

ASSEMBLY, No. 4972

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED NOVEMBER 12, 2020

Sponsored by:

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

SYNOPSIS

Provides State grants for new accounts opened under New Jersey Better Educational Savings Trust (NJBEST) program; provides gross income tax credit for certain contributions to NJBEST accounts.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** concerning the New Jersey Better Educational Savings
2 Trust (NJBEST) program, supplementing N.J.S.18A:71B-35 et
3 seq. and Title 54A of the New Jersey Statutes, and amending
4 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. (New section) a. A NJBEST account when it is initially
10 opened shall be eligible for the following State credits to the
11 account:

12 (1) a one-time grant of up to \$250 in a dollar-for-dollar match of
13 the initial deposit to the account; and

14 (2) a one-time grant of \$50 if an automatic contribution plan is
15 established for the account.

16 b. The authority shall promulgate rules pursuant to the
17 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
18 seq.), as it deems necessary for the appropriate administration and
19 implementation of the provisions of this section, including a
20 minimum length of time for participation in the NJBEST program
21 in order to maintain eligibility for the credit established pursuant to
22 this section.

23
24 2. (New section) a. A taxpayer shall be allowed a credit against
25 the tax otherwise due for the taxable year under the “New Jersey
26 Gross Income Tax Act,” N.J.S.54A:1-1 et seq., in an amount equal
27 to contributions made to one or more accounts established pursuant
28 to the “New Jersey Better Educational Savings Trust (NJBEST)
29 Program,” N.J.S.18A:71B-35 et seq., up to \$600 for married
30 individuals filing a joint return for federal tax purposes or up to
31 \$300 for married individuals filing separately or unmarried
32 individuals.

33 b. The credit allowed pursuant to subsection a. of this section
34 shall not reduce the tax liability otherwise due for the taxable year
35 under the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et
36 seq. to an amount less than zero. The amount of any unused credit
37 resulting from the limitations of this subsection may be carried
38 forward, if necessary, to the seven taxable years following the
39 taxable year for which the credit was allowed. The form and
40 method of carryforward shall be as prescribed by the Director of the
41 Division of Taxation.

42
43 3. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
44 read as follows:

45 13. a. Gross income shall not include earnings on a Coverdell

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 education savings account, a **【qualified State】** tuition program
2 account, or a qualified ABLE account until the earnings are
3 distributed from the account, at which time **【they】** the amount of
4 the distribution attributable to earnings on the account and the
5 amount of the distribution attributable to contributions allowed as a
6 credit pursuant to section 2 of P.L. , c. (C.) (pending before the
7 Legislature as this bill) shall be includible in the gross income of
8 the distributee except as provided in this section.

9 b. Gross income shall not include qualified distributions as
10 defined in paragraph (3) of subsection c. of this section.

11 c. For purposes of this section:

12 (1) "Coverdell education savings account" means a Coverdell
13 education savings account as defined pursuant to paragraph (1) of
14 subsection (b) of section 530 of the federal Internal Revenue Code
15 of 1986, 26 U.S.C. s.530.

16 (2) **【Qualified State tuition】** Tuition program account" means
17 an account established pursuant to the "New Jersey Better
18 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35
19 et seq.) or an account established pursuant to any **【qualified State】**
20 tuition program **【**, as defined pursuant to**】** established in
21 compliance with 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
26 account that is used for qualified higher education expenses as
27 defined pursuant to paragraph (3) of subsection (e) of section 529 or
28 a 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, if applicable, clause (i) of subparagraph (C) of
35 paragraph (1) of subsection (c) of section 529A, or paragraph (5) of
36 subsection (d) of section 530 of the federal Internal Revenue Code
37 of 1986, 26 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.

47 (4) "Qualified ABLE account" means an account established
48 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account

1 established pursuant to any qualified State ABLE Program
2 established pursuant to section 529A of the federal Internal
3 Revenue Code of 1986, 26 U.S.C. s.529A.

4 d. The portion of a distribution from a Coverdell education
5 savings account, a qualified ABLE account, or a **qualified State**
6 tuition program account that is attributable to earnings and to
7 contributions allowed as a credit pursuant to section 2 of P.L. , c.
8 (C.) (pending before the Legislature as this bill) shall be
9 determined in accordance with the principles of section 72 of the
10 federal Internal Revenue Code of 1986, 26 U.S.C. s.72, as applied
11 for purposes of sections 529, 529A, and 530 of the federal Internal
12 Revenue Code of 1986, 26 U.S.C. ss.529, 529A, and 530.
13 (cf: P.L.2015, c.185, s.1)

14
15 4. This act shall take effect immediately and section 2 shall
16 apply to contributions made for taxable years beginning on or after
17 January 1 next following the date of enactment.

20 STATEMENT

21
22 This bill provides that a New Jersey Better Educational Savings
23 Trust (NJBEST) program account when it is initially opened will be
24 eligible for: (1) a one-time State grant of up to \$250 in a dollar-for-
25 dollar match of the initial deposit to the account; and (2) a one-time
26 State grant of \$50 if an automatic contribution plan is established
27 for the account. The Higher Education Student Assistance
28 Authority will promulgate rules related to the receipt of the grants,
29 including a minimum length of time for participation in the
30 NJBEST program in order to maintain eligibility for the grants.

31 The bill also allows a credit against an individual's gross income
32 tax for contributions to the NJBEST program. Under the bill,
33 married individuals filing a joint return will be eligible for a credit
34 of up to \$600 of the taxpayer's contributions for the taxable year,
35 and for married individuals filing separately or unmarried
36 individuals, the credit would be up to \$300 of the taxpayer's
37 contributions.

38 The NJBEST program is New Jersey's qualified college savings
39 program under section 529 of the federal Internal Revenue Code, 26
40 U.S.C. s.529. Federal tax law allows contributions of federally
41 taxed income to accounts established for the beneficiary's qualified
42 higher education expenses. Account investment earnings are not
43 federally taxed until withdrawn, and if the earnings are used for
44 qualified higher educational expenses, they are never taxed.
45 Currently, New Jersey matches those federal tax advantages.

46 This bill establishes several financial incentives for participation
47 in the NJBEST program as a means of assisting families in meeting
48 the escalating costs of higher education.