
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 698

Session of
1987

INTRODUCED BY LANGTRY, McVERRY, FARMER, BOOK, VROON, MRKONIC,
HALUSKA, BUNT, NAHILL, BATTISTO, CLYMER, RUDY, GLADECK,
SCHULER, BOWSER, JOHNSON, WOGAN, PHILLIPS, GRUPPO, BUSH,
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SCHEETZ, TIGUE, FISCHER, KENNEY, HERMAN, FOX, J. TAYLOR,
DISTLER, ROBBINS, MICHLOVIC, MERRY, GANNON, E. Z. TAYLOR,
SEMMELE AND GEIST, MARCH 9, 1987

REFERRED TO COMMITTEE ON EDUCATION, MARCH 9, 1987

AN ACT

1 Providing for a savings program for college education; creating
2 the Individual Education Account Fund; and conferring powers
3 and duties on the Pennsylvania Higher Education Assistance
4 Agency.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Individual
9 Education Account Act.

10 Section 2. Definitions.

11 The following words and phrases when used in this act shall
12 have the meanings given to them in this section unless the
13 context clearly indicates otherwise:

14 "Account." An individual education account under section 3.

15 "Agency." The Pennsylvania Higher Education Assistance
16 Agency.

1 "Board." The board of directors of the agency.

2 "Depositor." A person who opens an account.

3 "Fund." The Individual Education Account Fund created in
4 section 4.

5 Section 3. Accounts.

6 (a) Establishment.--A parent or guardian of a child may
7 establish an individual education account with the agency for
8 the child. An account is a trust with the parent or guardian as
9 settlor, the child as beneficiary and the agency as trustee. A
10 maximum of \$1,000 may be deposited in an account in a year. The
11 money in the account may not exceed an amount promulgated by the
12 board as a regulation under the following standards:

13 (1) The base amount shall be \$30,000.

14 (2) The base amount may be adjusted to reflect the rate
15 of inflation applicable to educational costs. Adjustment
16 under this paragraph may not exceed 12% in a year.

17 (b) Administration.--The agency shall administer accounts as
18 follows:

19 (1) Disbursements shall be made to accredited
20 institutions of postsecondary education on behalf of the
21 child at the direction of the depositor.

22 (2) If the child who is the beneficiary of an account
23 does not attend an accredited institution of postsecondary
24 education, the money in the account shall be returned to the
25 depositor at the direction of the depositor after the
26 following deductions are made:

27 (i) A service charge in the amount of 0.75% of the
28 money. This subparagraph shall not apply if the child
29 does not attend an accredited institution of
30 postsecondary education because of death or physical or

1 mental incapacity.

2 (ii) The applicable personal income tax under
3 section 302 of the act of March 4, 1971 (P.L.6, No.2),
4 known as the Tax Reform Code of 1971.

5 (3) Money in an account which exceeds the amount
6 promulgated by the board under subsection (a) shall be
7 returned to the depositor after the following deductions are
8 made:

9 (i) A service charge of 0.75% of the money which is
10 in excess.

11 (ii) The applicable personal income tax under
12 section 302 of the Tax Reform Code of 1971.

13 Section 4. Fund.

14 (a) Creation.--The Individual Education Account Fund is
15 created. The fund shall consist of the money deposited in
16 accounts under section 3 and interest earned on that money.

17 (b) Administration.--The agency shall administer the fund to
18 do all of the following:

19 (1) Insure the availability of accumulated assets.

20 (2) Invest the money to earn a reasonable rate of
21 return.

22 (3) Credit accounts with proportional interest.

23 (4) Administer accounts under section 3(b).

24 (5) Conform to Federal tax law to secure the maximum tax
25 benefits for depositors.

26 Section 5. Regulations.

27 The agency may promulgate regulations to implement this act.

28 Section 6. Effective date.

29 This act shall take effect in 60 days.