

ASSEMBLY, No. 1623

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

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SYNOPSIS

Establishes gross income tax credit and corporation business tax credit for student loan payments.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** providing tax credits for student loan payments,
2 supplementing P.L.1945, c.162 (C.54:10A-1 et seq.) and Title
3 54A of the New Jersey Statutes.

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

7
8 1. a. (1) A qualified taxpayer shall be allowed a credit against
9 the tax otherwise due for the taxable year pursuant to the "New
10 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. in an amount
11 equal to a portion of any payments made by the qualified taxpayer,
12 during that part of the taxable year the qualified taxpayer was
13 employed in the State, on a loan which is: (1) secured through a
14 State student loan program, a federal student loan program, or a
15 commercial lender, and which is (2) obtained and expended
16 exclusively for purpose of paying the tuition and fees and other
17 expenses such as room and board and books and supplies, related
18 directly to the enrollment of the qualified taxpayer at an institution
19 of higher education. A qualified taxpayer shall be allowed a credit
20 notwithstanding any periods of loan forbearance or loan deferment.

21 b. The amount of the credit shall be in an amount equal to the
22 lesser of:

23 (1) the benchmark loan payment multiplied by the number of
24 months during the taxable year in which a taxpayer made loan
25 payments; or

26 (2) the monthly loan payment amount multiplied by the number
27 of months during which the taxpayer made loan payments.

28 c. The amount of the tax credit applied under this section against
29 the tax otherwise due under the "New Jersey Gross Income Tax
30 Act," N.J.S.54A:1-1 et seq., for a taxable year, when taken together
31 with any other payments, credits, deductions, and adjustments
32 allowed by law shall not reduce the tax liability of the qualified
33 taxpayer to an amount less than zero. The amount of the tax credit
34 otherwise allowable under this section which cannot be applied for
35 the taxable year due to the limitations of this subsection or under
36 other provisions of N.J.S.54A:1-1 et seq. may be carried forward, if
37 necessary, to the seven taxable years following the taxable year for
38 which the tax credit was allowed.

39 d. If the tax credit allowed pursuant to this section, together with
40 any payments, credits, deductions, and adjustments allowed by law,
41 reduces the tax liability otherwise due for the taxable year under
42 N.J.S.A.54A:1-1 et seq. to zero for a qualified taxpayer who has
43 earned an associate's degree or a bachelor's degree in science,
44 technology, engineering, or mathematics, the amount of credit
45 remaining shall be paid to the taxpayer as a refund of an
46 overpayment of tax in accordance with N.J.S.54A:9-7 provided
47 however, that subsection (f) of that section, concerning the
48 allowance of interest shall not apply.

1 e. As used in this section:

2 “Benchmark loan payment” means the monthly loan payment for
3 the amount of principal cap paid over 10 years at the interest rate
4 for federally subsidized Stafford loans pursuant to section 1077a of
5 Title 20 of the United States Code (20 U.S.C. s.1077a) applicable
6 during the qualified taxpayer’s final year of enrollment at a college,
7 university, or county college.

8 “Institution of higher education” means a public or private
9 university, college, technical college, or a community or county
10 college.

11 “Principal cap” means: (1) for an individual who has received a
12 bachelor’s degree, the average in-State tuition and fees for
13 attendance at a public institution of higher education during the
14 academic year ending during the calendar year prior to graduation
15 multiplied by four; (2) for an individual who has received an
16 associate’s degree, the average in-State tuition and fees at a county
17 college for the academic year ending during the calendar year prior
18 to graduation multiplied by two; and (3) for an individual obtaining
19 a graduate degree and graduating from an institution of higher
20 education, the average in-State tuition and fees at a public
21 institution of higher education for the academic year ending during
22 the calendar year prior to graduation multiplied by four.

23 “Public institution of higher education” means Rutgers, The
24 State University, the State colleges or universities established
25 pursuant to chapter 64 of Title 18A of the New Jersey Statutes, the
26 New Jersey Institute of Technology, Rowan University, and
27 Montclair State University, the county colleges and any other public
28 university or college now or hereafter established or authorized by
29 State law.

30 “Qualified taxpayer” means any resident taxpayer who: (1)
31 obtained an associate’s degree or a bachelor’s degree from an
32 accredited institution of higher education or a graduate degree from
33 an accredited institution of higher education who was employed in
34 this State during the tax year; and (2) was employed in New Jersey
35 on a full-time or part-time basis by an employer, was a self-
36 employed individual, or was an active duty member of the United
37 States Armed Forces, New Jersey National Guard, or the Reserve
38 Component of the United States Armed Forces.

