

[First Reprint]

## **ASSEMBLY, No. 12**

# **STATE OF NEW JERSEY**

## **219th LEGISLATURE**

INTRODUCED JUNE 16, 2021

**Sponsored by:**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Assemblyman JOHN F. MCKEON**

**District 27 (Essex and Morris)**

**Assemblywoman MILA M. JASEY**

**District 27 (Essex and Morris)**

**Assemblywoman ANGELA V. MCKNIGHT**

**District 31 (Hudson)**

**Assemblyman NICHOLAS CHIARAVALLOTI**

**District 31 (Hudson)**

**Senator DAWN MARIE ADDIEGO**

**District 8 (Atlantic, Burlington and Camden)**

**Senator SANDRA B. CUNNINGHAM**

**District 31 (Hudson)**

**Co-Sponsored by:**

**Assemblyman Johnson, Senators Ruiz and Turner**

**SYNOPSIS**

“New Jersey College Affordability Act”; appropriates \$10 million.

**CURRENT VERSION OF TEXT**

As reported by the Assembly Budget Committee on June 22, 2021, with amendments.

(Sponsorship Updated As Of: 6/24/2021)

1 AN ACT concerning tax deductions for certain educational  
 2 expenses, supplementing chapter 71B of Title 18A of the New  
 3 Jersey Statutes, chapter 3 of Title 54A of the New Jersey  
 4 Statutes, amending P.L.1997, c.237, and making an  
 5 appropriation.

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

9  
 10 <sup>1</sup>1. (New section) Sections 2 through 5 of P.L. , c. (C. )  
 11 (pending before the Legislature as this bill) shall be known and may be  
 12 cited as the “New Jersey College Affordability Act.”<sup>1</sup>  
 13

14 <sup>1</sup>**[1.] 2.**<sup>1</sup> (New section) a. A NJBEST account when it is  
 15 initially opened by a taxpayer with gross income of \$75,000 or less  
 16 shall be eligible for a one-time grant of up to \$750 in a dollar-for-  
 17 dollar match of the initial deposit to the account.

18 b. Notwithstanding the provisions of the “Administrative  
 19 Procedure Act,” P.L.1968, c.410 (C.52:14B -1 et seq.), to the  
 20 contrary, the authority may adopt, immediately upon filing with the  
 21 Office of Administrative Law, rules that the authority deems  
 22 necessary for the appropriate administration and implementation of  
 23 the provisions of this section, including, a minimum length of time  
 24 for participation in the NJBEST program in order to maintain  
 25 eligibility for the credit established pursuant to this section, which  
 26 rules shall be effective for a period not to exceed 360 days from the  
 27 date of the filing. The authority shall thereafter amend, adopt, or  
 28 readopt the rules in accordance with the requirements of P.L.1968,  
 29 c.410 (C.52:14B-1 et seq.).  
 30

31 <sup>1</sup>**[2.] 3.**<sup>1</sup> (New section) A taxpayer with gross income of  
 32 \$200,000 or less shall be allowed a deduction, not to exceed  
 33 \$10,000, from the taxpayer’s gross income for the taxable year in  
 34 the amount of the taxpayer’s contribution for the taxable year to an  
 35 account established pursuant to the “New Jersey Better Educational  
 36 Savings Trust Program,” (N.J.S.18A:71B-35 et seq.).  
 37

38 <sup>1</sup>**[3.] 4.**<sup>1</sup> (New section) A taxpayer with gross income of  
 39 \$200,000 or less shall be allowed a deduction, not to exceed \$2,500,  
 40 from the taxpayer’s gross income for the taxable year in the amount  
 41 of principal and interest payments paid on a student loan under the  
 42 New Jersey College Loans to Assist State Students Loan Program  
 43 established pursuant to N.J.S.18A:71C-21.  
 44

45 <sup>1</sup>**[4.] 5.**<sup>1</sup> (New section) a. A taxpayer with gross income of  
 46 \$200,000 or less shall be allowed a deduction, not to exceed

**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.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Assembly ABU committee amendments adopted June 22, 2021.

1 \$10,000, from the taxpayer's gross income for the taxable year in  
2 the amount the taxpayer paid to an in-State institution of higher  
3 education during the taxable year for tuition costs related to the  
4 taxpayer's enrollment or attendance at the institution of higher  
5 education or related to the enrollment or attendance of a spouse or  
6 dependent of the taxpayer at the institution.

7 b. As used in this section, "tuition costs" means the charges  
8 imposed by an in-State institution of higher education that are  
9 designated by the institution as the tuition costs required for the  
10 enrollment or attendance of the taxpayer or a spouse or dependent  
11 of the taxpayer at the institution.

