

54A:3-11 to 54A:3-14; 18A:71B-42.1 et al
LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2021 **CHAPTER:** 128

NJSA: 54A:3-11 to 54A:3-14; 18A:71B-42.1 et al ("New Jersey College Affordability Act"; appropriates \$10 million.)

BILL NO: A12 (Substituted for S3997)

SPONSOR(S) Coughlin, Craig J. and others

DATE INTRODUCED: 6/16/2021

COMMITTEE: **ASSEMBLY:** Budget

SENATE: ---

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** 6/24/2021

SENATE: 6/24/2021

DATE OF APPROVAL: 6/29/2021

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint enacted) Yes

A12

INTRODUCED BILL (INCLUDES SPONSOR'S STATEMENT): Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

S3997

INTRODUCED BILL (INCLUDES SPONSOR'S STATEMENT): Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

RH/CL

§§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 ¹1. (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.”¹
13

14 ¹**[1.]** 2.¹ (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 ¹**[2.]** 3.¹ (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:

¹Assembly ABU committee amendments adopted June 22, 2021.

1 the amount of the taxpayer's contribution for the taxable year to an
2 account established pursuant to the "New Jersey Better Educational
3 Savings Trust Program," (N.J.S.18A:71B-35 et seq.).
4

5 **¹[3.] 4.¹ (New section) A taxpayer with gross income of
6 \$200,000 or less shall be allowed a deduction, not to exceed \$2,500,
7 from the taxpayer's gross income for the taxable year in the amount
8 of principal and interest payments paid on a student loan under the
9 New Jersey College Loans to Assist State Students Loan Program
10 established pursuant to N.J.S.18A:71C-21.
11**

12 **¹[4.] 5.¹ (New section) a. A taxpayer with gross income of
13 \$200,000 or less shall be allowed a deduction, not to exceed
14 \$10,000, from the taxpayer's gross income for the taxable year in
15 the amount the taxpayer paid to an in-State institution of higher
16 education during the taxable year for tuition costs related to the
17 taxpayer's enrollment or attendance at the institution of higher
18 education or related to the enrollment or attendance of a spouse or
19 dependent of the taxpayer at the institution.**

20 b. As used in this section, "tuition costs" means the charges
21 imposed by an in-State institution of higher education that are
22 designated by the institution as the tuition costs required for the
23 enrollment or attendance of the taxpayer or a spouse or dependent
24 of the taxpayer at the institution.
25

26 **¹[5] 6.¹ Section 13 of P.L.1997, c.237 (C.54A:6-25) is amended
27 to read as follows:**

28 13. a. Gross income shall not include earnings on a Coverdell
29 education savings account, a qualified **[State]** tuition program
30 account, or a qualified ABLE account until the earnings are distributed
31 from the account, at which time **[they]** the amount of the distribution
32 attributable to earnings on the account and the amount of the
33 distribution attributable to contributions allowed as a deduction
34 pursuant to section ¹[2] 3¹ of P.L. , c. (C.) (pending before
35 the Legislature as this bill) shall be includible in the gross income of
36 the distributee except as provided in this section.

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

39 c. For purposes of this section:

40 (1) "Coverdell education savings account" means a Coverdell
41 education savings account as defined pursuant to paragraph (1) of
42 subsection (b) of section 530 of the federal Internal Revenue Code of
43 1986, 26 U.S.C. s.530.

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

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

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

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

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

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

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

27 (4) "Qualified ABLE account" means an account established
 28 pursuant to P.L.2015, c.185 (C.52:18A-250 et al.) or an account
 29 established pursuant to any qualified State ABLE Program established
 30 pursuant to section 529A of the federal Internal Revenue Code of
 31 1986, 26 U.S.C. s.529A.

32 d. The portion of a distribution from a Coverdell education
 33 savings account, a qualified ABLE account, or a qualified **[State]**
 34 tuition program account that is attributable to earnings and the amount
 35 of the distribution attributable to contributions allowed as a deduction
 36 pursuant to section ¹**[2]** ³ of P.L. , c. (C.)(pending before
 37 the Legislature as this bill) shall be determined in accordance with the
 38 principles of section 72 of the federal Internal Revenue Code of 1986,
 39 26 U.S.C. s.72, as applied for purposes of sections 529, 529A, and 530
 40 of the federal Internal Revenue Code of 1986, 26 U.S.C. ss.529, 529A,
 41 and 530.