39

40 2. a. A taxpayer who is an employer shall be allowed a credit
41 against the tax otherwise due for the taxable year pursuant to the
42 “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. in an
43 amount equal to any payment or payments made by the taxpayer
44 directly to a lender or loan servicer on behalf of a qualified
45 employee, during that part of the taxable year the qualified
46 employee was employed in the State, on a loan which is: (1)
47 secured through a State student loan program, a federal student loan
48 program, or a commercial lender, and which is (2) obtained and

1 expended exclusively for purpose of paying the tuition and fees and
2 other expenses such as room and board and book and books and
3 supplies, related directly to the enrollment of the qualified
4 employee at an institution of higher education.

5 b. The amount of the credit shall be in an amount equal to the
6 monthly loan payment made by the taxpayer directly to a lender or
7 loan servicer multiplied by the number of months during the taxable
8 year the taxpayer made payments on behalf of a qualified employee
9 during the term of employment. If a qualified employee is
10 employed on a part-time basis, the amount of the credit shall be in
11 an amount equal to 50 percent of the monthly loan payment made
12 by the taxpayer directly to a lender or loan servicer multiplied by
13 the number of months during the taxable year the taxpayer made
14 payments on behalf of a qualified employee during the term of
15 employment.

16 c. The amount of the tax credit applied under this section against
17 the tax otherwise due under the "New Jersey Gross Income Tax
18 Act," N.J.S.54A:1-1 et seq., for a taxable year, when taken together
19 with any other payments, credits, deductions, and adjustments
20 allowed by law shall not reduce the tax liability of the taxpayer to
21 an amount less than zero. The amount of the tax credit otherwise
22 allowable under this section which cannot be applied for the taxable
23 year due to the limitations of this subsection or under other
24 provisions of N.J.S.54A:1-1 et seq. may be carried forward, if
25 necessary, to the seven taxable years following the taxable year for
26 which the tax credit was allowed.

27 d. (1) A business entity that is classified as a partnership for
28 federal income tax purposes shall not be allowed a tax credit
29 pursuant to this section directly, but the amount of tax credit of a
30 taxpayer in respect of a distributive share of entity income, shall be
31 determined by allocating to the taxpayer that proportion of the tax
32 credit acquired by the entity that is equal to the taxpayer's share,
33 whether or not distributed, of the total distributive income or gain
34 of the entity for its taxable year ending within or with the
35 taxpayer's taxable year.

36 (2) A New Jersey S Corporation shall not be allowed a tax credit
37 pursuant to this section directly, but the amount of tax credit of a
38 taxpayer in respect of a pro rata share of S Corporation income shall
39 be determined by allocating to the taxpayer that proportion of the
40 tax credit acquired by the New Jersey S Corporation that is equal to
41 the taxpayer's share, whether or not distributed, of the total pro rata
42 share of S Corporation income of the New Jersey S Corporation for
43 its privilege period ending within or with the taxpayer's taxable
44 year.

45 e. As used in this section:

46 "Employer" means any person, firm, business, educational
47 institution, nonprofit agency, corporation, limited liability company,
48 or other entity that employs employees in the State

1 “Full-time employment” means employment that is 32 hours or
2 more of work per week.

3 “Part-time employment” means employment that is between 16
4 hours of work per week and 32 hours of work per week.

5 “Qualified employee” means: any resident taxpayer who: (1)
6 obtained an associate’s degree or a bachelor’s degree from an
7 accredited institution of higher education or a graduate degree from
8 an accredited institution of higher education who was employed in
9 this State during the tax year; and (2) was employed in New Jersey
10 on a full-time or part-time basis by an employer.

11

12 3. a. A taxpayer shall be allowed a credit against the tax
13 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) in
14 an amount equal to any payment or payments made by the taxpayer
15 directly to a lender or loan servicer on behalf of a qualified
16 employee, during that part of the privilege period the qualified
17 employee was employed in the State, on a loan which is: (1)
18 secured through a State student loan program, a federal student loan
19 program, or a commercial lender and which is (2) obtained and
20 expended exclusively for purpose of paying the tuition and fees and
21 other expenses such as room and board and books and supplies,
22 related directly to the enrollment of the qualified employee at an
23 institution of higher education.

24 b. The amount of the credit shall be in an amount equal to the
25 monthly loan payment made by the taxpayer directly to a lender or
26 loan servicer multiplied by the number of months during the
27 privilege period the taxpayer made payments directly to a lender or
28 loan servicer on behalf of a qualified employee during the term of
29 employment. If a qualified employee is employed on a part-time
30 basis, the amount of the credit shall be in an amount equal to 50
31 percent of the monthly loan payment made by the taxpayer
32 multiplied by the number of months during the privilege period the
33 taxpayer made payments on behalf of a qualified employee during
34 the term of employment.

