

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1385 Session of 2017

INTRODUCED BY B. MILLER, MILNE, ZIMMERMAN, QUIGLEY, EVANKOVICH,
SANKEY, KAUFER, HICKERNELL AND BLOOM, MAY 18, 2017

REFERRED TO COMMITTEE ON FINANCE, MAY 18, 2017

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, is amended
16 to read:

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

18 (a.7) The following 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
22 College Savings Bond Act, shall be deductible from taxable

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

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

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

13 (B) Any rollover that is excludable from tax under section
14 529(c)(3)(C) of the Internal Revenue Code of 1986, as amended.
15 The exception under this clause does not apply to a rollover
16 from a qualified tuition program under Chapter 3 of the Tuition
17 Account Programs and College Savings Bond Act.

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.

2 * * *

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

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

7 (1) Section 2 of this act shall take effect January 1,
8 2018, or immediately, whichever is later.

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