

SENATE, No. 917

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 27, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Allows gross income tax deduction for employees for amounts paid by employers for certain educational assistance programs for employees and for employee's student loans.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** allowing a deduction from employees gross income of
2 amounts paid by employers for certain educational assistance
3 programs for employees and for employee's student loans,
4 supplementing Title 54A of the New Jersey Statutes.

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

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9 1. A taxpayer may deduct from the taxpayer's gross income an
10 amount equal to the amounts paid or expenses incurred by the
11 employer of the taxpayer for the taxable year for education
12 assistance to the taxpayer as an employee of the employer during
13 that taxable year up to the amount of \$5,250 that is allowed to be
14 excluded for the taxable year from the taxpayer's computation of
15 federal taxable income for federal income tax purposes pursuant to
16 section 127 of the federal Internal Revenue Code of 1986, 26
17 U.S.C. s.127. The deduction allowed pursuant to this section may
18 be in addition to all other exemptions and deductions allowed the
19 taxpayer for the taxable year including the deduction allowed
20 pursuant to section 2 of P.L. , c. (C.) (pending before the
21 Legislature as this bill).

22
23 2. a. A taxpayer may deduct from the taxpayer's gross income
24 an amount equal to amounts paid or expenses incurred by the
25 employer of the taxpayer for the taxable year for qualified student
26 loan payment assistance to the taxpayer as an employee of the
27 employer during that taxable year up to the amount of \$5,250.

28 b. The deduction allowed pursuant to this section may be in
29 addition to all other exemptions and deductions allowed the
30 taxpayer for the taxable year including the deduction allowed
31 pursuant to section 1 of P.L. , c. (C.) (pending before the
32 Legislature as this bill).

33 c. As used in this section:

34 "Qualified higher education expense" means the cost of
35 attendance as defined in section 472 of the federal "Higher
36 Education Act of 1965," Pub.L.89 329 (20 U.S.C. s.1087l);

37 "Qualified student loan payment assistance" means amounts paid
38 or incurred by an employer under a plan for the exclusive benefit of
39 the employees of the employer to provide those employees with
40 student loan payment assistance; and

41 "Student loan payment assistance" means the payment of
42 principal or interest on any indebtedness incurred by an employee
43 for qualified higher education expenses incurred by the employee
44 for education furnished to the employee, and any indebtedness used
45 to refinance that indebtedness.

46
47 3. This act shall take effect immediately and sections 1 and 2
48 shall apply to taxable years beginning after the date of enactment.

STATEMENT

This bill allows a gross income tax deduction for employees for amounts paid by employers for certain educational assistance programs for employees and for employee's student loans. Making these forms of employer-provided assistance tax free under the New Jersey gross income tax can incentivize employers and employees to establish programs that provide a personal "financial wellness" benefit to employees without actually raising taxable salaries and wages. These forms of tax-free assistance can aid employees in meeting their current costs of pursuing their higher education goals while they hold a job, and can also help address high student debt burdens facing the college-educated workforce.

The deduction for certain educational expenses incurred pursuant to an educational assistance program will have to meet the requirements under the federal income tax exclusion allowed under section 127 of the federal Internal Revenue Code. The New Jersey gross income deduction for employees will be limited to the \$5,250 annual limit under the federal income tax exclusion. Tax-free educational assistance provided by an employer includes payments for tuition, fees, textbooks, and equipment. To qualify, the courses need not be work-related or be part of a degree program but cannot involve sports, games, or hobbies. The educational assistance program must be set out in a written plan offered by the employer. Payments for educational assistance compensate the employee for costs of certain coursework undertaken by the employee while employed by the employer, as opposed to student loan debt that the employee had already accrued.

Amounts paid by an employer toward an employee's student loan debt are taxable compensation for federal income tax purposes, and are taxable under the New Jersey gross income tax as taxable "salaries, wages, tips, fees, commissions, bonuses, and other remuneration received for services rendered." The New Jersey gross income deduction under this bill for employer-provided student loan assistance is modeled on one of several pending congressional bills that address student loan debt and federal income taxation. Under this gross income deduction, as under the federal legislation, this assistance includes the payment of principal or interest on student loan indebtedness incurred by an employee for higher education expenses. Under this bill, tax-free assistance will cover up to \$5,250 of assistance in a taxable year.

An employee is allowed to deduct both forms of assistance in a taxable year, up to their combined limits, along with other exemptions and deductions the taxpayer otherwise may be allowed to claim under other New Jersey gross income tax provisions.