SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 668 and 1718

STATE OF NEW JERSEY
214th LEGISLATURE

ADOPTED DECEMBER 6, 2010

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Senators B.Smith, Beck, Greenstein, Assemblymen Schaeer, Coughlin,
Assemblywoman Wagner, Assemblymen Chivukula and O'Donnell

SYNOPSIS
Allows gross income tax deductions for contributions to the New Jersey
Better Educational Savings Trust (NJBEST) Program.

CURRENT VERSION OF TEXT
Substitute as adopted by the Senate Budget and Appropriations Committee.

(Sponsorship Updated As Of: 1/10/2012)
SCS for S668 BUONO, TURNER

AN ACT allowing gross income tax deductions for contributions to
the New Jersey Better Educational Savings Trust (NJBEST)
Program, supplementing Title 54A of the New Jersey Statutes

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

1. (New section) A taxpayer shall be allowed a deduction from
the taxpayer's gross income for the taxable year in the amount of the
taxpayer's contribution for the taxable year to one or more accounts
established pursuant to the "New Jersey Better Educational Savings
Trust (NJBEST) Program," (N.J.S.18A:71B-35 et seq.); provided
however, that the deduction allowed for a taxable year shall not
exceed $10,000 for a taxable year for married individuals filing a
joint return for federal tax purposes and shall not exceed $5,000 for
a taxable year for married individuals filing separately or for
unmarried individuals.

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

13. a. Gross income shall not include earnings on an education
[individual retirement] savings account or a qualified [State] tuition
program account until the earnings are distributed from the account,
at which time [they] 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 1 of P.L. , c. (C. ) (now pending before the
Legislature as this bill) 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) "Education [individual retirement] savings account" means
an education [retirement] savings account as defined pursuant to
paragraph (1) of subsection (b) of section 530 of the federal Internal

(2) "[Qualified State tuition] Tuition program account" means
an account established pursuant to the "New Jersey Better
et seq.) or an account established pursuant to any [qualified State]
tuition program [, as defined pursuant to] established in compliance
with 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.

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

(a) a distribution from a [qualified State] tuition program account that is used for qualified higher education expenses as defined pursuant to paragraph (3) of subsection (e) of section 529 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.529;

(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, if applicable, or paragraph (5) of subsection (d) of section 530 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.529 or 530;

(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 or paragraph (6) of subsection (d) of section 530 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.529 or 530;

d. The portion of a distribution from an education [individual retirement] savings account or a [qualified State] tuition program account that is attributable to earnings and to contributions allowed as a deduction pursuant to section 1 of P.L. , c. (C.) (now pending before the Legislature as this bill) 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 and 530 of the federal Internal Revenue Code of 1986, 26 U.S.C. ss.529 and 530.

(P.L.2001, c.262, s.21)

3. This act shall take effect immediately and section 1 shall apply to contributions made or costs incurred for taxable years beginning after the date of enactment.