

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:

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. s.401, as amended, or contributions  
16 to the federal Thrift Savings Fund established pursuant to 5 U.S.C.  
17 s.8437 which meet the requirements of subsection (j) of section 7701  
18 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.