

ASSEMBLY, No. 2163

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman RAJ MUKHERJI

District 33 (Hudson)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblyman NICHOLAS CHIARAVALLOTI

District 31 (Hudson)

Assemblyman JOE DANIELSEN

District 17 (Middlesex and Somerset)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Assemblywoman JOANN DOWNEY

District 11 (Monmouth)

Co-Sponsored by:

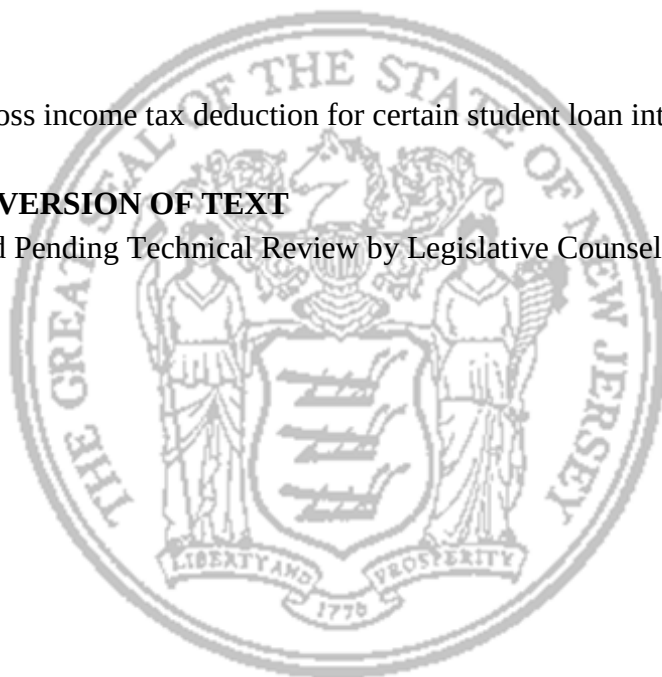
Assemblywoman N.Munoz and Assemblyman Bramnick

SYNOPSIS

Allows gross income tax deduction for certain student loan interest.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



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

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

7
8 1. A taxpayer shall be allowed to deduct from gross income for
9 the taxable year pursuant to the “New Jersey Gross Income Tax
10 Act,” N.J.S.54A:1-1 et seq., an amount equal to that deduction to
11 which the taxpayer is allowed, if any, under section 221 of the
12 federal Internal Revenue Code of 1986 (26 U.S.C. s.221), for
13 interest paid by the taxpayer during the taxable year on any
14 qualified education loan as therein defined.

15
16 2. This act shall take effect immediately and apply to taxable
17 years beginning on or after the January 1 next following the date of
18 enactment.

19

20

21

STATEMENT

22

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

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