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

43
 44 ¹**[6.]** ^{7.} There is appropriated from the General Fund to the
 45 Higher Education Student Assistance Authority the sum of
 46 \$10,000,000 for the credits established pursuant to section ¹**[1]** ² of
 47 P.L. , c. (C.) (pending before the Legislature as this bill).

1 ¹~~7.1~~ 8.¹ This act shall take effect immediately. Section ¹~~2~~ 3¹
2 of the bill shall apply to contributions made for taxable years
3 beginning after enactment. Section ¹~~3~~ 4¹ of the bill shall apply to
4 principal and interest payments made for taxable years beginning
5 after enactment. Section ¹~~4~~ 5¹ of the bill shall apply to payments
6 for tuition costs made for taxable years beginning after enactment.

7

8

9

10

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

ASSEMBLY, No. 12

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JUNE 16, 2021

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblywoman ANGELA V. MCKNIGHT

District 31 (Hudson)

Assemblyman NICHOLAS CHIARAVALLOTTI

District 31 (Hudson)

SYNOPSIS

Provides State grants for new accounts opened under New Jersey Better Educational Savings Trust (NJBEST) program; allows tax deductions for contributions to NJBEST accounts, certain tuition payments, and certain student loan payments; appropriates \$10 million.

CURRENT VERSION OF TEXT

As introduced.



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

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

26

27 2. (New section) A taxpayer with gross income of \$200,000 or
28 less shall be allowed a deduction, not to exceed \$10,000, from the
29 taxpayer’s gross income for the taxable year in the amount of the
30 taxpayer’s contribution for the taxable year to an account
31 established pursuant to the “New Jersey Better Educational Savings
32 Trust Program,” (N.J.S.18A:71B-35 et seq.).

33

34 3. (New section) A taxpayer with gross income of \$200,000 or
35 less shall be allowed a deduction, not to exceed \$2,500, from the
36 taxpayer’s gross income for the taxable year in the amount of
37 principal and interest payments paid on a student loan under the
38 New Jersey College Loans to Assist State Students Loan Program
39 established pursuant to N.J.S.18A:71C-21.

40

41 4. (New section) a. A taxpayer with gross income of \$200,000
42 or less shall be allowed a deduction, not to exceed \$10,000, from
43 the taxpayer’s gross income for the taxable year in the amount the
44 taxpayer paid to an in-State institution of higher education during
45 the taxable year for tuition costs related to the taxpayer’s
46 enrollment or attendance at the institution of higher education or

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 related to the enrollment or attendance of a spouse or dependent of
2 the taxpayer at the institution.

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

8

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

11 13. a. Gross income shall not include earnings on a Coverdell
12 education savings account, a qualified **【State】** tuition program
13 account, or a qualified ABLE account until the earnings are
14 distributed from the account, at which time **【they】** the amount of
15 the distribution attributable to earnings on the account and the
16 amount of the distribution attributable to contributions allowed as a
17 deduction pursuant to section 2 of P.L. , c. (C.) (pending
18 before the Legislature as this bill) shall be includible in the gross
19 income of the distributee except as provided in this section.

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

22 c. For purposes of this section:

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

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

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

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

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

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

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

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

15 d. The portion of a distribution from a Coverdell education
16 savings account, a qualified ABLE account, or a qualified **[State]**
17 tuition program account that is attributable to earnings and the
18 amount of the distribution attributable to contributions allowed as a
19 deduction pursuant to section 2 of P.L. , c. (C.)(pending
20 before the Legislature as this bill) shall be determined in accordance
21 with the principles of section 72 of the federal Internal Revenue
22 Code of 1986, 26 U.S.C. s.72, as applied for purposes of sections
23 529, 529A, and 530 of the federal Internal Revenue Code of 1986,
24 26 U.S.C. ss.529, 529A, and 530.

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

26
27 6. There is appropriated from the General Fund to the Higher
28 Education Student Assistance Authority the sum of \$10,000,000 for
29 the credits established pursuant to section 1 of P.L. , c. (C.)
30 (pending before the Legislature as this bill).

31
32 7. This act shall take effect immediately. Section 2 of the bill
33 shall apply to contributions made for taxable years beginning after
34 enactment. Section 3 of the bill shall apply to principal and interest
35 payments made for taxable years beginning after enactment.
36 Section 4 of the bill shall apply to payments for tuition costs made
37 for taxable years beginning after enactment.

38
39
40 STATEMENT

41
42 This bill provides that a New Jersey Better Educational Savings
43 Trust (NJBEST) program account when it is initially opened by a
44 taxpayer with gross income of \$75,000 or less will be eligible for a
45 one-time grant of up to \$750 in a dollar-for-dollar match of the
46 initial deposit to the account.

