

SENATE, No. 2280

STATE OF NEW JERSEY

INTRODUCED DECEMBER 1, 1997

By Senator CIESLA

1 **AN ACT** excluding certain federal employee discretionary retirement
2 fund contributions from gross income under the gross income tax,
3 amending P.L.1983, 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:

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not include amounts contributed by an employer on behalf of and at the election of an employee to a trust which is part of a qualified cash or deferred arrangement which meets the requirements of [Section 401(k)]subsection (k) of section 401 of the [1954] federal Internal Revenue Code of 1986, 26 U.S.C. s.401, as amended, or contributions to the federal Thrift Savings Fund established pursuant to 5 U.S.C. s.8437 which meet the requirements of subsection (j) of section 7701 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.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 federal employees' elective deferred compensation
28 from their gross income subject to taxation under the New Jersey
29 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 excluded 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 and allowed
2 federal employees to make contributions to the federal Thrift Savings
3 Plan under a system very similar to (but not identical with) that
4 allowed under section 401 of the federal Internal Revenue Code. The
5 federal employee contributions are not currently excluded from gross
6 income taxation. This bill would provide parity of treatment between
7 private sector employees and federal employees.

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12 Excludes federal employee Thrift Savings Plan contributions from
13 gross income under the gross income tax.