

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE, No. 690

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 12, 2022

The Senate Health, Human Services and Senior Citizens Committee reports favorably and with committee amendments Senate Bill No. 690.

As amended by the committee, this bill expands the “New Jersey Achieving a Better Life Experience (ABLE) Program,” P.L.2015, c.185 (C.52:18A-250 et al.) to incentivize qualified individuals with disabilities and their families to save for disability-related expenses in tax-advantaged savings accounts, known as ABLE accounts. Pursuant to current federal statute, qualified individuals who have significant disabilities with onset prior to age 26 years, and who receive Supplemental Security Income or Social Security Disability Insurance benefits, may contribute as much as the federal gift tax limit, or \$16,000 in 2022, to a qualifying ABLE account. Individuals with disabilities, or their parent or guardian, may open an ABLE account in the individual’s state of residence, or in another state. As of January 2022, there are 49 ABLE plans operating nationwide.

Funds deposited into an ABLE account may only be used for qualifying disability-related expenses such as transportation, housing, education, assistive technology, legal fees, and personal support services. Distributions from a New Jersey ABLE account are not subject to federal tax, provided the distributions do not exceed the individual’s disability-related expenses for the year.

New Jersey statute currently limits total lifetime contributions to an ABLE account to \$305,000. Once the value of an ABLE account exceeds \$100,000, SSI cash benefits for the ABLE account owner are suspended until the account’s value falls below this threshold. However, a qualifying individual will not lose Medicaid benefits, no matter the balance in an ABLE account.

Pursuant to the bill, all contributions to a qualifying New Jersey ABLE account are fully-deductible on a New Jersey State tax return, similar to qualifying contributions to the State’s Section 529 educational savings program, known as the NJBEST. As amended, the bill additionally incentivizes taxpayer savings in New Jersey

ABLE accounts by providing up to \$750 in dollar-for-dollar matching funds for taxpayers whose gross annual income equals \$150,000 or less, and who deposit funds into a newly opened ABLE account. It is important to note, however, that the savings incentives instituted under this bill are subject to the annual appropriations process. Therefore, the bill authorizes the Department of Human Services to select a methodology for allocating these incentive funds in years in which State appropriations for these incentive payments are insufficient to fulfill the provisions of the bill.

This bill was pre-filed for introduction in the 2022-2023 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

As reported by the committee with amendments, Senate Bill No. 690 is identical to Assembly Bill No. 2043 (2R), which was also reported by the committee on this date with amendments.

COMMITTEE AMENDMENTS:

The committee amendments reduce the income eligibility requirement for a taxpayer who initially open a New Jersey ABLE account or qualifying state ABLE account from \$200,000 to \$150,000, and lower the amount of the one-time grant the taxpayer can receive from \$1,000 to \$750.

The committee amendments remove a requirement from the bill that would have allowed certain people with an ABLE account to be provided grants of \$500 for every \$25,000 in incremental savings accrued in the account.

The committee amendments make a technical correction to the title of the bill and to correct a reference to the Department of Human Services.