

ASSEMBLY, No. 1568

STATE OF NEW JERSEY

220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

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District 5 (Camden and Gloucester)

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District 6 (Burlington and Camden)

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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

Introduced Pending Technical Review by Legislative Counsel.



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:*

8
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 assistance
12 to the taxpayer as an employee of the employer during that taxable
13 year up to the amount of \$5,250 that is allowed to be excluded for the
14 taxable year from the taxpayer's computation of federal taxable
15 income for federal income tax purposes pursuant to section 127 of
16 the federal Internal Revenue Code of 1986, 26 U.S.C. s.127. The
17 deduction allowed pursuant to this section may be in addition to all
18 other exemptions and deductions allowed the taxpayer for the taxable
19 year including the deduction allowed pursuant to section 2 of P.L. ,
20 c. (C.) (pending before the Legislature as this bill).

21
22 2. a. A taxpayer may deduct from the taxpayer's gross income
23 an amount equal to amounts paid or expenses incurred by the
24 employer of the taxpayer for the taxable year for qualified student
25 loan payment assistance to the taxpayer as an employee of the
26 employer during that taxable year up to the amount of \$5,250.

27 b. As used in this section:

28 "qualified student loan payment assistance" means amounts paid
29 or incurred by an employer under a plan for the exclusive benefit of
30 the employees of the employer to provide those employees with
31 student loan payment assistance;

32 "student loan payment assistance" means the payment of principal
33 or interest on any indebtedness incurred by an employee for qualified
34 higher education expenses incurred by the employee for education
35 furnished to the employee, and any indebtedness used to refinance
36 that indebtedness; and

37 "qualified higher education expense" means the cost of attendance
38 as defined in section 472 of the federal "Higher Education Act of
39 1965," Pub.L.89 329 (20 U.S.C. s.1087ll).

40 c. The deduction allowed pursuant to this section may be in
41 addition to all other exemptions and deductions allowed the taxpayer
42 for the taxable year including the deduction allowed pursuant to
43 section 1 of P.L. , c. (C.) (pending before the Legislature
44 as this bill).

45
46 3. This act shall take effect immediately and sections 1 and 2
47 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.