

§§1,3-5  
C.54A:3-11 to  
54A:3-14  
§2  
C.18A:71B-42.1  
§7  
Approp.  
§8  
Note

(CORRECTED COPY)  
P.L. 2012, CHAPTER 128, *approved June 29, 2021*  
Assembly, No. 12 (*First Reprint*)

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

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.

the amount of the taxpayer's contribution for the taxable year to an account established pursuant to the "New Jersey Better Educational Savings Trust Program," (N.J.S.18A:71B-35 et seq.).

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

**1[4.] 5.**<sup>1</sup> (New section) a. A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$10,000, from the taxpayer's gross income for the taxable year in the amount the taxpayer paid to an in-State institution of higher education during the taxable year for tuition costs related to the taxpayer's enrollment or attendance at the institution of higher education or related to the enrollment or attendance of a spouse or dependent of the taxpayer at the institution.

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

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

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

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

c. For purposes of this section:

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

(2) "Qualified **[State]** tuition program account" means an account established pursuant to the "New Jersey Better Educational Savings Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.) or an account established pursuant to any qualified **[State]** tuition program, as

defined pursuant to subsection (b) of section 529 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.529 or a tuition credit or certificate purchased pursuant to any such program.

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

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

(b) a rollover from one account to another account as described in clause (i) of subparagraph (C) of paragraph (3) of subsection (c) of section 529, clause (i) of subparagraph (C) of paragraph (1) of subsection (c) of section 529A, or paragraph (5) of subsection (d) of section 530 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.529, 529A, or 530; or

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

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

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

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

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

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

1       <sup>1</sup>~~7.1~~ 8.<sup>1</sup> This act shall take effect immediately. Section <sup>1</sup>~~2~~ 3<sup>1</sup>  
2 of the bill shall apply to contributions made for taxable years  
3 beginning after enactment. Section <sup>1</sup>~~3~~ 4<sup>1</sup> of the bill shall apply to  
4 principal and interest payments made for taxable years beginning  
5 after enactment. Section <sup>1</sup>~~4~~ 5<sup>1</sup> of the bill shall apply to payments  
6 for tuition costs made for taxable years beginning after enactment.

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