

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2271 Session of
2008

INTRODUCED BY SONNEY, BOYD, CAPPELLI, CLYMER, CREIGHTON,
J. EVANS, FLECK, GEIST, GEORGE, GINGRICH, HENNESSEY, HERSHEY,
HESS, JAMES, M. KELLER, KILLION, McILHATTAN, MILNE, MOYER,
MURT, MYERS, PYLE, READSHAW, REICHLEY, ROSS, SAYLOR,
SCAVELLO, STERN AND YOUNGBLOOD, FEBRUARY 28, 2008

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 28, 2008

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; and
11 providing for a retirement savings incentive tax credit.

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

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

17 Section 303. Classes of Income.--* * *

18 (a.8) The following apply:

19 (1) An amount paid as an out-of-pocket medical expense shall
20 be deductible from taxable income on the annual personal income
21 tax return. The deduction shall not result in taxable income

1 being less than zero.

2 (2) For the purposes of this subsection, "out-of-pocket
3 medical expense" shall mean any payment by an individual for a
4 medical expense for which the individual is not reimbursed. The
5 term includes copayments and any other amount above an insurance
6 premium. Under no circumstance shall the term include an
7 insurance premium.

8 * * *

9 Section 2. The act is amended by adding an article to read:

10 ARTICLE XVII-F

11 RETIREMENT SAVINGS INCENTIVE TAX CREDIT

12 Section 1701-F. Short title of article.

13 This article shall be known and may be cited as the
14 Retirement Savings Incentive Tax Credit Act.

15 Section 1702-F. Definitions.

16 The following words and phrases when used in this article
17 shall have the meanings given to them in this section unless the
18 context clearly indicates otherwise:

19 "Department." The Department of Revenue of the Commonwealth.

20 "Eligible individual." Any individual who has attained the
21 age of 18 as of the close of the taxable year and has a taxable
22 income of less than \$50,000. The term shall not include any
23 individual with respect to whom a deduction is allowed to
24 another taxpayer for a taxable year beginning in the calendar
25 year in which such individual's taxable year begins.

26 "Qualified retirement plan." Any plan, contract, account or
27 annuity which has been determined by the Secretary of Revenue to
28 be such a plan, contract, account or annuity.

29 "Qualified retirement savings contribution." With respect to
30 any taxable year, the sum of:

1 (1) Any amount paid in cash for the taxable year by or
2 on behalf of an individual to an individual qualified
3 retirement plan for such individual's benefit.

4 (2) The amount of:

5 (i) any elective deferrals of any such individual;

6 and

7 (ii) any elective deferral of compensation by such
8 individual under an eligible deferred compensation plan.

9 (3) The amount of voluntary employee contributions by
10 any such individual to any qualified retirement plan.

11 "Secretary." The Secretary of Revenue of the Commonwealth.

12 "Tax credit." The retirement savings incentive tax credit
13 authorized under this article.

14 "Taxable income." All income subject to taxation pursuant to
15 Article III.

16 "Taxpayer." An individual subject to tax under Article III.
17 Section 1703-F. Credit for retirement savings.

18 (a) General rule.--An eligible individual who makes a
19 qualified retirement savings contribution in a taxable year may
20 apply for a tax credit as provided in this article. By April 15,
21 an eligible individual must submit an application to the
22 department for qualified retirement savings contributions to a
23 qualified retirement plan in the taxable year that ended in the
24 prior calendar year.

25 (b) Credit amount.--An eligible individual that is qualified
26 under subsection (a) shall receive a tax credit for the taxable
27 year in the amount of 35% of the qualified retirement savings
28 contribution.

29 (c) Notification.--By June 15 of the calendar year following
30 the close of the taxable year during which the qualified

1 retirement savings contribution was made, the department shall
2 notify the eligible individual of the amount of the eligible
3 individual's tax credit approved by the department.

4 Section 1704-F. Carryover, carryback, refund and assignment of
5 credit.

6 An eligible individual is not entitled to sell, assign, carry
7 back, carry forward or obtain a refund of an unused tax credit.

8 Section 1705-F. Report to General Assembly.

9 The secretary shall submit an annual report to the General
10 Assembly indicating the effectiveness of the credit provided by
11 this article no later than March 15 following the year in which
12 the credits were approved. The report shall include a county
13 breakdown of all eligible individuals utilizing the credit as of
14 the date of the report and the amount of credits approved and
15 utilized by eligible individuals. The names of eligible
16 individuals shall not be included in the report. Notwithstanding
17 any law providing for the confidentiality of tax records, the
18 information contained in the report shall be public information.
19 The report may also include any recommendations for changes in
20 the calculation or administration of the credit.

21 Section 1706-F. Regulations.

22 The secretary shall promulgate regulations necessary for the
23 implementation and administration of this article.

24 Section 3. This act shall take effect immediately.