

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1178 Session of
2009

INTRODUCED BY HENNESSEY, BRENNAN, CREIGHTON, GEIST, GILLESPIE,
GINGRICH, GOODMAN, GROVE, HESS, KILLION, PALLONE, PICKETT,
QUINN, RAPP, READSHAW, REICHLEY, ROHRER, ROSS, SCAVELLO,
SIPTROTH, SONNEY, STERN, SWANGER, TURZAI, VULAKOVICH,
WANSACZ, YOUNGBLOOD, YUDICHAK AND GALLOWAY, APRIL 3, 2009

REFERRED TO COMMITTEE ON FINANCE, APRIL 3, 2009

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 * * *

20 (a.7) The following apply:

21 (1) An amount paid as a contribution into a qualified

1 tuition program shall be deductible from taxable income on the
2 annual personal income tax return. The amount paid as a
3 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. If the
9 aggregate amount of contributions during the calendar year by a
10 donor exceeds the limitation for that year under section 2503(b)
11 of the Internal Revenue Code of 1986, as amended, the aggregate
12 amount shall, at the election of the donor, be taken into
13 account for purposes of that section ratably over the five-year
14 period beginning with that calendar year.

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

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

20 (B) Any rollover that is excludable from tax under section
21 529(c)(3)(C) of the Internal Revenue Code of 1986, as amended.

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

23 (ii) A change in designated beneficiaries under section
24 529(c)(3)(C) of the Internal Revenue Code of 1986, as amended,
25 shall not constitute a taxable event under this article.

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

29 (4) For purposes of this subsection:

30 (i) 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, as amended.

3 (ii) The term "qualified tuition program" shall have the
4 same meaning as provided in section 529(b)(1) of the Internal
5 Revenue Code of 1986, as amended.

6 * * *

7 Section 2. This act shall take effect immediately.