

NJ 'mansion tax' rates increase under new bill, paid by sellers!

Real Estate Alert

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On June 30, 2025, Governor Murphy signed into law new legislation, under Assembly Bill # 5804, effective July 10, 2025, which has significant impact on real estate transactions involving certain properties. The properties effected are those classified as either Class 2 (which involve the sale of single family homes, sale of individual condominium units, and properties consisting of one (1) to four (4) units; Class 3A (pertaining to the sale of a farming property with an improved dwelling located on it); Class 4A (pertaining to sales of commercial properties) and sales of Cooperatives ("Effected Properties"). Fortunately, with respect to the sale or purchase of Multi-family Classified as 4C, the new law has no effect and no changes.

The new legislation becomes fully effective July 10, 2025. It is effective with respect to the Effected Properties for transactions which were placed under Contract to sell on or after July 10, 2025. For properties under Contract on or before July 9, 2025, a hybrid in the application exists, which will be discussed later in this article.

For Effected Properties which became under Contract on or after July 10, 2025, and which therefore close thereafter ("Post Law Transactions"), the responsibility to pay what has commonly been referred to as the "Mansion Tax" has shifted from the Buyer to the Seller, so that the Buyer no longer pays any Mansion Tax at the time of Closing. Further, rather than being a flat rate of one percent (1%) on the consideration paid for the property, the calculation is now on a tiered basis, and is paid by the Seller at the time of Closing, based upon the total consideration paid for the property. It should also be noted the following applies not only to the sale of Effected Properties, but also applies to transactions involving the transfer of Controlling Interests in a Company that owns Effected Property. Additionally, the amount to be paid by the Seller under the new law is now referred to as the Graduated Percent Fee.

The calculation of the Graduated Percent Fees, based upon the total consideration paid, are as follows:

- \$0.00 to \$999,999.99: no Mansion Tax is payable (no change)
- \$1,000,000.00 to \$2,000,000.00: 1% (no change)
- \$2,000,000.01 to \$2,500,000.00: 2% of the total consideration paid
- \$2,500,000.01 to \$3,000,000.00: 2.5% of the total consideration paid
- \$3,000,000.01 to \$3,500,000.00: 3% of the total consideration paid
- Above \$3,500,000.00: 3.5% of the total consideration paid

For Effected Properties which were already under contract on or before July 9, 2025, but which closed on or after July 10, 2025 but before November 15, 2025, the Seller has to pay the entirety of the Graduated Percent Fee. However, it should be noted for transactions that fall within the parameters of this paragraph, the Seller may apply to the State of New Jersey for a refund of the amount paid by the Seller in excess of one percent (1%) of the consideration by filing a claim with the Division of Taxation within one year following the recording date of the deed.

If you believe or question whether your transaction will be effected by this new law, please contact:

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