

SENATE, No. 3997

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JUNE 21, 2021

Sponsored by:

Senator DAWN MARIE ADDIEGO
District 8 (Atlantic, Burlington and Camden)
Senator SANDRA B. CUNNINGHAM
District 31 (Hudson)

Co-Sponsored by:

Senators Ruiz and Turners

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.



(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 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
12 be cited as the “New Jersey College Affordability Act.”

13
14 2. (New section) a. A NJBEST account when it is initially
15 opened by a taxpayer with gross income of \$75,000 or less shall be
16 eligible for a one-time grant of up to \$750 in a dollar-for-dollar
17 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 3. (New section) A taxpayer with gross income of \$200,000 or
32 less shall be allowed a deduction, not to exceed \$10,000, from the
33 taxpayer’s gross income for the taxable year in the amount of the
34 taxpayer’s contribution for the taxable year to an account
35 established pursuant to the “New Jersey Better Educational Savings
36 Trust Program,” (N.J.S.18A:71B-35 et seq.).

37
38 4. (New section) A taxpayer with gross income of \$200,000 or
39 less shall be allowed a deduction, not to exceed \$2,500, from the
40 taxpayer’s gross income for the taxable year in the amount of
41 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 5. (New section) a. A taxpayer with gross income of \$200,000

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.

1 or less shall be allowed a deduction, not to exceed \$10,000, from
2 the taxpayer's gross income for the taxable year in the amount the
3 taxpayer paid to an in-State institution of higher education during
4 the taxable year for tuition costs related to the taxpayer's
5 enrollment or attendance at the institution of higher education or
6 related to the enrollment or attendance of a spouse or dependent of
7 the taxpayer at the institution.

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

13
14 6. Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended to
15 read as follows:

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

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

27 c. For purposes of this section:

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

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

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

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

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

1 of 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
4 U.S.C. s.529, 529A, or 530; or

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

11 (d) any other transfer involving a qualified ABLE account
12 which is a qualified distribution for the purposes of section 529A of
13 the federal 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
17 established pursuant to section 529A of the federal Internal
18 Revenue Code of 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
22 amount of the distribution attributable to contributions allowed as a
23 deduction pursuant to section 3 of P.L. , c. (C.)(pending
24 before the Legislature as this bill) shall be determined in accordance
25 with the principles of section 72 of the federal Internal Revenue
26 Code of 1986, 26 U.S.C. s.72, as applied for purposes of sections
27 529, 529A, and 530 of the federal Internal Revenue Code of 1986,
28 26 U.S.C. ss.529, 529A, and 530.

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

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

35
36 8. This act shall take effect immediately. Section 3 of the bill
37 shall apply to contributions made for taxable years beginning after
38 enactment. Section 4 of the bill shall apply to principal and interest
39 payments made for taxable years beginning after enactment.
40 Section 5 of the bill shall apply to payments for tuition costs made
41 for taxable years beginning after enactment.

42 43 44 STATEMENT

45
46 This bill, to be cited as the "New Jersey College Affordability
47 Act," provides that a New Jersey Better Educational Savings Trust
48 (NJBEST) program account when it is initially opened by a

1 taxpayer with gross income of \$75,000 or less will be eligible for a
2 one-time grant of up to \$750 in a dollar-for-dollar match of the
3 initial deposit to the account.

4 The bill allows a gross income tax deduction for taxpayers with
5 gross income of \$200,000 or less in the amounts contributed to an
6 account established under the New Jersey Better Educational
7 Savings Trust (NJBEST) Program. The bill limits the deduction,
8 however, to \$10,000 in contributions.

9 Section 529 of the federal Internal Revenue Code allows states to
10 establish qualified tuition programs under which individuals can
11 make contributions to accounts established for beneficiaries for the
12 beneficiaries' qualified higher education expenses. The NJBEST
13 Program is New Jersey's State-sponsored 529 plan.

14 The bill also allows a taxpayer with gross income of \$200,000 or
15 less to deduct from gross income the amount of principal and
16 interest payments paid on a student loan under the New Jersey
17 College Loans to Assist State Students (NJCLASS) Loan Program,
18 not to exceed \$2,500.

19 Lastly, the bill allows a taxpayer with gross income of \$200,000
20 or less to deduct from gross income the amounts paid by the
21 taxpayer to an in-State or out-of-State institution of higher
22 education for tuition costs related to the taxpayer's enrollment or
23 attendance at the institution of higher education or related to the
24 enrollment or attendance of a spouse or dependent of the taxpayer at
25 the institution. Under the bill, the deduction would not exceed
26 \$10,000.