

# SENATE, No. 106

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## STATE OF NEW JERSEY 219th LEGISLATURE

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PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Senator NIA H. GILL**

**District 34 (Essex and Passaic)**

**Co-Sponsored by:**

**Senator Brown**

**SYNOPSIS**

Allows gross income tax deduction for certain student loan interest.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



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

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.

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.