

ASSEMBLY, No. 4112

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED MAY 7, 2020

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

SYNOPSIS

Excludes deferred compensation of certain public school and federal tax-exempt organization employees from current taxation under gross income tax.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** excluding deferred compensation of certain public school
 2 and federal tax-exempt organization employees from current
 3 taxation under the gross income tax, and amending
 4 P.L.1983, c.571.

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

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 9 1. Section 2 of P.L.1983, c.571 (C.54A:6-21) is amended to
 10 read as follows:

11 2. Contributions to certain employee trusts.

12 Gross income shall not include amounts contributed by an
 13 employer on behalf of and at the election of an employee:

14 a. to a trust which is part of a qualified cash or deferred
 15 arrangement which meets the requirements of [Section 401(k)]
 16 subsection (k) of section 401 of the [1954] federal Internal
 17 Revenue Code of 1986, 26 U.S.C. s.401, as amended;

18 b. for annuity contracts, or treated as amounts contributed for
 19 annuity contracts, under the provisions of subsection (b) of section
 20 403 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.403.
 21 (cf: P.L.1983, c.571, s.2)

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

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 27 STATEMENT

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 29 This bill excludes from gross income taxation the payments that
 30 employees of federally tax-exempt charitable organizations, like
 31 hospitals, churches, social welfare organizations and educational
 32 institutions, and employees of public school systems may make
 33 toward retirement savings, as authorized under subsection (b) of
 34 section 403 of the federal Internal Revenue Code of 1986.

35 The federal Internal Revenue Code allows employees of these
 36 tax exempt organizations to make "salary reduction agreements"
 37 with their employers, plans under which the employees may
 38 individually choose to receive less current salary (subject to limits)
 39 and instead purchase annuity contracts or invest in mutual funds for
 40 their retirement. These retirement savings are not subject to federal
 41 taxation until amounts are later distributed.

42 The New Jersey gross income tax currently allows the employees
 43 of private, for-profit, businesses to make such tax-deferred
 44 contributions to the retirement savings plans authorized under
 45 section 401(k) of the federal Internal Revenue Code but does not

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.

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1 allow tax-deferred contributions to the retirement savings plans
2 authorized under section 403(b) of the Internal Revenue Code. This
3 bill gives the employees of federally tax-exempt charitable
4 organizations and employees of public school systems the same tax
5 incentives for retirement savings that are provided to the employees
6 of for-profit businesses.