35 c. The amount of the tax credit applied under this section against
36 the tax imposed pursuant to section 5 of P.L.1945, c.162
37 (C.54:10A-5), for a privilege period, when taken together with any
38 other payments, credits, deductions, and adjustments allowed by
39 law shall not reduce the tax liability of the taxpayer to an amount
40 less than the statutory minimum provided in subsection (e) of
41 section 5 of P.L.1945, c.162 (C.54:10A-5). The amount of the tax
42 credit otherwise allowable under this section which cannot be
43 applied for the privilege period due to the limitations of this
44 subsection or under other provisions of P.L.1945, c.162 (C.54:10A-
45 1 et seq.) may be carried forward, if necessary, to the ten privilege
46 period following the privilege period for which the tax credit was
47 allowed.

1 d. As used in this section:

2 “Employer” means any person, firm, business, educational
3 institution, nonprofit agency, corporation, limited liability company,
4 or other entity that employs employees in the State.

5 “Full-time employment” means employment that is 32 hours or
6 more of work per week.

7 “Part-time employment” means employment that is between 16
8 hours of work per week and 32 hours of work per week.

9 “Qualified employee” means: any resident employee who:
10 obtained an associate’s degree or a bachelor’s degree from an
11 accredited institution of higher education or a graduate degree from
12 an accredited institution of higher education who was employed in
13 this State during the privilege period; and (2) was employed in New
14 Jersey on a full-time or part-time basis by an employer.

15

16 4. The Director of the Division of Taxation in the Department
17 of the Treasury, in consultation with the Secretary of Higher
18 Education, shall adopt rules and regulations pursuant to the
19 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
20 seq.) to effectuate the purposes of this act.

21

22 5. This act shall take effect immediately and shall apply to
23 taxable years and privilege periods beginning on or after January 1
24 next following enactment.

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26

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STATEMENT

28

29 This bill establishes an incentive for New Jersey residents who
30 have graduated from a community college, college or university, or
31 graduate school to stay, or return to, New Jersey after their
32 graduation and for employers to hire college graduates to work in
33 this State and subsidizes their loan payments. The bill provides
34 qualified taxpayers and businesses with a credit against the gross
35 income tax (GIT) or the corporation business tax (CBT) for certain
36 educational loan payments.

37 The tax credit is allowed for any payments made by a taxpayer or
38 on behalf of a taxpayer during the taxable or privilege period on a
39 loan which is: (1) secured through a State student loan program, a
40 federal student loan program, or a commercial lender and which is
41 (2) obtained and expended exclusively for purpose of paying the
42 tuition and fees and other expenses such as room and board and
43 book and books and supplies, related directly to the enrollment of
44 the qualified taxpayer at an institution of higher education.

45 Under the bill, the GIT credit is equal to payments made by a
46 qualified taxpayer, during that part of the taxable year they were
47 employed in the State. The GIT credit for an individual taxpayer is
48 equal to the lesser of: (1) the taxpayer's monthly loan payments

1 multiplied by the number of months the taxpayer made loan
2 payments; or (2) the benchmark loan payment multiplied by the
3 number of months during the taxable year in which a taxpayer made
4 loan payments. The GIT credit is refundable if an individual
5 taxpayer earned an associate's degree or a bachelor's degree in
6 science, technology, engineering, or mathematics. The refundable
7 GIT credit is available only to individual taxpayers and is not
8 available to a business that makes loan payments on behalf of an
9 employee.

10 A gross income taxpayer who is an employer or a business
11 subject to the CBT may receive a tax credit equal to any payments
12 made on behalf of a qualified employee who graduated from an
13 accredited institution of higher education and was employed in New
14 Jersey during the tax year. The GIT credit for a taxpayer who is an
15 employer and the CBT credit are equal to the monthly loan payment
16 made by the employer multiplied by the number of loan payments
17 made by a taxpayer on behalf of a qualified employee during a
18 taxable year or privilege period. The credit is reduced to 50 percent
19 if a qualified employee is employed on a part-time basis.

20 The bill defines a qualified employee as a resident taxpayer who
21 (1) obtained an associate's degree or a bachelor's degree from an
22 accredited institution of higher education or a graduate degree from
23 an accredited institution of higher education who was employed in
24 this State during the privilege period; and (2) was employed in New
25 Jersey on a full-time or part-time basis by an employer, was a self-
26 employed individual, or was an active duty member of the United
27 States Armed Forces, New Jersey National Guard, or the Reserve
28 Component of the United States Armed Forces.
29 student loan payments.