

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 737 and SENATE, No. 951**

STATE OF NEW JERSEY

DATED: FEBRUARY 28, 2022

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 737 and Senate Bill No. 951.

This committee substitute provides taxpayers a gross income tax exclusion in the amount of contributions made to certain retirement plans, and allows a deduction for contributions to individual retirement accounts, or premiums paid to individual retirement annuities, that qualify for federal income tax deductions. The affected types of plans are: (1) a plan established under section 401(a) or section 401(k) of the federal Internal Revenue Code; (2) amounts paid for annuity contracts under section 403(b) of the federal Internal Revenue Code, allowed to employees of governments and nonprofits; (3) a deferred compensation plan of a state or local government that meets the requirements of section 457 of the federal Internal Revenue Code; (4) a federal Thrift Savings Plan; or (5) a standard Individual Retirement Account pursuant to section 408 of the federal Internal Revenue Code. The contributions to these plans are taxed upon distribution from the account.

The committee substitute applies to contributions made and amounts paid on or after January 1 next following enactment.

FISCAL IMPACT:

The Office of Legislative Services estimates that the State will not collect about \$204.6 million each year because of the deferral of the taxation of contributions to concerned employer-sponsored retirement savings and deferred compensation plans from the year of contribution to the year of withdrawal. An indeterminate portion of the total will be collected in future tax years. The indeterminate remainder will be lost across tax years.