

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2763
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 15, 2022

SUMMARY

- Synopsis:** Increases age of dependent for whom gross income tax exemption for higher education expenses may be claimed from under 22 years to under 27 years.
- Type of Impact:** Annual State revenue loss to Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024 and Each FY Thereafter</u>
Annual State Revenue Loss	\$1.6 million to \$3.0 million

- The Office of Legislative Services (OLS) estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$1.6 million to \$3.0 million annually.
- The OLS assumes that roughly 46,500 students may be claimed as dependents for purposes of the bill's enhanced exemption. At \$1,000 per dependent college student, the bill's exemption would exempt roughly \$46.5 million from gross income taxation.

BILL DESCRIPTION

This bill increases the age of a dependent, from under 22 years to under 27 years, for whom a taxpayer is allowed a gross income tax deduction for tuition and maintenance at an accredited post-secondary institution of higher education.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$1.6 million to \$3.0 million annually. Based on data published by the New Jersey Office of the Secretary of Higher Education, roughly 62,500 full-time students between the ages of 22-27 were enrolled in New Jersey public and private institutions of higher education in 2018. The OLS notes that not all of the 62,500 students are dependents and thus cannot be claimed as such. After adjusting for certain socioeconomic factors, the OLS assumes that roughly 46,500 students may be claimed as dependents for purposes of the bill's enhanced exemption. At \$1,000 per dependent college student, the bill's exemption would exempt roughly \$46.5 million from gross income taxation. At marginal rates of 3.5 percent to 6.37 percent, the projected impact of this bill on State revenues is \$1.6 million to \$3.0 million annually.

The OLS recognizes that there may be students who attend out-of-State institutions of higher education who are not captured in the data; however, the New Jersey data includes students who live outside of New Jersey, but attend a college or university in this State. The OLS assumes this balances out.

Section: Revenue, Finance and Appropriations

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).