47 The bill allows a gross income tax deduction for taxpayers with
48 gross income of \$200,000 or less in the amounts contributed to an

1 account established under the New Jersey Better Educational
2 Savings Trust (NJBEST) Program. The bill limits the deduction,
3 however, to \$10,000 in contributions.

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

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

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

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 12

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2021

The Assembly Budget Committee reports favorably Assembly Bill No. 12, with committee amendments.

As amended, this bill, which is to be cited as the “New Jersey College Affordability Act,” provides that a New Jersey Better Educational Savings Trust (NJBEST) program account when it is initially opened by a taxpayer with gross income of \$75,000 or less will be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the account.

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

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

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

Lastly, the bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

COMMITTEE AMENDMENTS:

The committee amended the bill to provide the short title designation of the “New Jersey College Affordability Act.”

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 12 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JUNE 30, 2021

SUMMARY

- Synopsis:** “New Jersey College Affordability Act”; appropriates \$10 million.
- Type of Impact:** Annual State revenue loss. Annual State expenditure increase.
- Agencies Affected:** Department of the Treasury and Higher Education Student Assistance Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Annual State Revenue Loss	Between \$87.2 million and \$105.9 million		
State Expenditure Increase	\$10 million	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) determines that the tax deductions established under this bill would result in a total annual State revenue loss ranging between \$87.2 million and \$105.9 million.
- The bill would also increase State expenditures by \$10 million in FY 2022 to provide one-time grants of up to \$750 to taxpayers with gross income of \$75,000 or less in a dollar-for-dollar match of an initial deposit into a New Jersey Better Educational Savings Trust (NJBEST) program account.

BILL DESCRIPTION

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

The bill allows a gross income tax deduction for taxpayers with gross income of \$200,000 or less in the amounts contributed to an account established under the NJBEST program. The bill limits the deduction, however, to \$10,000 in contributions.

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

Lastly, the bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal fiscal note on this bill. However, a press release from the Office of the Governor provides the following estimates: approximately \$16 million in foregone revenue for the NJBEST tax deduction established under the bill; approximately \$67 million in foregone revenue for the tax deduction for in-State tuition payments established under the bill; and approximately \$4 million in foregone revenue for the NJCLASS tax deduction established under the bill.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that the tax deductions established under this bill would result in a total annual State revenue loss ranging between \$87.2 million and \$105.9 million. Specifically, the OLS finds that: the tax deduction for NJBEST account contributions would result in annual State revenue losses of between \$9.5 million and \$11.7 million; the tax deduction for tuition payments at in-State institutions of higher education would result in annual State revenue losses of between \$71.2 and \$82.4 million; and the tax deduction for principal and interest payments on NJCLASS loans would result in annual State revenue losses of between \$6.5 million and \$11.9 million.

Tax Deduction for NJBEST Account Contributions

This bill establishes a gross income tax (GIT) deduction for taxpayers with gross income of \$200,000 or less in the amounts contributed to an NJBEST program account, up to \$10,000 in contributions. To estimate the impact of this provision of the bill, the OLS first estimated the amount of NJBEST contributions that may be deductible under the bill. While the OLS did not have access to information that explicitly detailed the amount of contributions that could be deductible under the bill, previous information shared by the Higher Education Student Assistance Authority on a different bill that would have provided up to \$5,000 in GIT deductions for NJBEST contributions indicated that \$136.5 million in tax year 2018 contributions would have been eligible for that bill's deduction. Given that this bill provides a deduction for up to \$10,000 in annual contributions, the OLS first assumes that \$273 million in contributions would be deductible when prior to factoring in the bill's \$200,000 income limit. From there, the OLS allocates the estimated contribution amount in proportion to the distribution of tax returns filed for tax year 2016 by taxpayers with different filing statuses. The allocation is derived from information contained in the "Tax Year 2016 Statistics of Income" (SOI) published by the Office of Revenue and Economic Analysis in the New Jersey Department of the Treasury. The OLS then distributes the estimated allocation amounts among the different applicable tax brackets (up to \$200,000 in annual gross

income) in proportion to each bracket's percentage share of total families in New Jersey, as provided in the Census Bureau's American Community Survey 1-Year Estimates for 2019. The resultant lower bound estimate of revenue loss for single and married filing separately taxpayers equaled roughly \$5.7 million, while the revenue loss for married filing jointly, head of household, and qualifying widower taxpayers is approximately \$3.8 million.

