

ASSEMBLY, No. 12

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JUNE 16, 2021

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblywoman ANGELA V. MCKNIGHT

District 31 (Hudson)

Assemblyman NICHOLAS CHIARAVALLOTTI

District 31 (Hudson)

SYNOPSIS

Provides State grants for new accounts opened under New Jersey Better Educational Savings Trust (NJBEST) program; allows tax deductions for contributions to NJBEST accounts, certain tuition payments, and certain student loan payments; appropriates \$10 million.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning tax deductions for certain educational
2 expenses, supplementing chapter 71B of Title 18A of the New
3 Jersey Statutes, chapter 3 of Title 54A of the New Jersey
4 Statutes, amending P.L.1997, c.237, and making an
5 appropriation.

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:

9

10 1. (New section) a. A NJBEST account when it is initially
11 opened by a taxpayer with gross income of \$75,000 or less shall be
12 eligible for a one-time grant of up to \$750 in a dollar-for-dollar
13 match of the initial deposit to the account.

14 b. Notwithstanding the provisions of the “Administrative
15 Procedure Act,” P.L.1968, c.410 (C.52:14B -1 et seq.), to the
16 contrary, the authority may adopt, immediately upon filing with the
17 Office of Administrative Law, rules that the authority deems
18 necessary for the appropriate administration and implementation of
19 the provisions of this section, including, a minimum length of time
20 for participation in the NJBEST program in order to maintain
21 eligibility for the credit established pursuant to this section, which
22 rules shall be effective for a period not to exceed 360 days from the
23 date of the filing. The authority shall thereafter amend, adopt, or
24 readopt the rules in accordance with the requirements of P.L.1968,
25 c.410 (C.52:14B-1 et seq.).

26

27 2. (New section) A taxpayer with gross income of \$200,000 or
28 less shall be allowed a deduction, not to exceed \$10,000, from the
29 taxpayer’s gross income for the taxable year in the amount of the
30 taxpayer’s contribution for the taxable year to an account
31 established pursuant to the “New Jersey Better Educational Savings
32 Trust Program,” (N.J.S.18A:71B-35 et seq.).

33

34 3. (New section) A taxpayer with gross income of \$200,000 or
35 less shall be allowed a deduction, not to exceed \$2,500, from the
36 taxpayer’s gross income for the taxable year in the amount of
37 principal and interest payments paid on a student loan under the
38 New Jersey College Loans to Assist State Students Loan Program
39 established pursuant to N.J.S.18A:71C-21.

40

41 4. (New section) a. A taxpayer with gross income of \$200,000
42 or less shall be allowed a deduction, not to exceed \$10,000, from
43 the taxpayer’s gross income for the taxable year in the amount the
44 taxpayer paid to an in-State institution of higher education during
45 the taxable year for tuition costs related to the taxpayer’s
46 enrollment or attendance at the institution of higher education or

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 related to the enrollment or attendance of a spouse or dependent of
2 the taxpayer at the institution.

3 b. As used in this section, "tuition costs" means the charges
4 imposed by an in-State institution of higher education that are
5 designated by the institution as the tuition costs required for the
6 enrollment or attendance of the taxpayer or a spouse or dependent
7 of the taxpayer at the institution.

8

9 5. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
10 read as follows:

11 13. a. Gross income shall not include earnings on a Coverdell
12 education savings account, a qualified **【State】** tuition program
13 account, or a qualified ABLE account until the earnings are
14 distributed from the account, at which time **【they】** the amount of
15 the distribution attributable to earnings on the account and the
16 amount of the distribution attributable to contributions allowed as a
17 deduction pursuant to section 2 of P.L. , c. (C.) (pending
18 before the Legislature as this bill) shall be includible in the gross
19 income of the distributee except as provided in this section.

20 b. Gross income shall not include qualified distributions as
21 defined in paragraph (3) of subsection c. of this section.

22 c. For purposes of this section:

23 (1) "Coverdell education savings account" means a Coverdell
24 education savings account as defined pursuant to paragraph (1) of
25 subsection (b) of section 530 of the federal Internal Revenue Code
26 of 1986, 26 U.S.C. s.530.

27 (2) "Qualified **【State】** tuition program account" means an
28 account established pursuant to the "New Jersey Better Educational
29 Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.) or
30 an account established pursuant to any qualified **【State】** tuition
31 program, as defined pursuant to subsection (b) of section 529 of the
32 federal Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition
33 credit or certificate purchased pursuant to any such program.

