

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 880 Session of 2007

INTRODUCED BY TURZAI, ADOLPH, BAKER, BARRAR, BENNINGHOFF, CAPPELLI, CAUSER, CLYMER, COX, CREIGHTON, DALLY, EVERETT, FAIRCHILD, GABIG, GEIST, GIBBONS, GINGRICH, GOODMAN, GRELL, GRUCELA, HENNESSEY, HERSHEY, HESS, HUTCHINSON, KAUFFMAN, KENNEY, KILLION, KOTIK, MARKOSEK, MARSHALL, MARSICO, McILHATTAN, MUSTIO, PALLONE, PAYNE, PEIFER, PETRI, PHILLIPS, PICKETT, PYLE, RAPP, REED, REICHLEY, ROHRER, SCAVELLO, SCHRODER, K. SMITH, M. SMITH, SONNEY, R. STEVENSON AND YOUNGBLOOD, MARCH 19, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 19, 2007

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, in personal income tax, 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.--(a) The classes of income
 18 referred to above are as follows:

19 * * *

1 (a.7) The following apply:

2 (1) An amount paid as a contribution into a qualified
3 tuition program shall be deductible from taxable income on the
4 annual personal income tax return. The amount paid as a
5 contribution to a qualified tuition program allowable as a
6 deduction under this subsection shall be subject to an annual
7 limitation not to exceed the threshold for exclusion from gifts
8 as provided in section 2503(b) of the Internal Revenue Code of
9 1986, as amended, per designated beneficiary. The deduction
10 shall not result in taxable income being less than zero.

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

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

16 (B) Any rollover that is excludable from tax under section
17 529(c)(3)(C) of the Internal Revenue Code of 1986, as amended.

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

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

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

25 (4) For purposes of this subsection:

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

29 (ii) The term "qualified tuition program" shall have the
30 same meaning as provided in section 529(b)(1) of the Internal

1 Revenue Code of 1986, as amended[.], or shall have the same
2 meaning as a Coverdell education savings account as provided in
3 section 530(b)(1) of the Internal Revenue Code of 1986, as
4 amended.

5 * * *

6 Section 2. This act shall take effect immediately.