To estimate the higher bound of the estimate for this tax deduction, the OLS conducted the same procedure as it did to estimate the lower bound, except that the OLS assumes that \$300 million in contributions would be eligible for a deduction prior to factoring in the bill's \$200,000 income limit. Doing so resulted in an estimated revenue loss of \$6.3 million for single and married filing separately taxpayers and a loss of \$5.5 million for married filing jointly, head of household, and qualifying widower taxpayers.

Tax Deduction for NJCLASS Payments

The bill also allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amount of principal and interest payments paid on a student loan under the NJCLASS Loan Program, not to exceed \$2,500. According to the "FY 2020 Annual Report on the NJCLASS Loan Program," there are 121,532 outstanding NJCLASS loans with a total outstanding principal balance of approximately \$1.7 billion. Given this, the average NJCLASS principal loan amount is approximately \$13,665. Assuming an individual pays off the average loan over a ten-year time period, the average annual payment would be \$1,365. Therefore, the OLS estimates \$165.9 million in estimated NJCLASS payments, \$133.0 million of which would be deductible under the bill when factoring in the bill's \$200,000 income limit. Following the same process enumerated for deriving revenue losses for the NJBEST tax deduction, the OLS estimates, as a lower bound for the potential forgone revenue, \$3.5 million in losses derived from single and married filing separately taxpayers and \$3.0 million in losses derived from married filing jointly, head of household, and qualifying widower taxpayers.

To estimate the higher bound of the estimate for this tax deduction, the OLS conducted the same procedure as it did to estimate the lower bound, except that the OLS assumes maximum of \$303.8 million in NJCLASS principal payments. Approximately \$243.7 million of that amount would be deductible under the bill. Performing this calculation yields a revenue loss of \$6.3 million from single and married filing separately taxpayers and \$5.5 million in estimated losses from married filing jointly, head of household, and qualifying widower taxpayers.

Tax Deduction for In-State Tuition Deduction

The bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

The OLS first estimated the number of State residents attending in-State institutions by using the most recent information concerning enrollment on the Office of the Secretary of Higher Education's (OSHE) website. The OLS then distributes this total number of resident students (444,974 students) to each higher education sector in accordance with the most recently reported proportionate shares for the applicable sectors. The OLS uses average tuition prices for each sector, in combination with the estimated number of students in the sector, to estimate total tuition that may be generated. To form the lower bound of this estimate, the OLS estimated tuition paid by students in each of the applicable sectors by assuming that a student or the student's family

would actually pay 40 percent of the annual tuition costs, capped at \$10,000. Following the same procedures concerning income tax distribution as noted in the previous two deduction estimates, the OLS estimates \$38.0 million in revenue losses stemming from single and married filing separately taxpayers. Approximately \$33 million in revenue losses would stem from married filing jointly, head of household, and qualifying widower taxpayers.

To form the upper bound estimate for this tax deduction, the OLS follows the same procedures it performed for the lower bound estimate, except the OLS assumes that a student or the student's family would actually pay 50 percent of the annual tuition costs, capped at \$10,000. Doing so resulted in an estimated revenue loss of \$44.0 million from single and married filing separately taxpayers and \$38.4 million from married filing jointly, head of household, and qualifying widower taxpayers.

One-Time Grants for Deposits into New NJBEST Accounts

Lastly, the OLS estimates that the bill's provision of one-time grants of up to \$750 in a dollar-for-dollar match of the initial deposit to the account for taxpayers with gross income of \$75,000 or less will result in increased State expenditures. The OLS does not have access to information concerning the number of new NJBEST accounts initiated each year and therefore cannot project the amount of increased State expenditures. The bill, however, provides for a General Fund appropriation of \$10 million for this purpose.

Section: Education

*Analyst: Christopher Myles
Associate Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

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.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3997

STATE OF NEW JERSEY

DATED: JUNE 22, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3997.

This bill, to be cited as the “New Jersey College Affordability Act,” provides that a New Jersey Better Educational Savings Trust (NJBEST) program account when it is initially opened by a taxpayer with gross income of \$75,000 or less will be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the account.

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

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

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

Lastly, the bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

FISCAL IMPACT:

Fiscal information is currently unavailable for this bill.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3997
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 30, 2021

SUMMARY

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

Type of Impact: Annual State revenue loss. Annual State expenditure increase.

