

S 580 -- Redline

Introduced to Committee Substitute -- Allows gross income tax deduction for certain student loan interest.

Deletions ~~struck~~ · Insertions underlined

S580 SCS SENATE COMMITTEE SUBSTITUTE FOR SENATE, No.

580 STATE OF NEW JERSEY 222nd LEGISLATURE ~~PRE-FILED~~ADOPTED ~~FOR~~MAY ~~INTRODUCTION~~18, ~~IN THE 2026 SESSION~~
Sponsored by:

~~Senator~~Senator JAMES BEACH District 6 (Burlington and Camden) Senator ROBERT W.

SINGER District 30 (Monmouth and Ocean) ~~-Co-Sponsored -by: SYNOPSIS -Allows gross income tax deduction for certain student loan interest.~~

Senator Amato CURRENT VERSION OF TEXTSYNOPSIS IntroducedAllows Pendinggross Technicalincome
Reviewtax bydeduction Legislativefor Counselcertain student loan interest.

AnCURRENT ActVERSION allowingOF aTEXT gross incomeSubstitute taxas deductionadopted forby certain
interest paid on student loans, supplementing Title 54A of the NewSenate JerseyHigher StatutesEducation
Committee.

An Act allowing a gross income tax deduction for interest paid on certain student loans and supplementing chapter 3 of Title 54A of the New Jersey Statutes.

~~1-1.~~ a. A taxpayer with gross income of \$85,000 or less shall be allowed a deduction, not to
deduct exceed \$2,500, from the taxpayer's gross income for the taxable year pursuant in to the "Newamount
Jersey of Gross interest Income payments Taxpaid Act," on N.J.S. 54A:1-1a etqualified seq., education anloan,
amount other equal than to interest that paid deduction on to which student loan under the taxpayerNew
is Jersey allowed College if Loans any, to under Assist section State 221Students of Program the for
federal which Internal a Revenue deduction Code is allowed pursuant to section 4 of 1986 P.L. 2021, (26 c. 128
U.S.C. (C.54A:3-13).

~~s. 221),~~ forb. interest As paid used in this section, "qualified education loan" means any
indebtedness incurred by the taxpayer during solely the to taxable pay year higher education expenses which
are incurred on behalf of the taxpayer, the taxpayer's spouse, or any qualified dependent education of
loan the a taxpayer therein at defined the time the indebtedness occurred.

~~2-2.~~ This act shall take effect immediately and shall apply to taxable years beginning on or after the January 1 next following the date of enactment.

~~STATEMENT - This bill provides a tax deduction for taxpayers who make student loan payments. A taxpayer may deduct from gross income, the same amount as the federal income tax deduction, if any, that the taxpayer is permitted under section 221 of the Internal Revenue Code for interest paid on education loans. The federal provision establishes a maximum allowable deduction, currently set at \$2,500, and a formula, subject to adjustments for inflation, by which the allowable deduction is reduced as the modified adjust gross income of the taxpayer exceeds \$70,000, or \$140,000 for joint returns. The deduction is eliminated entirely for taxpayers whose modified adjusted gross income is \$85,000 or more, or \$170,000 for joint returns. As defined in section 221, the interest paid on indebtedness incurred solely to pay qualified higher education expenses at eligible educational institutions can be deducted subject to the conditions outlined in the section. In addition, married taxpayers must file jointly in order to claim the deduction.~~

~~Because this bill links the calculation of any State gross income tax deduction for student loan interest paid to the corresponding provision in the Internal Revenue Code, any change in the federal provision will automatically affect the State. A benefit of this linkage is that New Jersey taxpayers can determine the availability and amount of both State and federal student loan interest deductions at the same time.~~