New Jersey-Pennsylvania Reciprocal Agreement on Thin Ice

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The Christie Administration has taken steps toward ending the 39-year-old reciprocal agreement that New Jersey maintains with Pennsylvania. Under the agreement, Pennsylvania residents who work in New Jersey are not subject to New Jersey withholding tax and pay income tax solely in their state of residence. Similarly, New Jersey residents working in Pennsylvania are not subject to PA withholding. The end of the reciprocal agreement, scheduled for January 1, 2017, would mean a significant increase in taxes for many commuters. The change on the part of the governor's office is an attempt to balance the state budget. An estimated $180 million in non-resident tax revenue is lost annually as a result of the reciprocal agreement. Christie stated that he will reconsider ending the agreement if the Democrat-controlled NJ legislature reduces the cost of public employee health insurance.

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