Agencies Affected: Department of the Treasury and Higher Education Student Assistance Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Annual State Revenue Loss	Between \$87.2 million and \$105.9 million		
State Expenditure Increase	\$10 million	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) determines that the tax deductions established under this bill would result in a total annual State revenue loss ranging between \$87.2 million and \$105.9 million.
- The bill would also increase State expenditures by \$10 million in FY 2022 to provide one-time grants of up to \$750 to taxpayers with gross income of \$75,000 or less in a dollar-for-dollar match of an initial deposit into a New Jersey Better Educational Savings Trust (NJBEST) program account.

BILL DESCRIPTION

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

The bill allows a gross income tax deduction for taxpayers with gross income of \$200,000 or less in the amounts contributed to an account established under the NJBEST program. The bill limits the deduction, however, to \$10,000 in contributions.

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

Lastly, the bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal fiscal note on this bill. However, a press release from the Office of the Governor provides the following estimates: approximately \$16 million in foregone revenue for the NJBEST tax deduction established under the bill; approximately \$67 million in foregone revenue for the tax deduction for in-State tuition payments established under the bill; and approximately \$4 million in foregone revenue for the NJCLASS tax deduction established under the bill.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that the tax deductions established under this bill would result in a total annual State revenue loss ranging between \$87.2 million and \$105.9 million. Specifically, the OLS finds that: the tax deduction for NJBEST account contributions would result in annual State revenue losses of between \$9.5 million and \$11.7 million; the tax deduction for tuition payments at in-State institutions of higher education would result in annual State revenue losses of between \$71.2 and \$82.4 million; and the tax deduction for principal and interest payments on NJCLASS loans would result in annual State revenue losses of between \$6.5 million and \$11.9 million.

Tax Deduction for NJBEST Account Contributions

This bill establishes a gross income tax (GIT) deduction for taxpayers with gross income of \$200,000 or less in the amounts contributed to an NJBEST program account, up to \$10,000 in contributions. To estimate the impact of this provision of the bill, the OLS first estimated the amount of NJBEST contributions that may be deductible under the bill. While the OLS did not have access to information that explicitly detailed the amount of contributions that could be deductible under the bill, previous information shared by the Higher Education Student Assistance Authority on a different bill that would have provided up to \$5,000 in GIT deductions for NJBEST contributions indicated that \$136.5 million in tax year 2018 contributions would have been eligible for that bill's deduction. Given that this bill provides a deduction for up to \$10,000 in annual contributions, the OLS first assumes that \$273 million in contributions would be deductible when prior to factoring in the bill's \$200,000 income limit. From there, the OLS allocates the estimated contribution amount in proportion to the distribution of tax returns filed for tax year 2016 by taxpayers with different filing statuses. The allocation is derived from information contained in the "Tax Year 2016 Statistics of Income" (SOI) published by the Office of Revenue and Economic Analysis in the New Jersey Department of the Treasury. The OLS then distributes the estimated allocation amounts among the different applicable tax brackets (up to \$200,000 in annual gross income) in proportion to each bracket's percentage share of total families in New Jersey, as provided in the Census Bureau's American Community Survey 1-Year Estimates for 2019. The resultant lower bound estimate of revenue loss for single and married filing separately taxpayers

equaled roughly \$5.7 million, while the revenue loss for married filing jointly, head of household, and qualifying widower taxpayers is approximately \$3.8 million.

To estimate the higher bound of the estimate for this tax deduction, the OLS conducted the same procedure as it did to estimate the lower bound, except that the OLS assumes that \$300 million in contributions would be eligible for a deduction prior to factoring in the bill's \$200,000 income limit. Doing so resulted in an estimated revenue loss of \$6.3 million for single and married filing separately taxpayers and a loss of \$5.5 million for married filing jointly, head of household, and qualifying widower taxpayers.

Tax Deduction for NJCLASS Payments

The bill also allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amount of principal and interest payments paid on a student loan under the NJCLASS Loan Program, not to exceed \$2,500. According to the "FY 2020 Annual Report on the NJCLASS Loan Program," there are 121,532 outstanding NJCLASS loans with a total outstanding principal balance of approximately \$1.7 billion. Given this, the average NJCLASS principal loan amount is approximately \$13,665. Assuming an individual pays off the average loan over a ten-year time period, the average annual payment would be \$1,365. Therefore, the OLS estimates \$165.9 million in estimated NJCLASS payments, \$133.0 million of which would be deductible under the bill when factoring in the bill's \$200,000 income limit. Following the same process enumerated for deriving revenue losses for the NJBEST tax deduction, the OLS estimates, as a lower bound for the potential forgone revenue, \$3.5 million in losses derived from single and married filing separately taxpayers and \$3.0 million in losses derived from married filing jointly, head of household, and qualifying widower taxpayers.

