

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

REFERRED TO FINANCE, JUNE 14, 2011

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.

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