

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 314 Session of 2015

INTRODUCED BY BREWSTER, SCHWANK, SMITH, COSTA, FARNESE, BOSCOLA, WOZNIAK AND RAFFERTY, JANUARY 23, 2015

REFERRED TO FINANCE, JANUARY 23, 2015

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 taxability of estates, trusts and their beneficiaries.

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

14 Section 1. Section 305 of the act of March 4, 1971 (P.L.6,
 15 No.2), known as the Tax Reform Code of 1971, repealed and added
 16 August 31, 1971 (P.L.362, No.93), is amended to read:

17 Section 305. Taxability of Estates, Trusts and Their
 18 Beneficiaries.--(a) Except as set forth in subsection (b), the
 19 following apply:

20 (1) The income of a beneficiary of an estate or trust in
 21 respect of such estate or trust shall consist of that part of
 22 the income or gains received by the estate or trust for its

1 taxable year ending within or with the beneficiary's taxable
2 year which, under the governing instrument and applicable State
3 law, is required to be distributed currently or is in fact paid
4 or credited to said beneficiary.

5 (2) The income or gains of the estate or trust, if any,
6 taxable to such estate or trust shall consist of the income or
7 gains received by it which has not been distributed or credited
8 to its beneficiaries.

9 (b) The first three thousand dollars (\$3,000) of income from
10 a qualified disability trust shall not be income or gains under
11 subsection (a).

12 (c) As used in this section, the following words and phrases
13 shall have the meanings given to them in this subsection:

14 "Disabled." As defined in section 1614(a)(3) of the Social
15 Security Act (49 Stat. 620, 42 U.S.C. § 1382c(a)(3)).

16 "Qualified disability trust." A trust described in section
17 1917(c)(2)(B)(iv) of the Social Security Act (49 Stat. 620, 42
18 U.S.C. § 1396p(c)(2)(B)(iv)) which complies with all of the
19 following:

20 (1) The trust is established solely for the benefit of
21 individuals who are:

22 (i) under 65 years of age; and

23 (ii) disabled.

24 (2) All of the beneficiaries of the trust are determined by
25 the Commissioner of Social Security to have been disabled for
26 some part of the tax year. A trust shall not fail to comply with
27 this clause solely because the body of the trust may, after the
28 trust ceases to have any disabled beneficiary, revert to a
29 person that is not disabled.

30 Section 2. The amendment of section 305 of the act shall

1 apply to taxable years beginning after December 31, 2013.

2 Section 3. This act shall take effect in 60 days.