

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1135 Session of
2011

INTRODUCED BY CORMAN, BRUBAKER, GORDNER, COSTA, ALLOWAY, BLAKE,
BOSCOLA, BREWSTER, ERICKSON, FONTANA, GREENLEAF, LEACH,
RAFFERTY, EARLL, MENSCH, SOLOBAY, TARTAGLIONE, TOMLINSON,
VOGEL, M. WHITE, WOZNIAK, YAW AND YUDICHAK, JUNE 14, 2011

SENATOR BRUBAKER, FINANCE, AS AMENDED, APRIL 3, 2012

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," in personal income tax, further providing for
11 classes of income.

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

14 Section 1. Section 303(a.7) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, added July
16 6, 2006 (P.L.319, No.67), is amended to read:

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

18 (a.7) The following shall apply:

19 (1) An amount paid as a contribution into a qualified
20 tuition program under Chapter 3 of the act of April 3, 1992
21 (P.L.28, No.11), known as the "Tuition Account Programs and

1 College Savings Bond Act," shall be deductible from taxable
2 income on the annual personal income tax return. The amount paid
3 as a contribution to a qualified tuition program allowable as a
4 deduction under this subsection shall be subject to an annual
5 limitation not to exceed the threshold for exclusion from gifts
6 as provided in section 2503(b) of the Internal Revenue Code of
7 1986, as amended, per designated beneficiary. The deduction
8 shall not result in taxable income being less than zero.

9 (2) (i) The following shall not be subject to tax under
10 this article:

11 (A) Any amount distributed from a qualified tuition program
12 that is excludable from tax under section 529(c) (3) (B) of the
13 Internal Revenue Code of 1986, as amended.

14 (B) Any rollover that is excludable from tax under section
15 529(c) (3) (C) of the Internal Revenue Code of 1986, as amended.

16 The exception under this clause does not apply to a rollover
17 from a qualified tuition program under Chapter 3 of the "Tuition
18 Account Programs and College Savings Bond Act."

19 (C) Undistributed earnings on a qualified tuition program.

20 (ii) A change in designated beneficiaries under section
21 529(c) (3) (C) of the Internal Revenue Code of 1986, as amended,
22 shall not constitute a taxable event under this article.

23 (3) Any amount distributed from a qualified tuition program
24 that is not described under paragraph (2) shall be taxable under
25 this article.

26 (4) For purposes of this subsection:

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

30 (ii) The term "qualified tuition program" shall have the

1 same meaning as provided in section 529(b)(1) of the Internal
2 Revenue Code of 1986, as amended.

3 * * *

4 Section 2. The amendment of section 303(a.7) of the act
5 shall not apply to contributions or rollovers made prior to the
6 effective date of this section.

7 Section 3. This act shall take effect as follows:

8 (1) Section 2 of this act shall take effect ~~September 1,~~ ←
9 ~~2011, or immediately, whichever is later~~ JANUARY 1, 2013. ←

10 (2) The remainder of this act shall take effect
11 immediately.