SENATE, No. 3180

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED MAY 9, 2024

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.

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

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

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

18A:71B-36. Definitions.

As used in this article:

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

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

"Authority" means the Higher Education Student Assistance Authority;

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

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

"Higher education institution" means an eligible educational institution as defined in or for purposes of section 529 of the federal 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.

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

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

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

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

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

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

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

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

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

2. a. **[**A**]** Subject to the availability of funds, as determined annually by the board of the authority, a NJBEST account **[**when it is initially opened by a taxpayer with**]** for which the contributor has an adjusted gross income of at least $0 and not more than $75,000 **[**or less**]** shall be eligible for **[**a one-time**]** an annual savings incentive grant **[**of up to $750 in a dollar-for-dollar match of the initial deposit to the account**]** for each year preceding the year in which the designated beneficiary will become 14 years of age. The annual savings incentive grant shall be equal to three dollars for every dollar deposited into the account each year, up to a maximum annual grant of $1,500 per account.

b. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B -1 et seq.), to the contrary, the authority may adopt, immediately upon filing with the Office of Administrative Law, rules that the authority deems necessary for the appropriate administration and implementation of the provisions of this section, including, a minimum length of time for participation in the NJBEST program in order to maintain eligibility for the credit established pursuant to this section, which rules shall be effective for a period not to exceed 360 days from the date of the filing. The authority shall thereafter amend, adopt, or readopt the rules in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).
(cf: P.L.2021, c.128, s.2)

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

STATEMENT

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

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

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

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