

# ASSEMBLY, No. 1436

## STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Assemblywoman BETTYLOU DECROCE**

**District 26 (Essex, Morris and Passaic)**

**Assemblyman EDWARD H. THOMSON**

**District 30 (Monmouth and Ocean)**

**Assemblywoman AURA K. DUNN**

**District 25 (Morris and Somerset)**

**Co-Sponsored by:**

**Assemblymen S.Kean, Clifton, DiMaio, McGuckin, Bramnick,**

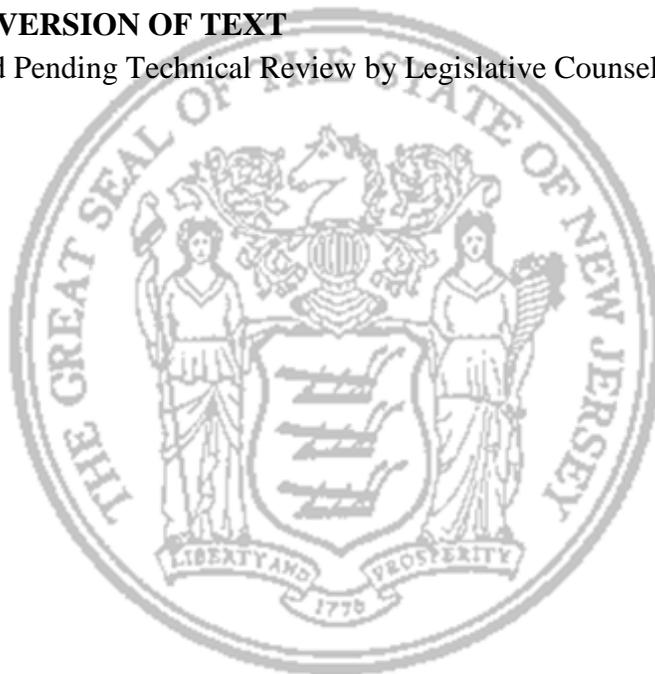
**Assemblywoman N.Munoz and Assemblyman Peterson**

**SYNOPSIS**

Provides gross income tax deductions for contributions by certain taxpayers to the New Jersey Better Educational Savings Trust (NJBEST) Program.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 2/25/2020)**

1 AN ACT providing gross income tax deductions for contributions by  
2 certain taxpayers to the New Jersey Better Educational Savings  
3 Trust (NJBEST) Program, supplementing Title 54A of the New  
4 Jersey Statutes, and amending P.L.1997, c.237.

5

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

8

9 1. a. (New section) Except as otherwise provided in this  
10 section, a taxpayer shall be allowed a deduction from the taxpayer's  
11 gross income for the taxable year in an amount, not to exceed  
12 \$15,000, equal to the taxpayer's contribution in the taxable year to  
13 one or more accounts established pursuant to the "New Jersey  
14 Better Educational Savings Trust (NJBEST) Program,"  
15 N.J.S.18A:71B-35 et seq.; provided, however, that the gross income  
16 of the taxpayer for the taxable year does not exceed \$250,000 for  
17 married individuals filing a joint return and shall not exceed  
18 \$125,000 for married individuals filing separately or for unmarried  
19 individuals.

20 b. For the second taxable year beginning after enactment of  
21 P.L. , c. (C. ) (pending before the Legislature as this bill),  
22 and continuing annually thereafter, the director shall annually  
23 recompute the maximum allowable deduction and each income  
24 limitation set forth in subsection a. of this section by multiplying  
25 the maximum allowable deduction and the income limitations by  
26 the cost-of-living adjustment. Notwithstanding the maximum  
27 allowable deduction and the income limitations provided in  
28 subsection a. of this section, each taxpayer shall use the adjusted  
29 amounts as computed by the director for the applicable taxable year.  
30 The director shall round the recomputed maximum allowable  
31 deduction and the income limitation amounts to the next highest  
32 multiple of \$10.

33 For purposes of this section, "cost-of-living adjustment" means  
34 the factor calculated by dividing the consumer price index for all  
35 urban consumers for the nation, as prepared by the United States  
36 Department of Labor as of the close of the 12-month period ending  
37 on August 31 of the calendar year prior to the calendar year in  
38 which the taxable year begins, by that index as of the close of the  
39 12-month period ending on August 31 of the calendar year  
40 preceding the calendar year in which P.L. , c. (C. ) (pending  
41 before the Legislature as this bill) takes effect.

