

Governor Phil Murphy

Governor Murphy, Senate President Sweeney, and Speaker Coughlin Announce Agreement on Fiscal Year 2022 Budget Proposals to Make Higher Education and Retirement More Affordable

06/22/2021

College Affordability Package Includes Free Tuition at Four-Year Institutions under the Garden State Guarantee, New College Savings Programs, and a State Savings Match for Lower-Income Residents

Seniors Will Also Be Guaranteed More of

TRENTON – Today, Governor Phil Murphy, Senate President Stephen Sweeney, and Assembly Speaker Craig Coughlin announced further agreements in the Fiscal Year 2022 budget that will invest in New Jersey’s long-term economic growth by making college more attainable and retirement more affordable.

“In our continued drive to build a more resilient post-pandemic future for our State, this budget lays the foundation for a more affordable New Jersey where everyone has the opportunity to prosper from young adulthood well into retirement,” **said Governor Murphy**. “We’re providing the resources to help parents save to send their children to college, help graduates get a fresh start in life without the crushing burden of student loans, and help seniors age in place by guaranteeing more of their hard-earned retirement income.”

“I’m extremely pleased that the final budget agreement reflects one of my top priorities: increasing the affordability of living and working in New Jersey,” **said Senate President Steve Sweeney**. “These investments can make an immediate and substantial difference for thousands of New Jerseyans, particularly seniors and those working toward a college degree.”

“Cost alone cannot be the barrier that keeps young people in our state from pursuing their dream of a college education and cost alone cannot be what keeps retirees from staying in their communities,” **said Speaker Coughlin**.

“Strengthening tax relief helps remove the barrier of cost so children or family members can afford college, the burden of student debt can be reduced, and more money can be kept in retirees’ pockets. In our commitments to make New Jersey more affordable, the state will continue to be a place where people can raise children, grow their families and set down life-long roots.”

The Governor and legislative leadership have agreed to a comprehensive college affordability package backed by Speaker Coughlin that helps those saving for college, as well as current students and those repaying loans. Among the measures agreed upon in the newly introduced Appropriations Act and relevant legislation are:

- **Expanding the Garden State Guarantee** – The agreement reached will modify the Governor’s initial budget proposal by providing two years of free tuition at senior public institutions of higher education for students enrolled in their third and fourth years with household incomes of less than \$65,000, and also guaranteeing tuition discounts that will phase out on a sliding scale for students with incomes between \$65,000 and a higher income threshold to be defined by the institutions. The program is expected to benefit tens of

thousands of New Jersey students, and the budget includes an additional \$50 million for the outcomes-based funding formula and implementation of the new program.

- o **Maximizing College Affordability** – The budget agreement includes legislation that creates new tax deductions for:
 - a) Contributions of up to \$10,000 into an NJ Better Education Savings Trust (NJBEST) 529 account for households earning up to \$200,000. The expected annual cost to the State is roughly \$16 million in foregone revenue;
 - b) Contributions up to \$10,000 for in-state tuition payments for households earning up to \$200,000; The expected annual cost to the State is \$67 million in foregone revenue; and
 - c) Payments of interest and principal toward New Jersey College Loans to Assist State Students (NJCLASS) of up to \$2,500 per year for households earning up to \$200,000. The expected annual cost to the State in foregone revenue is \$4 million.
- o **Matching NJBEST contributions for those most in need** – To encourage college savings by lower-income residents, the State will also provide \$10 million in matching payments of up to \$750 for taxpayers with incomes below \$75,000 when they make a contribution to open a new NJBEST 529 College Savings account.

The Fiscal Year 2022 budget agreement also includes a key component to make retirement more affordable for nearly 70,000 more senior taxpayers under legislation (A-5539) sponsored by Assemblyman Burzichelli that will raise the amount of retirement income that can be excluded annually from taxation, including pensions, annuities, and other specified retirement income.

“Raising the retirement income exclusion limit allows us to provide even more financial stability to our retirees living off fixed income,” **said Assemblyman John Burzichelli**. “Greater alignment of tax relief with the current costs of living, as provided under the expansion, ensures New Jersey continues to be a place where our seniors thrive. With this raised income ceiling comes financial flexibility for nearly 69,000 residents, flexibility that will help seniors stay involved in their local economies enabling them to continue to flourish through recovery.”

Presently, only retirement income up to \$100,000 is excluded from taxation under a 2016 law that created a cliff whereby taxpayers who earned even \$1 over \$100,000 must pay taxes on the entire amount. The budget agreement and accompanying legislation will address that cliff by increasing the income exclusion threshold up to \$150,000, helping nearly 70,000 more senior taxpayers.

Those with income between \$100,000 and \$125,000 will be eligible for up to 50 percent of the maximum deduction of \$100,000, depending on their filing status, while those with income between \$125,000 and \$150,000 will be eligible for up to 25 percent of the maximum deduction of \$100,000, depending on their filing status. The total cost to the state in foregone revenue is roughly \$111 million.

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