

SENATE, No. 3842

STATE OF NEW JERSEY
220th LEGISLATURE

INTRODUCED MAY 15, 2023

Sponsored by:
Senator JOSEPH P. CRYAN
District 20 (Union)

SYNOPSIS

Revises NJBEST one-time grant to annual grant of up to \$1,500 for certain contributors.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the New Jersey Better Educational Savings
2 Trust (NJBEST) Program and amending N.J.S.18A:71B-36 and
3 P.L.2021, c.128.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. N.J.S.18A:71B-36 is amended to read as follows:

9 18A:71B-36. Definitions.

10 As used in this article:

11 "Account" means an individual trust account or savings account
12 established in accordance with **[this]** article 7 of chapter 71B of
13 Title 18A of the New Jersey Statutes;

14 "Administrative fees" means the funds the authority charges,
15 imposes, or collects in connection with any agreement, contract, or
16 transaction relating to the program pursuant to N.J.S.18A:71B-38
17 and N.J.S.18A:71B-41. The authority may use administrative fees
18 to administer the program, conduct outreach to raise awareness of
19 the program, fund the NJBEST scholarship established pursuant to
20 N.J.S.18A:71B-42, and fund savings incentive grants issued
21 pursuant to the "New Jersey College Affordability Act," P.L.2021,
22 c.128 (C.18A:71B-42.1 et al.).

23 "Authority" means the Higher Education Student Assistance
24 Authority;

25 "Contributor" means the person or organization contributing to
26 and maintaining an account and having the right to withdraw funds
27 from the account before the account is disbursed to or for the
28 benefit of the designated beneficiary;

29 "Designated beneficiary" means: a. the individual designated at
30 the time the account is opened as the individual whose higher
31 education expenses are expected to be paid from the account; b. the
32 replacement beneficiary if the change in designated beneficiary
33 would not result in a distribution that is included in federal gross
34 income under section 529 of the federal Internal Revenue Code of
35 1986, 26 U.S.C.s.529; and c. in the case of an interest in the
36 program purchased by a state or local government or an
37 organization described in paragraph (3) of subsection (c) of section
38 501 of the federal Internal Revenue Code of 1986, 26 U.S.C.s.501
39 and exempt from taxation under subsection (a) of section 501 of the
40 federal Internal Revenue Code of 1986, 26 U.S.C.s.501, as a part of
41 a scholarship program operated by the government or organization,
42 the individual receiving the interest as a scholarship;

43 "Higher education institution" means an eligible educational
44 institution as defined in or for purposes of section 529 of the federal
45 Internal Revenue Code of 1986, 26 U.S.C.s.529. Higher education

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 institution shall include a proprietary institution if expenses for
2 tuition at the institution would be considered qualified higher
3 education expenses under section 529 of the federal Internal
4 Revenue Code of 1986, 26 U.S.C.s.529, but only for degree
5 granting programs licensed or approved by the Commission on
6 Higher Education or for other proprietary institutions as determined
7 by the authority;

8 "Investment Manager" means the Division of Investment in the
9 Department of the Treasury or the private entities authorized to do
10 business in this State that may be designated by the authority to
11 invest the funds of the trust pursuant to the terms of **[this]** article 7
12 of chapter 71B of Title 18A of the New Jersey Statutes;

13 "Member of the family" means a member of the family as
14 defined in or for purposes of section 529 of the federal Internal
15 Revenue Code of 1986, 26 U.S.C.s.529;

16 "Nonqualified withdrawal" means a withdrawal from an account
17 other than: a. a qualified withdrawal; b. a withdrawal made as the
18 result of the death or disability of the designated beneficiary of an
19 account; c. a withdrawal made on account of a scholarship (or
20 allowance or payment described in subparagraph (B) or (C) of
21 paragraph (1) of subsection (d) of section 135 of the federal Internal
22 Revenue Code of 1986, 26 U.S.C.s.135) received by the designated
23 beneficiary, but only to the extent of the amount of that scholarship,
24 allowance or payment; d. a rollover or change in designated
25 beneficiary which would not result in a distribution includible in
26 federal gross income under section 529 of the federal Internal
27 Revenue Code of 1986, 26 U.S.C.s.529; or e. any other withdrawal
28 if the failure of the program to impose a more than de minimis
29 penalty on the withdrawal would cause the program not to be a
30 qualified State tuition program under section 529 of the federal
31 Internal Revenue Code of 1986, 26 U.S.C.s.529;

32 "Program" means the "New Jersey Better Educational Savings
33 Trust (NJBEST) Program" established pursuant to **[this]** article 7 of
34 chapter 71B of Title 18A of the New Jersey Statutes;

35 "Qualified higher education expenses" means expenses described
36 in paragraph (3) of subsection (e) of section 529 of the federal
37 Internal Revenue Code of 1986, 26 U.S.C.s.529 incurred in
38 connection with the enrollment of a designated beneficiary at a
39 higher education institution;

40 "Qualified withdrawal" means a withdrawal from an account to
41 pay the qualified higher education expenses of the designated
42 beneficiary of the account; but a withdrawal shall not be considered
43 a qualified withdrawal if the failure of the program to impose a
44 more than de minimis penalty on the withdrawal would cause the
45 program not to qualify as a qualified State tuition program under
46 section 529 of the federal Internal Revenue Code of 1986,
47 U.S.C.s.529;

1 "Trust" means the "New Jersey Better Educational Savings
2 Trust" established pursuant to N.J.S.18A:71B-37.
3 (cf: N.J.S.18A:71B-36)
4

5 2. Section 2 of P.L.2021, c.128 (C.18A:71B-42.1) is amended
6 to read as follows:

7 2. a. **[A]** Subject to the availability of funds, as determined
8 annually by the board of the authority, a NJBEST account [when it
9 is initially opened by a taxpayer with] for which the contributor has
10 an adjusted gross income of at least \$0 and not more than \$75,000
11 [or less] shall be eligible for [a one-time] an annual savings
12 incentive grant [of up to \$750 in a dollar-for-dollar match of the
13 initial deposit to the account] for each year preceding the year in
14 which the designated beneficiary will become 14 years of age. The
15 annual savings incentive grant shall be equal to three dollars for
16 every dollar deposited into the account each year, up to a maximum
17 annual grant of \$1,500 per 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 (cf: P.L.2021, c.128, s.2)
31

32 3. This act shall take effect on the first day of the next year
33 following the date of enactment, but the authority may take any
34 anticipatory administrative action in advance as shall be necessary
35 for the implementation of this act.
36
37

38 STATEMENT 39

40 This bill increases the New Jersey Better Educational Savings
41 Trust (NJBEST) grant from a one-time \$750 matching grant to an
42 annual \$1,500 savings incentive grant for certain contributors.

43 Current law establishes that a NJBEST account opened on or
44 after June 29, 2021 that is owned by a taxpayer with an adjusted
45 gross income below \$75,000 may receive a dollar-for-dollar match
46 grant of the initial deposit, up to \$750.

1 Under the bill, a NJBEST account that has a contributor with an
2 adjusted gross income ranging from \$0 to \$75,000 may receive an
3 annual savings incentive grant of up to \$1,500 until the designated
4 beneficiary is 14 years of age. The amount of the grant is to be
5 equal to three dollars for every dollar the account owner deposits
6 into the account each year, up to a maximum annual grant of \$1,500
7 per account.

8 Additionally, the bill permits the Higher Education Student
9 Assistance Authority to fund the annual savings incentive grants
10 from administrative fees, defined as funds the authority charges,
11 imposes, or collects in connection with any agreement, contract, or
12 transaction relating to the NJBEST program.