

18A:66-190

LEGISLATIVE HISTORY CHECKLIST

(College faculty--alternate benefits program--permit tax sheltering of more than 10% of retirement savings)

NJSA 18A:66-190

LAWS 1981

CHAPTER 39

Bill No. A1875

Sponsor(s) Cowan

Date Introduced June 26, 1980

Committee: Assembly Education

Senate State Govt., Federal & Interstate Relations & Veterans Affairs

Amended during passage **Yes** **No**

Date of Passage: Assembly Sept. 29, 1980

Senate Jan. 26, 1981

Date of approval Feb. 12, 1981

Following statements are attached if available:

Sponsor statement **Yes** **No**

Committee Statement: Assembly **Yes** **No**

Senate **Yes** **No**

Fiscal Note **Yes** **No**

Veto Message **Yes** **No**

Message on signing **Yes** **No**

Following were printed:

Reports **Yes** **No**

Hearings **Yes** **No**

ASSEMBLY, No. 1875

STATE OF NEW JERSEY

INTRODUCED JUNE 26, 1980

By Assemblyman COWAN

Referred to Committee on Education

AN ACT concerning higher education in relation to certain annuities,  
and amending P. L. 1969, c. 242.

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

1 1. Section 24 of P. L. 1969, c. 242 (C. 18A:66-190) is amended  
2 to read as follows:

3 24. The Board of Trustees of the New Jersey College of Medicine  
4 and Dentistry, the Board of Governors of Rutgers, The State Uni-  
5 versity, the Board of Trustees of the [Newark College of Engineer-  
6 ing] *New Jersey Institute of Technology* and the Board of Higher  
7 Education on behalf of the Department of Higher Education, the  
8 State and county colleges, are hereby authorized to enter into  
9 agreement with each employee participating in the alternate benefit  
10 program whereby the employee agrees to take a reduction in salary  
11 with respect to amounts earned after the effective date of such  
12 agreement in return for the agreement of the respective institution  
13 to use a corresponding amount to purchase an annuity for such  
14 employee so as to obtain the benefits afforded under section 403(b)  
15 of the Federal Internal Revenue Code, as amended. Any such  
16 agreement shall specify the amount of such reduction, the effective  
17 date thereof, and shall be legally binding and irrevocable with  
18 respect to amounts earned while the agreement is in effect; pro-  
19 vided, however, that such agreement may be terminated after it has  
20 been in effect for a period of not less than 1 year upon notice in  
21 writing by either party, and provided further that not more than  
22 one such agreement shall be entered into during any taxable year  
23 of the employee. For the purposes of this section, any annuity or  
24 other contract which meets the requirements of section 403(b) of  
25 the Federal Internal Revenue Code, as amended, may be utilized.  
26 The amount of the reduction in salary under any agreement entered

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

27 into between the institutions and any employee pursuant to this  
28 section shall not exceed [10% of the employee's salary prior to  
29 such reduction] *the limitations set forth in P. L. 93-406 (Employ-*  
30 *ment Retirement Income Security Act of 1974 and Section 415(c)*  
31 *of the Internal Revenue Code of 1954 as amended for such year).*

1 2. This act shall take effect immediately.

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#### STATEMENT

The Alternate Benefit Program is the retirement program for public college and university faculty and administrators in New Jersey. Under the program, participants can tax shelter a percentage of their retirement savings. That percentage is currently restricted by State statute to 10% of the employees salary. This limitation was identical to the limitation in the Internal Revenue Code when the statute was enacted in 1969. Since that time, however, the Internal Revenue Code has been amended and now allows a significantly higher percentage. This legislation would remove the State limitation and tie the State law to whatever the Internal Revenue Code provides. An identical amendment was made for public school teachers in 1977 (P. L. 1977, c. 187) but college faculty were inadvertently omitted in that legislation. There is no cost to the State associated with this legislation.

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A1875 (1981)

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1875

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 1980

PROVISIONS:

Assembly Bill No. 1875 permits public college and university faculty and administrators to tax shelter the same percentage of their salary as is allowed by the Internal Revenue Code.

BACKGROUND:

Currently, State college and university faculty and administrators may only place 10% of their salary in a tax shelter although the IRS Code has been changed to permit a higher amount to be sheltered. Assembly Bill No. 1875 will delete the current 10% limitation in statute and tie the New Jersey limitation to the IRS Code limitation. The statutes have already been changed for elementary and secondary school teachers so that they may shelter an amount equal to the IRS limitation.

The Assembly Education Committee endorses the provisions of Assembly Bill No. 1875.

SENATE STATE GOVERNMENT, FEDERAL AND  
INTERSTATE RELATIONS AND VETERANS AFFAIRS  
COMMITTEE

STATEMENT TO  
ASSEMBLY, No. 1875

STATE OF NEW JERSEY

DATED: DECEMBER 11, 1980

ASSEMBLY EDUCATION COMMITTEE STATEMENT

PROVISIONS:

Assembly Bill No. 1875 permits public college and university faculty and administrators to tax shelter the same percentage of their salary as is allowed by the Internal Revenue Code.

BACKGROUND:

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SENATE COMMITTEE COMMENT:

The Division of Pensions recommends approval of this legislation "to provide uniformity of treatment between groups of public employees."

FEBRUARY 13, 1981

A-1555, sponsored by John Paul Doyle (D-Ocean), which amends various technical portions of the Banking Act of 1948 allowing banks to increase the amount of an advance loan and the interest rate charged on such a loan. This legislation primarily affects loans such as cash advance or bounce-free checking accounts where loans are advanced automatically upon receipt of a customer's personal check. The legislation allows the interest rates charged on these loans to reflect current interest rates.

A-1647, sponsored by Alan J. Karcher (D-Middlesex), which revises the law to eliminate two levels of proceedings and allows a municipal judge to extend an existing driver's license suspension when that driver is found to be driving while on the revoked list. Before the revision an extension of the original suspension required administrative action by the Division of Motor Vehicles.

A-1875, sponsored by Thomas F. Cowan (D-Hudson), which amends the law governing the Alternate Benefit Program for public college and university faculty and administrators to increase the amount of tax-sheltered annuity to the maximum allowed by the U.S. Internal Revenue Code.

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