12  
13 <sup>1</sup>~~5~~ <sup>6</sup>. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended  
14 to read as follows:

15 13. a. Gross income shall not include earnings on a Coverdell  
16 education savings account, a qualified **[State]** tuition program  
17 account, or a qualified ABLE account until the earnings are distributed  
18 from the account, at which time **[they]** the amount of the distribution  
19 attributable to earnings on the account and the amount of the  
20 distribution attributable to contributions allowed as a deduction  
21 pursuant to section <sup>1</sup>~~2~~ <sup>3</sup> of P.L. , c. (C. ) (pending before  
22 the Legislature as this bill) shall be includible in the gross income of  
23 the distributee except as provided in this section.

24 b. Gross income shall not include qualified distributions as  
25 defined in paragraph (3) of subsection c. of this section.

26 c. For purposes of this section:

27 (1) "Coverdell education savings account" means a Coverdell  
28 education savings account as defined pursuant to paragraph (1) of  
29 subsection (b) of section 530 of the federal Internal Revenue Code of  
30 1986, 26 U.S.C. s.530.

31 (2) "Qualified **[State]** tuition program account" means an account  
32 established pursuant to the "New Jersey Better Educational Savings  
33 Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.) or an account  
34 established pursuant to any qualified **[State]** tuition program, as  
35 defined pursuant to subsection (b) of section 529 of the federal Internal  
36 Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit or  
37 certificate purchased pursuant to any such program.

38 (3) "Qualified distribution" means any of the following:

39 (a) a distribution from a qualified **[State]** tuition program account  
40 that is used for qualified higher education expenses as defined  
41 pursuant to paragraph (3) of subsection (e) of section 529 or a  
42 distribution from a qualified ABLE account that is used for qualified  
43 disability expenses as defined pursuant to paragraph (5) of subsection  
44 (e) of section 529A of the federal Internal Revenue Code of 1986, 26  
45 U.S.C. s.529 or 529A;

46 (b) a rollover from one account to another account as described in  
47 clause (i) of subparagraph (C) of paragraph (3) of subsection (c) of

1 section 529, clause (i) of subparagraph (C) of paragraph (1) of  
 2 subsection (c) of section 529A, or paragraph (5) of subsection (d) of  
 3 section 530 of the federal Internal Revenue Code of 1986, 26 U.S.C.  
 4 s.529, 529A, or 530; or

5 (c) a change in designated beneficiaries of an account as described  
 6 in clause (ii) of subparagraph (C) of paragraph (3) of subsection (c) of  
 7 section 529, clause (ii) of subparagraph (C) of paragraph (1) of  
 8 subsection (c) of section 529A, or paragraph (6) of subsection (d) of  
 9 section 530 of the federal Internal Revenue Code of 1986, 26 U.S.C.  
 10 s.529, 529A, or 530; and

11 (d) any other transfer involving a qualified ABLE account which is  
 12 a qualified distribution for the purposes of section 529A of the federal  
 13 Internal Revenue Code, 26 U.S.C. s.529A.

14 (4) "Qualified ABLE account" means an account established  
 15 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account  
 16 established pursuant to any qualified State ABLE Program established  
 17 pursuant to section 529A of the federal Internal Revenue Code of  
 18 1986, 26 U.S.C. s.529A.

19 d. The portion of a distribution from a Coverdell education  
 20 savings account, a qualified ABLE account, or a qualified **[State]**  
 21 tuition program account that is attributable to earnings and the amount  
 22 of the distribution attributable to contributions allowed as a deduction  
 23 pursuant to section **'[2]** 3<sup>1</sup> of P.L. , c. (C. )(pending before  
 24 the Legislature as this bill) shall be determined in accordance with the  
 25 principles of section 72 of the federal Internal Revenue Code of 1986,  
 26 26 U.S.C. s.72, as applied for purposes of sections 529, 529A, and 530  
 27 of the federal Internal Revenue Code of 1986, 26 U.S.C. ss.529, 529A,  
 28 and 530.

29 (cf: P.L.2015, c.185, s.1)

30  
 31 **'[6.] 7**<sup>1</sup> There is appropriated from the General Fund to the  
 32 Higher Education Student Assistance Authority the sum of  
 33 \$10,000,000 for the credits established pursuant to section **'[1]** 2<sup>1</sup> of  
 34 P.L. , c. (C. ) (pending before the Legislature as this bill).  
 35

36 **'[7.] 8**<sup>1</sup> This act shall take effect immediately. Section **'[2]** 3<sup>1</sup>  
 37 of the bill shall apply to contributions made for taxable years  
 38 beginning after enactment. Section **'[3]** 4<sup>1</sup> of the bill shall apply to  
 39 principal and interest payments made for taxable years beginning  
 40 after enactment. Section **'[4]** 5<sup>1</sup> of the bill shall apply to payments  
 41 for tuition costs made for taxable years beginning after enactment.