

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1385 Session of 2017

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

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES, AS AMENDED, JUNE 20, 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 529 <--
20 ADVISOR SOLD PLAN OR a qualified tuition program under Chapter 3
21 of the act of April 3, 1992 (P.L.28, No.11), known as the
22 Tuition Account Programs and College Savings Bond Act, shall be

1 deductible from taxable income on the annual personal income tax
2 return. BEGINNING IN THE YEAR FOLLOWING THE INCEPTION OF A <--
3 PENNSYLVANIA QUALIFIED 529 ADVISOR SOLD PLAN, AMOUNTS PAID AS
4 CONTRIBUTIONS TO QUALIFIED 529 ADVISOR SOLD PLANS OTHER THAN THE
5 PENNSYLVANIA QUALIFIED 529 ADVISOR SOLD PLAN SHALL NOT BE
6 DEDUCTIBLE FROM TAXABLE INCOME ON THE PERSONAL INCOME TAX
7 RETURN. The amount paid as a contribution to a qualified tuition
8 program allowable as a deduction under this subsection shall be
9 subject to an annual limitation not to exceed the threshold for
10 exclusion from gifts as provided in section 2503(b) of the
11 Internal Revenue Code of 1986, as amended, per designated
12 beneficiary. The deduction shall not result in taxable income
13 being less than zero.

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

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

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

21 ~~The exception under this clause does not apply to a rollover~~ <--
22 ~~from a qualified tuition program under Chapter 3 of the Tuition~~
23 ~~Account Programs and College Savings Bond Act.~~

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

25 (ii) A change in designated beneficiaries under section
26 529(c)(3)(C) of the Internal Revenue Code of 1986, as amended,
27 shall not constitute a taxable event under this article.

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

1 (4) For purposes of this subsection:

2 (i) The TERM "QUALIFIED 529 ADVISOR SOLD PLAN" SHALL MEAN A <--
3 CHANNEL THROUGH WHICH THE STATE OR A BROKER DEALER, INVESTMENT
4 ADVISOR OR OTHER FINANCIAL INTERMEDIARY OFFERS A COLLEGE SAVINGS
5 PROGRAM UNDER SECTION 529 OF THE INTERNAL REVENUE CODE OF 1986,
6 AS AMENDED, TO ELIGIBLE INVESTORS AND ASSISTS WITH THE OPENING
7 AND SERVICING OF INDIVIDUAL COLLEGE SAVINGS PROGRAM ACCOUNTS.

8 (II) THE term "designated beneficiary" shall have the same
9 meaning as provided in section 529(e)(1) of the Internal Revenue
10 Code of 1986, as amended.

11 ~~[(ii)]~~ (III) The term "qualified tuition program" shall have <--
12 the same meaning as provided in section 529(b)(1) of the
13 Internal Revenue Code of 1986, as amended.

14 * * *

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

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

19 (1) Section 2 of this act shall take effect January 1,
20 2018, or immediately, whichever is later.

21 (2) The remainder of this act shall take effect
22 immediately.