

Changes to Mansion Tax and Controlling Interest Transfer Tax in New Jersey

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FG Attorneys

Signed into law by Governor Murphy on June 30, 2025 (effective July 10, 2025), New Jersey Bill S4666 made significant changes to New Jersey's transfer taxes.

Before the enactment of this bill, the buyer typically paid a 1% tax on transfers of residential and certain commercial property over \$1 million (the Mansion Tax). In addition, buyers who had a controlling interest in an entity that either directly or indirectly owned certain commercial property were also subject to a 1% tax for properties exceeding \$1 million in consideration or assessed value in connection with transfers of their interests (the Controlling Interest Transfer Tax).

This new legislation shifts the responsibility of payment of both the Mansion Tax and the Controlling Interest Transfer Tax from the buyer to the seller and incorporates an incremental rate schedule based on the consideration or assessed value of real property over \$1 million.

WHAT PROPERTY IS SUBJECT TO MANSION TAX

Real property subject to the Mansion Tax includes, but is not limited to, residential, farm property (if the property includes a building or structure intended for residential use), cooperative units, and certain commercial properties.

MANSION TAX & CONTROLLING INTEREST TRANSFER TAX RATE SCHEDULE

The new incremental rate schedule for the Mansion Tax and Controlling Interest Transfer Tax is as follows:

- If consideration is over \$1,000,000 but does not exceed \$2,000,000 = 1%
- If consideration is over \$2,000,000 but does not exceed \$2,500,000 = 2%
- If consideration is over \$2,500,000 but does not exceed \$3,000,000 = 2.5%
- If consideration is over \$3,000,000 but does not exceed \$3,500,000 = 3%
- If consideration is over \$3,500,000 = 3.5%

The Bill does provide an opportunity for certain sellers who have fully executed a contract for the sale of real property in excess of \$1 million prior to July 10, 2025, and have recorded on or before November 15, 2025 to apply for a refund. Qualified sellers may apply directly to the Director of the Division of Taxation for a refund for additional amounts paid in excess of 1% of the consideration.

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If you have any questions about this new legislation or the Mansion Tax, please contact one of our Real Estate attorneys.

ATTORNEYS MENTIONED

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