To estimate the higher bound of the estimate for this tax deduction, the OLS conducted the same procedure as it did to estimate the lower bound, except that the OLS assumes maximum of \$303.8 million in NJCLASS principal payments. Approximately \$243.7 million of that amount would be deductible under the bill. Performing this calculation yields a revenue loss of \$6.3 million from single and married filing separately taxpayers and \$5.5 million in estimated losses from married filing jointly, head of household, and qualifying widower taxpayers.

Tax Deduction for In-State Tuition Deduction

The bill allows a taxpayer with gross income of \$200,000 or less to deduct from gross income the amounts paid by the taxpayer to an in-State institution of higher education 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. Under the bill, the deduction would not exceed \$10,000.

The OLS first estimated the number of State residents attending in-State institutions by using the most recent information concerning enrollment on the Office of the Secretary of Higher Education's (OSHE) website. The OLS then distributes this total number of resident students (444,974 students) to each higher education sector in accordance with the most recently reported proportionate shares for the applicable sectors. The OLS uses average tuition prices for each sector, in combination with the estimated number of students in the sector, to estimate total tuition that may be generated. To form the lower bound of this estimate, the OLS estimated tuition paid by students in each of the applicable sectors by assuming that a student or the student's family would actually pay 40 percent of the annual tuition costs, capped at \$10,000. Following the same procedures concerning income tax distribution as noted in the previous two deduction estimates, the OLS estimates \$38.0 million in revenue losses stemming from single and married filing

separately taxpayers. Approximately \$33 million in revenue losses would stem from married filing jointly, head of household, and qualifying widower taxpayers.

To form the upper bound estimate for this tax deduction, the OLS follows the same procedures it performed for the lower bound estimate, except the OLS assumes that a student or the student's family would actually pay 50 percent of the annual tuition costs, capped at \$10,000. Doing so resulted in an estimated revenue loss of \$44.0 million from single and married filing separately taxpayers and \$38.4 million from married filing jointly, head of household, and qualifying widower taxpayers.

One-Time Grants for Deposits into New NJBEST Accounts

Lastly, the OLS estimates that the bill's provision of one-time grants of up to \$750 in a dollar-for-dollar match of the initial deposit to the account for taxpayers with gross income of \$75,000 or less will result in increased State expenditures. The OLS does not have access to information concerning the number of new NJBEST accounts initiated each year and therefore cannot project the amount of increased State expenditures. The bill, however, provides for a General Fund appropriation of \$10 million for this purpose.

Section: Education

*Analyst: Christopher Myles
Associate Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

Governor Murphy Takes Action on Legislation

06/29/2021

TRENTON – Today, Governor Phil Murphy signed the following bills into law.

A-13/S-4000 (Freiman, Armato, Pintor Marin, Mazzeo, Houghtaling, Coughlin/Sarlo, Sweeney, Addiego) – Establishes "New Jersey Debt Defeasance and Prevention Fund," appropriates \$3.7 billion.

S-1255/A-1925 (Singleton, Pou/Wimberly, Reynolds-Jackson, Tucker) - Requires that certain realty transfer fee revenues be dedicated to the Special Needs Housing Trust Fund.

S-3949/A-5871 (Sarlo, Cunningham/Pintor Marin, Burzichelli) – FY 2021 State supplemental appropriation; appropriates \$100.3 million in General Fund monies and \$14.4 million in Property Tax Relief Fund monies.

A-12/S-3997 (Coughlin, McKeon, Jasey, McKnight, Chiaravalloti/Addiego, Cunningham) – “New Jersey College Affordability Act”; appropriates \$10 million.

A-5539/S-3954 (Burzichelli, Benson, Zwicker/Sarlo, Sweeney) – Provides partial pension and retirement income exclusion for taxpayers with incomes between \$100,000 and \$150,000.

A-5345/S-3428 (Reynolds-Jackson, Mukherji, Vainieri Huttel/Lagana, Ruiz) – Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age or older to qualify for modified benefit.

A-5520/S-3633 (Vainieri Huttel, McKnight, Benson/T. Kean, Diegman) – Increases income eligibility limits for PAAD program and Senior Gold Prescription Discount Program by \$10,000.

S-3798/A-5805 (Vitale, Turner/Lopez, Benson, Johnson) – Eliminates premiums and waiting periods for certain NJ FamilyCare enrollees and directs DHS to implement additional targeted outreach initiatives to increase enrollment.