

Beginning in 2022, the [New Jersey College Affordability Act](#) allows New Jersey taxpayers tax deductions for certain educational expenses. The deductions are targeted for taxpayers with gross income of \$200,000 or less. Deductions are allowed for contributions to the [NJBEST college savings plan](#), [in-state higher education tuition costs](#) and [NJCLASS loan repayments](#).

NJ 529 College Savings Plan – NJ BEST

A 529 plan is a tax-advantaged savings plan authorized by [Section 529 of the Internal Revenue Code](#) and designed to encourage saving for future education costs. All fifty states and the District of Columbia sponsor at least one type of 529 plan.

The state income tax deduction is allowed to any New Jersey taxpayer who contributes to a NJBEST 529 plan.

Beginning in 2022, a taxpayer with gross income of \$200,000 or less can deduct from NJ gross income the taxpayer's NJBEST contribution for the taxable year up to \$10,000.

Parents, grandparents, other family members and friends can make the tax-deductible contributions for the benefit of an account beneficiary.

Expenses that can be paid using funds from a 529 account for a beneficiary include:

- Tuition, mandatory fees, books, supplies, and equipment required for the beneficiary to enroll and attend an eligible educational institution.
- A computer, peripheral computer equipment, software and internet access used while enrolled in an eligible educational institution.
- Room and board if the beneficiary is enrolled at least half time.
- \$10,000 per year in K-12 tuition at public, private or religious schools.
- Qualified education loan repayments – lifetime limits to \$10,000 in qualified student loan repayments per 529 plan beneficiary and \$10,000 per each of the beneficiary's siblings.

The New Jersey income tax benefits should not be the only consideration when deciding whether to contribute to the NJBEST college savings plan. Fees and fund performance remain important factors. Better investment performance of another state's 529 plan could, over time, outweigh the benefit of the new state income tax deduction.

Deduction for In-State Higher Education Tuition Costs

Beginning in 2022, a taxpayer with gross income of \$200,000 or less can deduct up to \$10,000 from the taxpayer's gross income for tuition costs paid to an in-State institution of higher education during the taxable year. The deduction is allowed for tuition costs related to the enrollment of the taxpayer or a spouse or dependent of the taxpayer at the institution. No deduction is allowed for tuition costs paid to an out-of-state institution of higher education.

New Jersey College Loans to Assist State Students Loan Program

Beginning in 2022, a taxpayer with gross income of \$200,000 or less can deduct from gross income up to \$2,500 of principal and interest payments paid on a student loan under the NJCLASS Loan Program. NJCLASS loans are available to New Jersey residents attending an approved undergraduate or graduate school, whether in-state, out-of-state, on-line, or abroad.

If you have any questions, please call the partner or staff servicing your account.

This information has been provided by Gold Gerstein Group, LLC.

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