42

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

**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        13. a. Gross income shall not include earnings on a Coverdell  
2 education savings account, a qualified State tuition program  
3 account, or a qualified ABLE account until the earnings are  
4 distributed from the account, at which time **【they】** the amount of  
5 distribution attributable to earnings on the account and the amount  
6 of the distribution attributable to contributions allowed as a  
7 deduction pursuant to section 1 of P.L. , c. (C. ) (pending  
8 before the Legislature as this bill), shall be includible in the gross  
9 income of the distributee except as provided in this section.
- 10        b. Gross income shall not include qualified distributions as  
11 defined in paragraph (3) of subsection c. of this section.
- 12        c. For purposes of this section:
- 13        (1) "Coverdell education savings account" means a Coverdell  
14 education savings account as defined pursuant to paragraph (1) of  
15 subsection (b) of section 530 of the federal Internal Revenue Code  
16 of 1986, 26 U.S.C. s.530.
- 17        (2) "Qualified State tuition program account" means an account  
18 established pursuant to the "New Jersey Better Educational Savings  
19 Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.) or an  
20 account established pursuant to any qualified State tuition program,  
21 as defined pursuant to subsection (b) of section 529 of the federal  
22 Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit  
23 or certificate purchased pursuant to any such program.
- 24        (3) "Qualified distribution" means any of the following:
- 25        (a) a distribution from a qualified State tuition program account  
26 that is used for qualified higher education expenses as defined  
27 pursuant to paragraph (3) of subsection (e) of section 529 or a  
28 distribution from a qualified ABLE account that is used for  
29 qualified disability expenses as defined pursuant to paragraph (5) of  
30 subsection (e) of section 529A of the federal Internal Revenue Code  
31 of 1986, 26 U.S.C. s.529 or 529A;
- 32        (b) a rollover from one account to another account as described  
33 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)  
34 of section 529, clause (i) of subparagraph (C) of paragraph (1) of  
35 subsection (c) of section 529A, or paragraph (5) of subsection (d) of  
36 section 530 of the federal Internal Revenue Code of 1986, 26  
37 U.S.C. s.529, 529A, or 530; or
- 38        (c) a change in designated beneficiaries of an account as  
39 described in clause (ii) of subparagraph (C) of paragraph (3) of  
40 subsection (c) of section 529, clause (ii) of subparagraph (C) of  
41 paragraph (1) of subsection (c) of section 529A, or paragraph (6) of  
42 subsection (d) of section 530 of the federal Internal Revenue Code  
43 of 1986, 26 U.S.C. s.529, 529A, or 530; and
- 44        (d) any other transfer involving a qualified ABLE account  
45 which is a qualified distribution for the purposes of section 529A of  
46 the federal Internal Revenue Code, 26 U.S.C. s.529A.

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

6 d. The portion of a distribution from a Coverdell education  
7 savings account, a qualified ABLÉ account, or a qualified State  
8 tuition program account that is attributable to earnings and to  
9 contributions allowed as a deduction pursuant to section 1 of  
10 P.L. , c. (C. ) (pending before the Legislature as this bill)  
11 shall be determined in accordance with the principles of section 72  
12 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.72, as  
13 applied for purposes of sections 529, 529A, and 530 of the federal  
14 Internal Revenue Code of 1986, 26 U.S.C. ss.529, 529A, and 530.  
15 (cf: P.L.2015, c.185, s.1)

16  
17 3. This act shall take effect immediately and section 1 shall  
18 apply to contributions made for taxable years beginning on or after  
19 January 1 next following the date of enactment.

20  
21  
22 STATEMENT

23  
24 This bill provides certain State taxpayers with a gross income tax  
25 deduction, initially up to \$15,000 per taxable year, for contributions  
26 made by the taxpayer to the NJBEST college tuition savings  
27 program.

28 Specifically, a taxpayer may claim a deduction in the amount of  
29 the total contributions made in a taxable year to one or more college  
30 tuition saving accounts established under the "New Jersey Better  
31 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-  
32 35 et seq.), initially up to \$15,000 per taxable year. In addition, this  
33 deduction may be claimed by taxpayers whose income is, initially,  
34 no greater than \$250,000 per taxable year, for married individuals  
35 filing jointly, and no greater than \$125,000 per taxable year, for  
36 married individuals filing separately or unmarried individuals.

37 The bill also provides for annual cost-of-living adjustments to  
38 the maximum deduction and to the income limits ("COLA  
39 adjustment"); the COLA adjustment amount is the national  
40 consumer price index for all urban consumers as prepared by the  
41 United States Department of Labor.

42 This bill affords New Jersey taxpayers with tax relief while  
43 promoting personal investment in, and broader access to, higher  
44 education.

45 Provides gross income tax deductions for contributions by certain  
46 taxpayers to the New Jersey Better Educational Savings Trust  
47 (NJBEST) Program.