

SENATE, No. 526

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1996

By Senator BASSANO

1 AN ACT excluding certain employee retirement fund contributions
2 from gross income under the gross income tax, amending P.L.1983,
3 c.571.

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

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8 1. Section 2 of P.L.1983, c.571 (C.54A:6-21) is amended to read
9 as follows:

10 2. Contributions to certain employee trusts. Gross income shall
11 not include amounts contributed by an employer on behalf of and at
12 the election of an employee to a trust which is part of a qualified cash
13 or deferred arrangement which meets the requirements of [Section
14 401(k)] subsection (k) of section 401 of the [1954] federal Internal
15 Revenue Code of 1986, 26 U.S.C.§401, as amended, or contributions
16 to the federal Thrift Savings Fund which meet the requirements of
17 subsection (j) of section 7701 of the federal Internal Revenue Code of
18 1986, 26 U.S.C.§7701.

19 (cf: P.L.1983, c.571, s.2)

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21 2. This act shall take effect immediately and apply to taxable years
22 beginning on or after enactment.

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STATEMENT

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27 This bill excludes the payments that federal employees make into
28 their thrift savings plan fund from gross income subject to taxation
29 under the New Jersey gross income tax.

30 Private sector employees are permitted by section 401 of the federal
31 Internal Revenue Code to make arrangements with their employers to
32 divert part of their salaries to retirement funds. These "cash or
33 deferred arrangement" contributions have been exempt from taxation
34 under the New Jersey gross income tax since 1984. In 1986 Congress

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 established the Federal Employees Retirement System which allowed
2 federal employees to make federally tax deductible contributions to
3 their own retirement funds under a system very similar to (but not
4 identical with) that allowed under section 401 of the federal Internal
5 Revenue Code. The federal employee contributions are not exempt
6 from the gross income taxation. This bill would provide parity of
7 treatment for federal employees.

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12 Excludes certain federal employee retirement fund contributions from
13 gross income under the gross income tax.