

18A:66-127

LEGISLATIVE HISTORY CHECKLIST

(Board of Education-provides investment alternative for tax shelter salary reduction agreement)

NJSA 18A:66-127

LAWS 1981

CHAPTER 550

Bill No. A3571

Sponsor(s) L. Brown

Date Introduced June 29, 1981

Committee: Assembly Education

Senate Education

Amended during passage YesX No

Date of Passage: Assembly Dec. 3, 1981

Senate Jan. 11, 1982

Date of approval Jan. 12, 1982

Following statements are attached if available:

Sponsor statement Yes No

Committee Statement: Assembly Yes No

Senate Yes No

Fiscal Note YesX No

Veto Message YesX No

Message on signing YesX No

Following were printed:

Reports YesX No

Hearings YesXXX No

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6/22/81

CHAPTER 350 LAWS OF N. J. 1981
APPROVED 1-12-82

ASSEMBLY, No. 3571

STATE OF NEW JERSEY

INTRODUCED JUNE 29, 1981

By Assemblywomen BROWN, MUEHLER, Assemblymen
BURNSTEIN and DORIA

Referred to Committee on Education

AN ACT concerning certain salary reduction agreements between
boards of education and their employees and amending N. J. S.
18A:66-127.

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

1 1. N. J. S. 18A:66-127 is amended to read as follows:

2 18A:66-127. Any board of education may enter into an agree-
3 ment with any of its employees whereby the employee agrees to
4 take a reduction in salary with respect to amounts earned after
5 the effective date of such agreement in return for the board's agree-
6 ment to use a corresponding amount to purchase [an annuity]
7 for [such] the employee an annuity, as defined by N. J. S. 17B:17-5,
8 from any company authorized to [transact the business of making
9 insurance as specified in subsection c. of R. S. 17:17-1] sell such
10 annuities under the provisions of Title 17B of the New Jersey
11 Statutes, or to invest in a custodial account for the employee
12 through a broker-dealer or agent registered pursuant to the pro-
13 visions of sections 9 and 10 of the "Uniform Securities Law (1967),"
14 P. L. 1967, c. 93 (C. 49:3-56 and C. 49:3-57).

15 [Such] Any such annuity shall be purchased by means of an
16 individual or group annuity contract which may provide for con-
17 tinuance of purchase payments during total disability, and under
18 which the rights of such employee to such contract shall be non-
19 forfeitable. Any such custodial account shall be established in
20 accordance with and maintained to meet the requirements of section
21 403 (b) (7) of the Federal Internal Revenue Code of 1954 as
22 amended. Every such agreement shall specify the amount of such
23 reduction, the effective date thereof, and shall be legally binding
24 and irrevocable with respect to the amounts earned while the

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

25 agreement is in effect. The total amount of the reductions in an
26 employee's salary pursuant hereto, for any calendar year, shall not,
27 when added to the contributions made in such year on behalf of
28 such employee in accordance with section 7 of P. L. 1963, c. 123
29 (C. 52:18A-113), exceed the limitations set forth in P. L. 93-406
30 (Employment Retirement Income Security Act of 1974) and Section
31 415 (c) of the Internal Revenue Code of 1954 as amended for such
32 year. Any such agreement may be terminated upon notice in writ-
33 ing by either party.

1 2. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to provide an investment alternative to any local board of education and its employees wishing to enter into a tax sheltering salary reduction agreement authorized under section 403 (b) of the Federal Internal Revenue Code. Current State law restricts the form of employer payments under such agreements to purchases of annuities from insurance companies. This bill would permit implementation of the agreements through employer contributions to a custodial account for investment in the stock of regulated investment companies (mutual funds). The Internal Revenue Code was amended in 1974 to authorize this form of investment under these agreements.

A3571 (1981)

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3571

STATE OF NEW JERSEY

DATED: NOVEMBER 30, 1981

PROVISIONS:

Assembly Bill No. 3571 permits a local board of education, at the request of an employee, to reduce the employee's salary for the purpose of purchasing an amount of mutual funds equal to the reduction in salary.

BACKGROUND:

Currently, local boards of education may only purchase insurance company annuities for board employees. State law does not permit boards to make contributions for investment in the stock of regulated investment companies (mutual funds), although the Internal Revenue Code has permitted this form of tax sheltering since 1974. Assembly Bill No. 3571 amends the current statute to permit boards to purchase tax sheltered investments in mutual funds for local board employees.

The Assembly Education Committee endorses the concept of tax sheltering a portion of a staff member's salary, at their request.

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SENATE EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3571

STATE OF NEW JERSEY

DATED: DECEMBER 7, 1981

The Senate Education Committee favorably reports this bill and endorses the Assembly Education Committee Statement which reads as follows:

PROVISIONS:

Assembly Bill No. 3571 permits a local board of education, at the request of an employee, to reduce the employee's salary for the purpose of purchasing an amount of mutual funds equal to the reduction in salary.

BACKGROUND:

Currently, local boards of education may only purchase insurance company annuities for board employees. State law does not permit boards to make contributions for investment in the stock of regulated investment companies (mutual funds), although the Internal Revenue Code has permitted this form of tax sheltering since 1974. Assembly Bill No. 3571 amends the current statute to permit boards to purchase tax sheltered investments in mutual funds for local board employees.

The Assembly Education Committee endorses the concept of tax sheltering a portion of a staff member's salary, at their request.

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