

SENATE, No. 1244

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 3, 2020

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

Senator THOMAS H. KEAN, JR.

District 21 (Morris, Somerset and Union)

SYNOPSIS

Exempts discharge of student loan debt of certain veterans through the federal Total and Permanent Disability discharge process from taxation under the gross income tax.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 10/29/2020)

1 AN ACT concerning the gross income tax treatment of certain
2 discharged student loan indebtedness of disabled veterans and
3 supplementing chapter 6 of Title 54A of the New Jersey Statutes.
4

5 BE IT ENACTED by the Senate and General Assembly of the State
6 of New Jersey:
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8 1. Gross income shall not include amounts discharged through
9 the Total and Permanent Disability discharge process of the United
10 States Department of Education for student loan indebtedness of a
11 taxpayer who is a totally and permanently disabled veteran. As
12 used herein, "totally and permanently disabled veteran" means an
13 individual who has been determined by the United States
14 Department of Veterans Affairs to have a service-connected
15 disability that is 100 percent disabling or to be totally disabled
16 based on an individual unemployability rating.
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18 2. This act shall take effect immediately.
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20

21 STATEMENT
22

23 This bill codifies the current New Jersey gross income tax
24 treatment of a specific type of cancellation of debt. Under current
25 law, discharge of indebtedness is not subject to New Jersey gross
26 income tax and is not reportable by the taxpayer.

27 This bill would codify that treatment as it applies specifically to
28 certain federal student loan indebtedness of a disabled veteran who
29 has had that debt discharged through the Total and Permanent
30 Disability discharge program of the U.S. Department of Education.
31 Cancellation of debt, including amounts discharged through the
32 federal Total and Permanent Disability discharge program, is not
33 currently subject to New Jersey gross income tax.

34 Total and Permanent Disability discharge relieves individuals
35 who can demonstrate that they are totally and permanently disabled
36 from having to repay certain federal student loans or comply with
37 certain teaching obligations associated with certain federal grants.