34 (3) "Qualified distribution" means any of the following:

35 (a) a distribution from a qualified **【State】** tuition program
36 account that is used for qualified higher education expenses as
37 defined pursuant to paragraph (3) of subsection (e) of section 529 or
38 a distribution from a qualified ABLE account that is used for
39 qualified disability expenses as defined pursuant to paragraph (5) of
40 subsection (e) of section 529A of the federal Internal Revenue Code
41 of 1986, 26 U.S.C. s.529 or 529A;

42 (b) a rollover from one account to another account as described
43 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)
44 of section 529, clause (i) of subparagraph (C) of paragraph (1) of
45 subsection (c) of section 529A, or paragraph (5) of subsection (d) of
46 section 530 of the federal Internal Revenue Code of 1986, 26
47 U.S.C. s.529, 529A, or 530; or

1 (c) a change in designated beneficiaries of an account as
2 described in clause (ii) of subparagraph (C) of paragraph (3) of
3 subsection (c) of section 529, clause (ii) of subparagraph (C) of
4 paragraph (1) of subsection (c) of section 529A, or paragraph (6) of
5 subsection (d) of section 530 of the federal Internal Revenue Code
6 of 1986, 26 U.S.C. s.529, 529A, or 530; and

7 (d) any other transfer involving a qualified ABLE account
8 which is a qualified distribution for the purposes of section 529A of
9 the federal Internal Revenue Code, 26 U.S.C. s.529A.

10 (4) "Qualified ABLE account" means an account established
11 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account
12 established pursuant to any qualified State ABLE Program
13 established pursuant to section 529A of the federal Internal
14 Revenue Code of 1986, 26 U.S.C. s.529A.

15 d. The portion of a distribution from a Coverdell education
16 savings account, a qualified ABLE account, or a qualified **[State]**
17 tuition program account that is attributable to earnings and the
18 amount of the distribution attributable to contributions allowed as a
19 deduction pursuant to section 2 of P.L. , c. (C.)(pending
20 before the Legislature as this bill) shall be determined in accordance
21 with the principles of section 72 of the federal Internal Revenue
22 Code of 1986, 26 U.S.C. s.72, as applied for purposes of sections
23 529, 529A, and 530 of the federal Internal Revenue Code of 1986,
24 26 U.S.C. ss.529, 529A, and 530.

25 (cf: P.L.2015, c.185, s.1)

26
27 6. There is appropriated from the General Fund to the Higher
28 Education Student Assistance Authority the sum of \$10,000,000 for
29 the credits established pursuant to section 1 of P.L. , c. (C.)
30 (pending before the Legislature as this bill).

31
32 7. This act shall take effect immediately. Section 2 of the bill
33 shall apply to contributions made for taxable years beginning after
34 enactment. Section 3 of the bill shall apply to principal and interest
35 payments made for taxable years beginning after enactment.
36 Section 4 of the bill shall apply to payments for tuition costs made
37 for taxable years beginning after enactment.

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40 STATEMENT

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42 This bill provides that a New Jersey Better Educational Savings
43 Trust (NJBEST) program account when it is initially opened by a
44 taxpayer with gross income of \$75,000 or less will be eligible for a
45 one-time grant of up to \$750 in a dollar-for-dollar match of the
46 initial deposit to the account.

47 The bill allows a gross income tax deduction for taxpayers with
48 gross income of \$200,000 or less in the amounts contributed to an

1 account established under the New Jersey Better Educational
2 Savings Trust (NJBEST) Program. The bill limits the deduction,
3 however, to \$10,000 in contributions.

4 Section 529 of the federal Internal Revenue Code allows states to
5 establish qualified tuition programs under which individuals can
6 make contributions to accounts established for beneficiaries for the
7 beneficiaries' qualified higher education expenses. The NJBEST
8 Program is New Jersey's State-sponsored 529 plan.

9 The bill also allows a taxpayer with gross income of \$200,000 or
10 less to deduct from gross income the amount of principal and
11 interest payments paid on a student loan under the New Jersey
12 College Loans to Assist State Students (NJCLASS) Loan Program,
13 not to exceed \$2,500.

14 Lastly, the bill allows a taxpayer with gross income of \$200,000
15 or less to deduct from gross income the amounts paid by the
16 taxpayer to an in-State or out-of-State institution of higher
17 education for tuition costs related to the taxpayer's enrollment or
18 attendance at the institution of higher education or related to the
19 enrollment or attendance of a spouse or dependent of the taxpayer at
20 the institution. Under the bill, the deduction would not exceed
21 \$10,000.