entities holding classified real property, which refers to property that is categorized based on its use and characteristics for taxation and regulatory purposes, provided the consideration or equalized assessed value exceeds $1 million.

TAX RATES AND COMPLIANCE

The Mansion Tax introduces a graduated tax rate based on total consideration as follows:

- **$1,000,000 to $2,000,000**: 1%
- **$2,000,001 to $2,500,000**: 2%
- **$2,500,001 to $3,000,000**: 2.5%
- **$3,000,001 to $3,500,000**: 3%
- **Over $3,500,000**: 3.5%

These rates apply to the total amount if consideration stated in the deed and similarly affect controlling interest transfers.

STRATEGIC CONSIDERATIONS

Buyers and Seller must consider the Mansion Tax Bill's revised tax rates and the shifting of the financial burden in their future transactions and strategic planning. The legislation continues exemptions, such as transfers related to corporate mergers where the property's value is less than 20 percent of total assets exchanged. Sellers may also apply for a refund of fees exceeding 1 percent for transfers recorded by November 15, 2025, if the contract was executed before July 10, 2025.

CONCLUSION

The New Jersey Mansion Tax Bill introduces significant changes to high-value property transfers and necessitates careful planning and compliance strategies. Consulting with legal and financial experts is advised to navigate these changes effectively.

For more information or assistance regarding changes to the New Jersey Mansion Tax Bill, please contact Jonathan M. Korn, Ashley Brinn Levy, or another member of Blank Rome's Real Estate group.

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