

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 256 Session of  
2001

INTRODUCED BY COY, DeWEESE, LESCOVITZ, READSHAW, GORDNER,  
BELARDI, SANTONI, ALLEN, CALTAGIRONE, VEON, M. BAKER, BARRAR,  
BEBKO-JONES, BELFANTI, BLAUM, BROWNE, CAPPABIANCA, CAPPELLI,  
CIVERA, L. I. COHEN, COLAFELLA, CURRY, DALEY, DeLUCA, EACHUS,  
FREEMAN, GEORGE, GRUCELA, HERMAN, HERSHEY, HESS, HORSEY,  
JOSEPHS, KAISER, KENNEY, LAUGHLIN, LAWLESS, LEVDANSKY, LUCYK,  
MANN, McCALL, MCGILL, McILHATTAN, MICHLOVIC, MUNDY, PETRARCA,  
PETRONE, PRESTON, ROONEY, SAINATO, SATHER, SEMMEL, SHANER,  
SOLOBAY, STABACK, STEELMAN, STURLA, SURRA, TRAVAGLIO, TRELLO,  
WALKO, WANSACZ, WASHINGTON, C. WILLIAMS, WILT, WOJNAROSKI,  
WRIGHT, YEWCIC, YOUNGBLOOD, YUDICHAK, ZUG, D. EVANS AND  
SAMUELSON, JANUARY 29, 2001

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,  
APRIL 3, 2001

## AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," further providing for personal income tax  
11 definitions; and providing for a higher education credit  
12 against personal income tax.

13 The General Assembly of the Commonwealth of Pennsylvania  
14 hereby enacts as follows:

15 Section 1. Section 301 of the act of March 4, 1971 (P.L.6,  
16 No.2), known as the Tax Reform Code of 1971, is amended by  
17 adding a definition to read:

1 Section 301. Definitions.--The following words, terms and  
2 phrases when used in this article shall have the meaning  
3 ascribed to them in this section except where the context  
4 clearly indicates a different meaning. Unless specifically  
5 provided otherwise, any reference in this article to the  
6 Internal Revenue Code shall include the Internal Revenue Code of  
7 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as amended to  
8 January 1, 1997:

9 \* \* \*

10 (o.2a) "Qualified institution of higher education" means an  
11 educational institution which has the authority from a state to  
12 confer degrees for the satisfactory completion of programs in  
13 postsecondary education.

14 \* \* \*

15 Section 2. The act is amended by adding a section to read:

16 Section 304.1. Credit for Higher Education.--(a) A taxpayer  
17 is entitled to a credit against the tax imposed by this article  
18 in accordance with this section.

19 (b) A taxpayer is eligible for the credit under this section  
20 if any of the following clauses apply:

21 (1) The taxpayer is an individual who:

22 (i) is matriculated at a qualified institution of higher  
23 education; and

24 (ii) pays more than half of the taxpayer's tuition at that  
25 institution.

26 (2) The taxpayer:

27 (i) is the parent of a child who is matriculated at a  
28 qualified institution of higher education; and

29 (ii) pays more than half of that child's tuition at that  
30 institution.

1     (3) The taxpayer:

2     (i) is the spouse of an individual who is matriculated at a  
3 qualified institution of higher education; and

4     (ii) pays more than half of that individual's tuition at  
5 that institution.

6     (c) The amount of the credit under subsection (b) shall be  
7 the per cent specified in section 302(a)(2) or (b)(2) times up  
8 to five thousand dollars (\$5,000) of the amount of tuition spent  
9 each calendar year by the taxpayer on:

10     (1) tuition for the taxpayer under subsection (b)(1);

11     (2) tuition for each child under subsection (b)(2); and

12     (3) tuition for the spouse under subsection (b)(3).

13     (D) (1) A TAXPAYER SHALL BE ELIGIBLE FOR THE CREDIT UNDER     <—

14 THIS SECTION FOR ANY PAYMENTS MADE BY SUCH TAXPAYER INTO A

15 TUITION ACCOUNT OWNED BY THE TAXPAYER THAT MEETS THE

16 REQUIREMENTS OF THE ACT OF APRIL 3, 1992 (P.L.28, NO.11), KNOWN

17 AS THE "TUITION ACCOUNT PROGRAMS AND COLLEGE SAVINGS BOND ACT."

18     (2) THE AMOUNT OF THE CREDIT SHALL BE THE PER CENT SPECIFIED  
19 IN SECTION 302(A)(2) OR (B)(2) TIMES UP TO FIVE THOUSAND DOLLARS  
20 (\$5,000) OF THE ANNUAL AMOUNT OF PAYMENTS PLACED INTO THE  
21 TUITION ACCOUNT.

22     (3) IN THE EVENT THE TUITION ACCOUNT IS NOT UTILIZED BY THE  
23 BENEFICIARY OF THE ACCOUNT FOR THE PAYMENT OF TUITION IN  
24 ACCORDANCE WITH THE "TUITION ACCOUNT PROGRAMS AND COLLEGE  
25 SAVINGS BOND ACT," AN AMOUNT EQUAL TO THE TOTAL CREDITS RECEIVED  
26 UNDER THIS SECTION SHALL BE TRANSFERRED TO THE DEPARTMENT OF  
27 REVENUE FROM THE REFUND OF THE TUITION ACCOUNT PAID BY THE STATE  
28 TREASURER. SUCH TRANSFER SHALL OCCUR IN ACCORDANCE WITH  
29 REGULATIONS PROMULGATED BY THE DEPARTMENT OF REVENUE, IN  
30 CONSULTATION WITH THE TREASURY DEPARTMENT.

1     (4) PAYMENT BY THE TREASURY DEPARTMENT FROM A TUITION  
2     ACCOUNT TO AN INSTITUTION FOR TUITION SHALL BE ELIGIBLE FOR  
3     CREDIT UNDER SUBSECTION (B), PROVIDED THAT THE REQUIREMENTS OF  
4     SUBSECTION (B) ARE SATISFIED AND THAT THE AMOUNT OF THE CREDIT  
5     IS REDUCED BY THE AMOUNT OF CREDIT, IF ANY, THAT THE TAXPAYER  
6     HAS RECEIVED FOR PAYMENTS INTO THE TUITION ACCOUNT UNDER THIS  
7     SUBSECTION.

8     ~~(d)~~ (E) For purposes of this section, the term "tuition"     <—  
9     means the actual cash payments that are a direct expense to the  
10    taxpayer for the price of instruction at a qualified institution  
11    of higher education. The term shall not include scholarships,  
12    gifts or other reductions to the price of instruction that are  
13    not a direct expense to the taxpayer.

14    Section 3. The addition of sections 301(o.2a) and 304.1 of  
15    the act shall apply to taxable years beginning after December  
16    31, 2000, and to tuition paid on or after the effective date of  
17    this act.

18    Section 4. This act shall take effect immediately.