

## 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 AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,  
JUNE 13, 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 of the act of March 4, 1971 (P.L.6,  
14 No.2), known as the Tax Reform Code of 1971, is amended by  
15 adding a subsection to read:

16 Section 303. Classes of Income.--\* \* \*

17 (a.6) (1) Notwithstanding any other provision of this

subsection, an amount paid as a contribution into a qualified tuition plan is exempt from taxation under this article and shall be deductible from taxable income on the annual personal income tax return. The amount paid as a contribution to a qualified tuition plan allowable as a deduction under this subsection shall be subject to an annual limitation not to exceed \$10,000 PER DESIGNATED BENEFICIARY.

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(2) Any amount paid as a contribution into a qualified tuition plan and is not used, when distributed, to provide a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense, shall be includable as income under subsection (a)(1) and shall be taxable under this article.

(3) The department shall treat all qualified tuition programs of which an individual is a designated beneficiary as one program. All contributions during a taxable year shall be treated as one contribution.

(4) For purposes of this subsection:

(i) The term "designated beneficiary" shall have the same meaning as provided in section 529(e)(1) of the Internal Revenue Code of 1986.

(ii) The term "qualified higher education expense" shall have the same meaning as provided in section 529(e)(3) of the Internal Revenue Code of 1986.

(iii) The term "qualified tuition program" shall have the same meaning as provided in section 529(b)(1) of the Internal Revenue Code of 1986.

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Section 2. The addition of section 303(a.6) of the act shall apply to tax years beginning after December 31, 2005.

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