

ASSEMBLY, No. 230

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

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SYNOPSIS

Allows gross income tax deductions for contributions by certain taxpayers to New Jersey Better Educational Savings Trust (NJBEST) Program and provides a State match for contributions to NJBEST accounts for families meeting certain income guidelines.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** concerning the New Jersey Better Educational Savings
2 Trust (NJBEST) Program, supplementing Title 54A and Title
3 18A of the New Jersey Statutes, and amending P.L.1997, c.237.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. (New section) A taxpayer with a gross income for the
9 taxable year of not more than \$500,000 shall be allowed a deduction
10 from the taxpayer's gross income for the taxable year in the amount
11 of the taxpayer's contribution for the taxable year to one or more
12 accounts established pursuant to the "New Jersey Better
13 Educational Savings Trust (NJBEST) Program," N.J.S.18A:71B-35
14 et seq.; provided however, that the deduction allowed for a taxable
15 year shall not exceed \$10,000 for a taxable year for married couples
16 filing a joint return for federal tax purposes and shall not exceed
17 \$5,000 for a taxable year for married individuals filing separately or
18 for unmarried individuals.

19
20 2. (New section) a. The Higher Education Student Assistance
21 Authority shall establish and implement the Aspiring Scholars
22 Matching Grant Program. Under the program, a State matching
23 grant shall be provided in an amount equal to the contributions
24 made into accounts for a designated beneficiary. A designated
25 beneficiary shall receive a matching grant of no more than \$500 per
26 calendar year, for up to a maximum of five years. A matching grant
27 shall be used for the qualified higher education expenses of the
28 designated beneficiary.

29 b. In addition to such other criteria as deemed appropriate by
30 the authority, in order to qualify for a matching grant the following
31 criteria shall be met:

32 (1) the contributor, if an individual, and the designated
33 beneficiary shall be New Jersey residents; and

34 (2) the annual family income of the designated beneficiary in
35 the year prior to applying for a matching grant shall not exceed
36 \$70,000.

37 c. The authority shall promulgate regulations pursuant to the
38 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
39 seq.), to effectuate the provisions of this section.

40
41 3. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
42 read as follows:

43 13. a. Gross income shall not include earnings on an education
44 **【individual retirement】** savings account or a qualified **【State】**
45 tuition program account until the earnings are distributed from the

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 account, at which time **【they】** the amount of the distribution
2 attributable to earnings on the account and the amount of the
3 distribution attributable to contributions allowed as a deduction
4 pursuant to section 1 of P.L. , c. (C.) (pending before the
5 Legislature as this bill) shall be includible in the gross income of
6 the distributee except as provided in this section.

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

9 c. For purposes of this section:

10 (1) "Education **【individual retirement】** savings account" means
11 an education **【retirement】** savings account as defined pursuant to
12 paragraph (1) of subsection (b) of section 530 of the federal Internal
13 Revenue Code of 1986, 26 U.S.C. s.530.

14 (2) "**【Qualified State tuition】** Tuition program account" means
15 an account established pursuant to the "New Jersey Better
16 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35
17 et seq.) or an account established pursuant to any **【qualified State】**
18 tuition program **【, as defined pursuant to】** established in
19 compliance with subsection (b) of section 529 of the federal
20 Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit
21 or certificate purchased pursuant to any such program.

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

23 (a) a distribution from a **【qualified State】** tuition program
24 account that is used for qualified higher education expenses as
25 defined pursuant to paragraph (3) of subsection (e) of section 529 of
26 the federal Internal Revenue Code of 1986, 26 U.S.C. s.529;

27 (b) a rollover from one account to another account as described
28 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)
29 of section 529, if applicable, or paragraph (5) of subsection (d) of
30 section 530 of the federal Internal Revenue Code of 1986,
31 26 U.S.C. s.529 or 530;

32 (c) a change in designated beneficiaries of an account as
33 described in clause (ii) of subparagraph (C) of paragraph (3) of
34 subsection (c) of section 529 or paragraph (6) of subsection (d) of
35 section 530 of the federal Internal Revenue Code of 1986,
36 26 U.S.C. s.529 or 530;

37 d. The portion of a distribution from an education **【individual**
38 **retirement】** savings account or a **【qualified State】** tuition program
39 account that is attributable to earnings and to contributions allowed
40 as a deduction pursuant to section 1 of P.L. , c. (C.) (pending
41 before the Legislature as this bill) shall be determined in accordance
42 with the principles of section 72 of the federal Internal Revenue
43 Code of 1986, 26 U.S.C. s.72, as applied for purposes of sections
44 529 and 530 of the federal Internal Revenue Code of 1986,
45 26 U.S.C. ss.529 and 530.

46 (cf: P.L.2001, c.262, s.21)

1 4. This act shall take effect immediately, and section 1 shall
2 apply to contributions made or costs incurred for taxable years
3 beginning after the date of enactment.

4 STATEMENT

5
6 This bill allows a gross income tax deduction for amounts
7 contributed to the New Jersey Better Educational Savings Trust
8 (NJBEST) Program for taxpayers with gross incomes of not more
9 than \$500,000. The bill allows a gross income tax deduction of up
10 to \$10,000 annually for married couples filing jointly, or \$5,000
11 annually for other taxpayers, for contributions to one or more
12 NJBEST accounts.

13 The bill also requires the New Jersey Higher Education Student
14 Assistance Authority, which administers NJBEST, to establish and
15 implement the Aspiring Scholars Matching Grant Program. Under
16 the program a matching grant will be provided by the State for the
17 qualified higher education expenses of a designated beneficiary.
18 The amount of the matching grant will equal the amount of
19 contributions made into an account for a designated beneficiary, up
20 to the limit of \$500 per calendar year for up to a maximum of five
21 years. To be eligible for a matching grant the following criteria
22 must be met:

23 (1) the contributor, if an individual, and the designated
24 beneficiary must be New Jersey residents; and

25 (2) the annual family income of the designated beneficiary in
26 the year prior to applying for a matching grant may not exceed
27 \$70,000.

28 NJBEST is New Jersey's federal Internal Revenue Code Section
29 529 qualified college savings program. Federal tax law allows
30 contributions of federally taxed income to accounts established for
31 the beneficiaries' qualified higher education expenses. Account
32 investment earnings are not federally taxed until withdrawn, and if
33 the earnings are used for qualified higher educational expenses they
34 are never taxed. Currently, New Jersey matches those federal tax
35 advantages. Additionally, New Jersey currently allows \$25,000 of
36 NJBEST college savings to be excluded from a financial need
37 evaluation of the student, and awards students who pursue higher
38 education in New Jersey a scholarship of up to \$1,500 for
39 participating in the program.