

SENATE, No. 1289

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED FEBRUARY 10, 2020

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

SYNOPSIS

Allows gross income tax deductions for contributions to the New Jersey Better Educational Savings Trust (NJBEST) Program.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** allowing gross income tax deductions for contributions to
2 the New Jersey Better Educational Savings Trust (NJBEST)
3 Program, supplementing Title 54A of the New Jersey Statutes
4 and amending 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 taxpayer shall be allowed a deduction from
10 the taxpayer's gross income for the taxable year in the amount of the
11 taxpayer's contribution for the taxable year to one or more accounts
12 established pursuant to the "New Jersey Better Educational Savings
13 Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.); provided
14 however, that the deduction allowed for a taxable year shall not
15 exceed \$10,000 for a taxable year for married individuals filing a
16 joint return for federal tax purposes and shall not exceed \$5,000 for
17 a taxable year for married individuals filing separately or for
18 unmarried individuals.

19
20 2. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
21 read as follows:

22 13. a. Gross income shall not include earnings on a Coverdell
23 education savings account, a **【qualified State】** tuition program
24 account, or a qualified ABLE account until the earnings are
25 distributed from the account, at which time **【they】** the amount of
26 the distribution attributable to earnings on the account and the
27 amount of the distribution attributable to contributions allowed as a
28 deduction pursuant to section 1 of P.L. , c. (C.) (pending
29 before the Legislature as this bill) shall be includible in the gross
30 income of the distributee except as provided in this section.

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

33 c. For purposes of this section:

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

38 (2) **【Qualified State tuition】** Tuition program account" means
39 an account established pursuant to the "New Jersey Better
40 Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35
41 et seq.) or an account established pursuant to any **【qualified State】**
42 tuition program **【, as defined pursuant to】** established in
43 compliance with subsection (b) of section 529 of the federal
44 Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit
45 or certificate purchased pursuant to any such program.

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 (3) "Qualified distribution" means any of the following:

2 (a) a distribution from a **【qualified State】** tuition program
3 account that is used for qualified higher education expenses as
4 defined pursuant to paragraph (3) of subsection (e) of section 529 or
5 a distribution from a qualified ABLE account that is used for
6 qualified disability expenses as defined pursuant to paragraph (5) of
7 subsection (e) of section 529A of the federal Internal Revenue Code
8 of 1986, 26 U.S.C. s.529 or 529A;

9 (b) a rollover from one account to another account as described
10 in clause (i) of subparagraph (C) of paragraph (3) of subsection (c)
11 of section 529 if applicable, clause (i) of subparagraph (C) of
12 paragraph (1) of subsection (c) of section 529A, or paragraph (5) of
13 subsection (d) of section 530 of the federal Internal Revenue Code
14 of 1986, 26 U.S.C. s.529, 529A, or 530; or

15 (c) a change in designated beneficiaries of an account as
16 described in clause (ii) of subparagraph (C) of paragraph (3) of
17 subsection (c) of section 529, clause (ii) of subparagraph (C) of
18 paragraph (1) of subsection (c) of section 529A, or paragraph (6) of
19 subsection (d) of section 530 of the federal Internal Revenue Code
20 of 1986, 26 U.S.C. s.529, 529A, or 530; and

21 (d) any other transfer involving a qualified ABLE account
22 which is a qualified distribution for the purposes of section 529A of
23 the federal Internal Revenue Code, 26 U.S.C. s.529A.

24 (4) "Qualified ABLE account" means an account established
25 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account
26 established pursuant to any qualified State ABLE Program
27 established pursuant to section 529A of the federal Internal
28 Revenue Code of 1986, 26 U.S.C. s.529A.

29 d. The portion of a distribution from a Coverdell education
30 savings account, a qualified ABLE account, or a **【qualified State】**
31 tuition program account that is attributable to earnings and to
32 contributions allowed as a deduction pursuant to section 1 of
33 P.L. , c. (C.) (pending before the Legislature as this bill)
34 shall be determined in accordance with the principles of section 72
35 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.72, as
36 applied for purposes of sections 529, 529A, and 530 of the federal
37 Internal Revenue Code of 1986, 26 U.S.C. ss.529, 529A, and 530.
38 (cf: P.L.2015, c.185, s.2)

39
40 3. This act shall take effect immediately and section 1 shall
41 apply to contributions made or costs incurred for taxable years
42 beginning after enactment.

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45 STATEMENT

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47 This bill allows a gross income tax deduction for amounts
48 contributed to the New Jersey Better Educational Savings Trust

1 (NJBEST) Program.

2 NJBEST is New Jersey's IRS Section 529 qualified education
3 savings program. Federal tax law allows contributions of federally
4 taxed income to accounts established for the beneficiaries' qualified
5 education expenses. Initially, IRS Section 529 withdrawals are tax-
6 free as long as the funds are spent towards qualified higher
7 education expenses. However, a provision of the federal Tax Cuts
8 and Jobs Act, Pub.L.115-97, permits 529 plans to also be used for
9 up to \$10,000 per year in K-12 expenses.

10 Account investment earnings are not federally taxed until
11 withdrawn, and if the earnings are used for qualified educational
12 expenses they are never taxed. Currently, New Jersey matches those
13 federal tax advantages. Additionally, New Jersey currently allows
14 \$25,000 of NJBEST college savings to be excluded from a financial
15 need evaluation of the student, and awards students who pursue
16 higher education in New Jersey a scholarship of up to \$1,500 for
17 participating in the program. This bill provides further incentives
18 for college savings.

19 This bill allows a gross income tax deduction of up to \$10,000
20 annually for married couples filing jointly, \$5,000 annually for
21 other taxpayers, for contributions to one or more NJBEST accounts.