

Client Alert **Real Estate**

NJ Mansion Tax Takes a Bigger Bite

On June 30, 2025, the State of New Jersey made significant changes to the “mansion tax” which is one of the transfer taxes required to be paid in connection with transfers of commercial and residential properties. The mansion tax was initially adopted in 2004 and applies to deed transfers of real property for consideration of more than \$1MM¹. Certain property types, such as those classified by the tax assessor as vacant land, industrial property and multi-family apartment buildings, are exempt from the tax. For transfers where the mansion tax is applicable, the NJ Mansion Tax Amendment (P.L. 2025, c.69) increases the amount of the tax for transfers over \$2MM (with the tax now based upon a sliding scale depending upon the purchase price) and places responsibility for payment of the tax on the Seller, rather than the Buyer. The Amendment became effective on July 10, 2025.

The new rates for payment of the mansion tax are as follows:

- 1% for transfers of more than \$1MM and up to and including \$2MM;
- 2% for transfers of more than \$2MM and up to and including \$2.5MM;
- 2.5% for transfers of more than \$2.5MM and up to and including \$3MM;
- 3.0% for transfers of more than \$3MM and up to and including \$3.5MM;
- 3.5% for transfers of more than \$3.5MM.

Thus, transfers of real property for \$2MM or more (unless the property fits within one of the exempt classifications) have a significant change in the amount of the mansion tax due, and the statute now provides that the tax is due from the Seller at Closing, rather than the Buyer. To calculate the tax due, where the mansion tax is applicable, the applicable percentage is multiplied by the entire purchase price.

¹ Previously, the tax was 1% of the purchase price and was paid by the Buyer absent any contrary agreement amongst the parties.

July 10
2025

This Client Alert has been prepared by Sills Cummis & Gross P.C. for informational purposes only and does not constitute advertising or solicitation and should not be used or taken as legal advice. Those seeking legal advice should contact a member of the Firm or legal counsel licensed in their state. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship. Confidential information should not be sent to Sills Cummis & Gross without first communicating directly with a member of the Firm about establishing an attorney-client relationship.

The increase in the mansion tax is projected to raise more than \$550MM in annual revenue for the State and is targeted to help fund the Affordable Housing Trust Fund, the Shore Protection Fund, the Highlands Protection Fund and the New Jersey General Fund.

There is some temporary relief available for a Seller who entered into a contract of sale prior to the effective date of the Amendment where the transaction closes and the deed is recorded in the next four months. For any contract that was executed before July 10, 2025, where the deed is recorded no later than November 15, 2025, the Seller may request a refund of the increased amount of the mansion tax (in excess of 1%) by filing a claim with the Division of Taxation within one year following the recording of the deed. The refund claim is to be submitted to the Division of Taxation on Form RTF-3 and must include copies of the fully-executed deed, contract of sale and settlement statement.

An advisory memorandum issued by the Division of Taxation on July 9, 2025 clarifies that while the Seller is now responsible for paying the mansion tax under the terms of the Amendment, if the parties have contractually agreed to shift liability for payment of the tax to the Buyer, it is a matter of contract between two private parties. Thus, parties are free to negotiate amongst themselves as to which party will pay the tax at Closing. Given the changes in the law, a statement in a contract providing that the mansion tax shall be paid as provided by applicable law would now be deemed to mean that the Seller is responsible for payment of the tax.

To the extent that any provisions of the Amendment are modified, we will update this Alert as warranted.

Contact Us

Sills Cummis' Real Estate Department is available to help.

Please reach out to:

Mark S. Levenson, Esq.

Chair, Real Estate Department

mlevenson@sillscummis.com | (973) 643-5756

Jeffrey Meltzer, Esq.

Member, Real Estate Department

jmeltzer@sillscummis.com | (973) 643-5213