ASSEMBLY, No. 2163

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
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District 11 (Monmouth)

Co-Sponsored by:
Assemblywoman N.Munoz and Assemblyman Bramnick

SYNOPSIS
Allows gross income tax deduction for certain student loan interest.

CURRENT VERSION OF TEXT
Introduced Pending Technical Review by Legislative Counsel.

AN ACT allowing a gross income tax deduction for certain interest paid on student loans, supplementing Title 54A of the New Jersey Statutes.

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

1. A taxpayer shall be allowed to deduct from gross income for the taxable year pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., an amount equal to that deduction to which the taxpayer is allowed, if any, under section 221 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.221), for interest paid by the taxpayer during the taxable year on any qualified education loan as therein defined.

2. This act shall take effect immediately and apply to taxable years beginning on or after the January 1 next following the date of enactment.

STATEMENT

This bill provides a tax deduction for taxpayers who make student loan payments. A taxpayer may deduct from gross income, the same amount as the federal income tax deduction, if any, that the taxpayer is permitted under section 221 of the Internal Revenue Code for interest paid on education loans. The federal provision establishes a maximum allowable deduction, currently set at $2,500, and a formula, subject to adjustments for inflation, by which the allowable deduction is reduced as the modified adjust gross income of the taxpayer exceeds $65,000, or $130,000 for joint returns. The deduction is eliminated entirely for taxpayers whose modified adjusted gross income is $80,000 or more, or $160,000 for joint returns. As defined in section 221, the interest paid on indebtedness incurred solely to pay qualified higher education expenses at eligible educational institutions can be deducted subject to the conditions outlined in the section. In addition, married taxpayers must file jointly in order to claim the deduction.

Because this bill links the calculation of any State gross income tax deduction for student loan interest paid to the corresponding provision in the Internal Revenue Code, any change in the federal provision will automatically affect the State. A benefit of this linkage is that New Jersey taxpayers can determine the availability and amount of both State and federal student loan interest deductions at the same time.