

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1404 Session of 2014

INTRODUCED BY FOLMER, TEPLITZ, KITCHEN, SCARNATI, COSTA,
 BOSCOLA, PILEGGI, FARNESE, SMUCKER, SOLOBAY, RAFFERTY,
 HUTCHINSON AND WILLIAMS, JUNE 9, 2014

REFERRED TO FINANCE, JUNE 9, 2014

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; and, in inheritance tax, further providing
 12 for transfers not subject to tax.

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

15 Section 1. Section 303(a.7)(1) of the act of March 4, 1971
 16 (P.L.6, No.2), known as the Tax Reform Code of 1971, added July
 17 6, 2006 (P.L.319, No.67), is amended to read:

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

19 (a.7) The following apply:

20 (1) (i) An amount paid as a contribution into a qualified
 21 tuition program shall be deductible from taxable income on the
 22 annual personal income tax return. The amount paid as a

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

7 (ii) If a contribution to a qualified tuition program
8 exceeds the annual limitation in any taxable year, the amount of
9 the contribution that exceeds the annual limitation may be
10 carried forward and may be deductible for up to five taxable
11 years after the taxable year in which the contribution is made.
12 The amount deducted in any taxable year may not exceed the
13 annual limitation.

14 (iii) For taxable years beginning after December 31, 2013, a
15 deduction under this paragraph may be taken for a taxable year
16 for the contribution made during the taxable year and up to the
17 date the taxpayer's tax return under this article is required to
18 be filed pursuant to section 330 of this act.

19 * * *

20 Section 2. Section 2111 of the act is amended by adding a
21 subsection to read:

22 Section 2111. Transfers Not Subject to Tax.--* * *

23 (u) (1) Contributions made pursuant to a qualified tuition
24 program.

25 (2) Any increase in the value of contributions under
26 paragraph (1), the retention or transfer during life or as a
27 result of death of any legal interest in a qualified tuition
28 program.

29 (3) Payment of qualified higher education expenses of a
30 designated beneficiary made pursuant to a qualified tuition

1 program.

2 (4) For purposes of this subsection:

3 (i) The term "designated beneficiary" shall have the same
4 meaning as provided in section 529(e)(1) of the Internal Revenue
5 Code of 1986.

6 (ii) The term "qualified tuition program" shall have the
7 same meaning as provided in section 529(b)(1) of the Internal
8 Revenue Code of 1986.

9 Section 3. The addition of section 2111(u) of the act shall
10 apply to the estates of decedents dying on or after the
11 effective date of this section.

12 Section 4. This act shall take effect as follows:

13 (1) The following provisions shall take effect in 60
14 days:

15 (i) The addition of section 2111(u) of the act.

16 (ii) Section 3 of this act.

17 (2) The remainder of this act shall take effect
18 immediately.