

CHAPTER 128

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

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.54A:3-11 Short title.

1. Sections 2 through 5 of P.L.2021, c.128 (C.18A:71B-42.1 et al.) shall be known and may be cited as the “New Jersey College Affordability Act.”

C.18A:71B-42.1 One-time grant; rules.

2. a. A NJBEST account when it is initially opened by a taxpayer with gross income of \$75,000 or less shall be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the account.

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

C.54A:3-12 Allowable deduction in the amount of taxpayer’s contribution.

3. 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 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.).

C.54A:3-13 Allowable deduction in the amount of student loan principal, interest payments.

4. 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.

C.54A:3-14 Allowable deduction in the amount of higher education tuition costs.

5. 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.

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

C.54A:6-25 Certain earnings, distributions excluded from gross income.

13. a. Gross income shall not include earnings on a Coverdell education savings account, a qualified tuition program account, or a qualified ABLE account until the earnings are distributed from the account, at which time 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 3 of P.L.2021, c.128 (C.54A:3-12) 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 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 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 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 tuition program account that is attributable to earnings and the amount of the distribution attributable to contributions allowed as a deduction pursuant to section 3 of P.L.2021, c.128 (C.54A:3-12) 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.

7. 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 2 of P.L.2021, c.128 (C.18A:71B-42.1).

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

Approved June 29, 2021.