## ASSEMBLY, No. 655

# STATE OF NEW JERSEY

### 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

#### Sponsored by:

Assemblyman ANTHONY S. VERRELLI
District 15 (Hunterdon and Mercer)
Assemblyman BENJIE E. WIMBERLY
District 35 (Bergen and Passaic)
Assemblyman RONALD S. DANCER
District 12 (Burlington, Middlesex, Monmouth and Ocean)

#### **Co-Sponsored by:**

Assemblywoman Gove, Assemblymen Rumpf, Caputo, Assemblywoman Reynolds-Jackson, Assemblymen Danielsen, Mejia, Conaway, Mukherji, Bergen, Wirths, Space, Benson, Assemblywomen Murphy, Tucker, Assemblyman Freiman, Assemblywomen Lopez, Swain and Assemblyman Tully

#### **SYNOPSIS**

Exempts discharge of student loan debt of certain veterans through the federal Total and Permanent Disability discharge process from taxation under the gross income tax.

#### **CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.

#### A655 VERRELLI, WIMBERLY

1	AN ACT concerning the gross income tax treatment of certain
2	discharged student loan indebtedness of disabled veterans and
3	supplementing chapter 6 of Title 54A of the New Jersey Statutes.

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

1. Gross income shall not include amounts discharged through the Total and Permanent Disability discharge process of the United States Department of Education for student loan indebtedness of a taxpayer who is a totally and permanently disabled veteran. As used herein, "totally and permanently disabled veteran" means an individual who has been determined by the United States Department of Veterans Affairs to have a service-connected disability that is 100 percent disabling or to be totally disabled based on an individual unemployability rating.

2. This act shall take effect immediately.

#### **STATEMENT**

This bill codifies the current New Jersey gross income tax treatment of a specific type of cancellation of debt. Under current law, discharge of indebtedness is not subject to New Jersey gross income tax and is not reportable by the taxpayer.

This bill would codify that treatment as it applies specifically to certain federal student loan indebtedness of a disabled veteran who has had that debt discharged through the Total and Permanent Disability discharge program of the U.S. Department of Education. Cancellation of debt, including amounts discharged through the federal Total and Permanent Disability discharge program, is not currently subject to New Jersey gross income tax.

Total and Permanent Disability discharge relieves individuals who can demonstrate that they are totally and permanently disabled from having to repay certain federal student loans or comply with certain teaching obligations associated with certain federal grants.