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SYNOPSIS
Extends gross income tax medical expense deduction to certain cord blood banking services.

CURRENT VERSION OF TEXT
As introduced.
AN ACT extending the gross income tax’s medical expense deduction to apply to certain cord blood banking services, amending N.J.S.54A:3-3.

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

1. N.J.S.54A:3-3 is amended to read as follows:

54A:3-3. Medical expenses. (a) Each taxpayer shall be allowed to deduct from the taxpayer's gross income medical expenses for the taxpayer, the taxpayer's spouse, and the taxpayer's dependents with respect to such expenses that were paid during the taxable year and to the extent that such medical expenses exceed 2% of the taxpayer's gross income. In the case of a nonresident, gross income shall mean gross income which such nonresident would have reported if the taxpayer had been subject to tax during the entire taxable year as a resident.

(b) Special Rule for Decedents.

(1) Treatment of expenses paid after death. Expenses for the medical care of the taxpayer which are paid out of the taxpayer's estate during the one-year period beginning with the day after the day of the death shall be treated as paid by the taxpayer at the time incurred.

(2) Limitation. Paragraph (1) shall not apply if the amount paid is not allowable as a deduction in computing medical expense deductions for federal income tax purposes.

(c) Disallowance of amounts allowed for other purposes.

(1) Any expenses allowed as a deduction of expenses for household and dependent care services necessary for gainful employment shall not be allowed as an expense paid for medical care for purposes of this section.

(2) Any amounts paid or distributed out of a medical savings account that are excluded from gross income pursuant to section 5 of P.L.1997, c.414 (C.54A:6-27) shall not be allowed as an expense paid for medical care for purposes of this section.

(3) Any amounts allowed as a deduction for the health insurance costs of the self-employed pursuant to section 1 of PL.1999, c.222 (C.54A:3-5) shall not be allowed as an expense paid for medical care for purposes of this section.

(d) Other Medical Expenses.

For taxable years beginning on or after January 1, 2013, medical expenses shall include, but not be limited to, the amount paid by the taxpayer for umbilical cord blood banking services.

(e) Definitions.

As used in this section:

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.
“Qualified umbilical cord blood banking service provider” means a cord blood service using collection methods in compliance with N.J.A.C.8:8-13.10 or successor provisions concerning the licensure of cord blood services promulgated by the Commissioner of Health.

“Umbilical cord blood banking services” mean costs paid to a qualified umbilical cord blood banking service provider by the taxpayer for the collection and storage of umbilical cord blood from an umbilical cord associated with the taxpayer’s biological offspring or the taxpayer’s dependent’s biological offspring.

(cf: P.L.1999, c.222, s.2)

2. This act shall take effect immediately.

STATEMENT

This bill extends New Jersey’s gross income tax medical expense deduction to certain cord blood banking services. The purpose of the bill is to decrease the cost of cord blood banking for New Jersey gross income taxpayers and encourage the proliferation of cord blood banking service providers in New Jersey.

Generally, New Jersey’s medical expense deduction tracks the federal income tax deduction for determining what constitutes a qualified medical expense. There are indications from the federal Internal Revenue Service that cord blood banking service expenses, outside of the treatment of existing or imminent medical conditions, do not qualify as a deductible medical expense.

This bill extends New Jersey’s gross income tax deduction for medical expenses to cover cord blood banking service costs, whether undertaken as a precaution or for immediate use. More specifically, the bill makes costs paid by the taxpayer for the collection and storage of umbilical cord blood from a cord associated with the biological offspring of the taxpayer or the taxpayer’s dependent a qualified medical expense. The bill requires that the collection and storage services must be performed by a qualified provider in compliance with the Department of Health’s collection protocol for cord blood servicers.

The bill is scheduled to apply to taxable years beginning on or after January 1, 2013.