

SENATE, No. 822

STATE OF NEW JERSEY
219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator JOSEPH A. LAGANA

District 38 (Bergen and Passaic)

Senator VIN GOPAL

District 11 (Monmouth)

SYNOPSIS

Provides gross income tax deductions for certain education loan payments made by certain taxpayers.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** providing gross income tax deductions for certain education
2 loan payments and supplementing Title 54A of the New Jersey
3 Statutes.

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

7
8 1. a. A taxpayer with New Jersey taxable income of less than
9 \$75,000 for a taxable year shall be allowed to deduct from gross
10 income an amount equal to the interest and principal paid by the
11 taxpayer during the taxable year on a qualified education loan.

12 b. A taxpayer with New Jersey taxable income of at least \$75,000,
13 but not more than \$150,000, for a taxable year shall be allowed to
14 deduct from gross income an amount equal to the interest paid by the
15 taxpayer during the taxable year on a qualified education loan.

16 c. In order to claim a deduction pursuant to this section, the
17 qualified education loan shall have been incurred for the education
18 of the taxpayer.

19 d. Except as otherwise required by this section, “qualified
20 education loan” shall have the meaning given that term in section 221
21 of the federal Internal Revenue Code (26 U.S.C. s.221).

22
23 2. a. A taxpayer with New Jersey taxable income of less than
24 \$100,000 for a taxable year shall be allowed to deduct from gross
25 income an amount equal to the interest and principal paid by the
26 taxpayer during the taxable year on a qualified education loan
27 incurred for the education of a dependent of the taxpayer, provided
28 that the dependent qualifies as a dependent for the taxable year in
29 which the deduction is taken.

30 b. A taxpayer with New Jersey taxable income of at least
31 \$100,000, but not more than \$175,000, for a taxable year shall be
32 allowed to deduct from gross income an amount equal to the interest
33 paid by the taxpayer during the taxable year on a qualified education
34 loan incurred for the education of a dependent of the taxpayer,
35 provided that the dependent qualifies as a dependent for the taxable
36 year in which the deduction is taken.

37 c. Except as otherwise required by this section, “qualified
38 education loan” shall have the meaning given that term in section 221
39 of the federal Internal Revenue Code (26 U.S.C.s.221). “Dependent”
40 shall have the meaning given that term in section 152 of the federal
41 Internal Revenue Code (26 U.S.C. s.152).

42
43 3. This act shall take effect immediately and apply to taxable
44 years beginning on or after the January 1 next following the date of
45 enactment.

STATEMENT

This bill provides gross income tax deductions for certain education loan payments made by taxpayers with New Jersey taxable income below certain specified thresholds. The deductions would be available to certain taxpayers that are making payments on qualified education loans incurred for their own education and for certain taxpayers that are making payments on qualified education loans incurred on behalf of a dependent of the taxpayer. The bill provides that the terms “qualified education loan” and “dependent,” except as otherwise required by the bill, have the meaning given those terms in identified sections of the Internal Revenue Code.

Specifically, a taxpayer with New Jersey taxable income of less than \$75,000 for the taxable year may deduct from gross income amounts paid as principal and interest on a qualified education loan, provided that the taxpayer was the student on whose behalf the loan was incurred. For taxpayers whose New Jersey taxable income is at least \$75,000, but not more than \$150,000, for a taxable year, the deduction would be in an amount equal to the interest paid by the taxpayer during the taxable year on a qualified education loan, provided that the taxpayer was the student on whose behalf the loan was incurred.

The bill also provides gross income tax deductions for certain taxpayers who make student loan payments on behalf of a dependent, provided that the dependent qualifies as a dependent for the taxable year in which the deduction is taken. Taxpayers with New Jersey taxable income of less than \$100,000 for a taxable year, could deduct an amount equal to the interest and principal paid by the taxpayer on a qualified education loan incurred on behalf of a dependent of the taxpayer. Taxpayers with New Jersey taxable income of at least \$100,000, but not more than \$175,000, for a taxable year, could deduct from gross income an amount equal to the interest paid by the taxpayer during the taxable year on a qualified education loan incurred for the education of a dependent.

The bill would apply to taxable years beginning on or after the January 1 next following enactment.