

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 2096 Session of  
2005

INTRODUCED BY TURZAI, MUSTIO, ARMSTRONG, BEYER, BOYD, CAPPELLI,  
CAWLEY, CLYMER, CRAHALLA, CREIGHTON, DALLY, DENLINGER,  
DeWEESE, ELLIS, J. EVANS, FLICK, FRANKEL, GABIG, GILLESPIE,  
GINGRICH, GOODMAN, GRELL, GRUCELA, HANNA, HARPER, HENNESSEY,  
HERMAN, HESS, HUTCHINSON, KAUFFMAN, M. KELLER, KENNEY,  
KILLION, LEACH, MACKERETH, MANN, MARKOSEK, McGEEHAN,  
McILHATTAN, MICOZZIE, O'NEILL, PAYNE, PETRI, PICKETT, PYLE,  
QUIGLEY, RAPP, REED, SAINATO, SAYLOR, SCAVELLO, SCHRODER,  
SHANER, SONNEY, T. STEVENSON, SURRA, THOMAS, TRUE, WILT,  
YUDICHAK, ZUG, ADOLPH AND J. TAYLOR, OCTOBER 21, 2005

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES  
AS AMENDED, MAY 2, 2006

## 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 classes of income.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 ~~Section 1. Section 303(a) of the act of March 4, 1971~~ <—  
14 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971, is amended~~  
15 ~~by adding a clause to read:~~

16 ~~Section 303. Classes of Income. (a) The classes of income~~  
17 ~~referred to above are as follows:~~

1       \* \* \*

2       ~~(9) Notwithstanding any other provision of this subsection,~~  
3 ~~any amount of Pennsylvania income contributed to a qualified~~  
4 ~~tuition program, as defined in section 529 of the Internal~~  
5 ~~Revenue Code of 1986 and in effect for the taxable year, shall~~  
6 ~~not be considered as income for purposes of this act.~~

7       SECTION 1.   SECTION 303 OF THE ACT OF MARCH 4, 1971 (P.L.6,       <—  
8 NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, IS AMENDED BY  
9 ADDING A SUBSECTION TO READ:

10      SECTION 303.   CLASSES OF INCOME.--\* \* \*

11      (A.6) (1) NOTWITHSTANDING ANY OTHER PROVISION OF THIS  
12 SUBSECTION, AN AMOUNT PAID AS A CONTRIBUTION INTO A QUALIFIED  
13 TUITION PLAN IS EXEMPT FROM TAXATION UNDER THIS ARTICLE AND  
14 SHALL BE DEDUCTIBLE FROM TAXABLE INCOME ON THE ANNUAL PERSONAL  
15 INCOME TAX RETURN. THE AMOUNT PAID AS A CONTRIBUTION TO A  
16 QUALIFIED TUITION PLAN ALLOWABLE AS A DEDUCTION UNDER THIS  
17 SUBSECTION SHALL BE SUBJECT TO AN ANNUAL LIMITATION NOT TO  
18 EXCEED \$10,000.

19      (2) ANY AMOUNT PAID AS A CONTRIBUTION INTO A QUALIFIED  
20 TUITION PLAN AND IS NOT USED, WHEN DISTRIBUTED, TO PROVIDE A  
21 BENEFIT TO THE DISTRIBUTE WHICH, IF PAID FOR BY THE  
22 DISTRIBUTE, WOULD CONSTITUTE PAYMENT OF A QUALIFIED HIGHER  
23 EDUCATION EXPENSE, SHALL BE INCLUDABLE AS INCOME UNDER  
24 SUBSECTION (A)(1) AND SHALL BE TAXABLE UNDER THIS ARTICLE.

25      (3) THE DEPARTMENT SHALL TREAT ALL QUALIFIED TUITION  
26 PROGRAMS OF WHICH AN INDIVIDUAL IS A DESIGNATED BENEFICIARY AS  
27 ONE PROGRAM. ALL CONTRIBUTIONS DURING A TAXABLE YEAR SHALL BE  
28 TREATED AS ONE CONTRIBUTION.

29      (4) FOR PURPOSES OF THIS SUBSECTION:

30      (1) THE TERM "DESIGNATED BENEFICIARY" SHALL HAVE THE SAME

1 MEANING AS PROVIDED IN SECTION 529(E)(1) OF THE INTERNAL REVENUE  
2 CODE OF 1986.

3 (II) THE TERM "QUALIFIED HIGHER EDUCATION EXPENSE" SHALL  
4 HAVE THE SAME MEANING AS PROVIDED IN SECTION 529(E)(3) OF THE  
5 INTERNAL REVENUE CODE OF 1986.

6 (III) THE TERM "QUALIFIED TUITION PROGRAM" SHALL HAVE THE  
7 SAME MEANING AS PROVIDED IN SECTION 529(B)(1) OF THE INTERNAL  
8 REVENUE CODE OF 1986.

9 \* \* \*

10 Section 2. The addition of section ~~303(a)(9)~~ 303(A.6) of the <—  
11 act shall apply to tax years beginning after December 31, 2005.

12 Section 3. This act shall take effect in 60 days.