New Jersey Increases Mansion Tax Rates and Shifts Payment Obligation to Sellers

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On June 30, Governor Phil Murphy signed Bill A5804 into law, amending N.J.S.A. § 46:15-7.2-7.4; N.J.S.A. § 54:15C-1, and introducing significant changes to New Jersey's realty transfer tax structure. These changes — effective July 1 — increase the supplemental fee to the realty transfer fee, commonly known as the mansion tax, and shift payment responsibility to sellers.

Key Changes Under the New Law

1. Increased Mansion Tax and Controlling Interest Transfer Tax Rates

The law establishes a tiered fee schedule for transfers exceeding $2 million:

- 2% for transfers over $2 million but not more than $2.5 million.
- 2.5% for transfers over $2.5 million but not more than $3 million.
- 3% for transfers over $3 million but not more than $3.5 million.
- 3.5% for transfers over $3.5 million.

Transfers between $1 million and $2 million remain subject to the existing 1% fee.

2. Shift in Payment Responsibility to Sellers

Previously, buyers were responsible for paying both the supplemental fee and the controlling interest transfer tax. Under the new law, **sellers** are now responsible for these payments.

3. Refund Opportunity for Sellers

The legislation provides a refund mechanism for sellers who paid amounts in excess of 1% of the consideration if:

- The deed or transfer is recorded on or before November 15, 2025; and
- The transfer was made pursuant to a contract fully executed before July 10, 2025.

Transactions Impacted

- Commercial real property.

- Residential real property.
- Certain farm properties with residential structures.
- Cooperative units.
- Non-deed transfers involving a controlling interest in entities owning real property.

We are ready to help you understand and navigate these significant changes to New Jersey's realty transfer tax structure. Please contact the authors listed for assistance.

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