

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1143 Session of 2024

INTRODUCED BY FLYNN, BOSCOLA, FONTANA, BREWSTER, COSTA, HUGHES,
DILLON AND KANE, APRIL 5, 2024

REFERRED TO FINANCE, APRIL 5, 2024

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 providing for 529 savings account
12 employer contribution tax credit.

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

15 Section 1. Section 303(a.7) (2) (i) of the act of March 4,
16 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, is
17 amended by adding a clause to read:

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

19 (a.7) The following apply:

20 * * *

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

23 * * *

1 (E) Any amount received by an employe through an employer's
2 contribution to an account under Article XIX-J.

3 * * *

4 Section 2. The act is amended by adding an article to read:

5 ARTICLE XIX-J

6 529 SAVINGS ACCOUNT EMPLOYER

7 CONTRIBUTION TAX CREDIT

8 Section 1901-J. Scope of article.

9 This article relates to the 529 savings account employer
10 contribution tax credit program.

11 Section 1902-J. Definitions.

12 The following words and phrases when used in this article
13 have the meanings given to them in this section unless the
14 context clearly indicates otherwise:

15 "Account." An account owned by an employee who has entered
16 into a Tuition Account Program Contract under the act of April
17 3, 1992 (P.L.28, No.11), known as the Tuition Account Programs
18 and College Savings Bond Act, notwithstanding the named
19 beneficiary of the account.

20 "Contribution." A deposit of money into an employee-owned
21 account during the tax year.

22 "Department." The Department of Revenue of the Commonwealth.

23 "Tax credit." The 529 savings account employer contribution
24 tax credit established under section 1903-J.

25 "Tuition Account Program Contract." As defined in section
26 302 of the Tuition Account Programs and College Savings Bond
27 Act.

28 Section 1903-J. Credit for employer contributions to tuition
29 savings accounts.

30 (a) Tax credit.--For taxable years beginning after December

1 31, 2023, and ending before January 1, 2029, an employer that
2 makes a contribution to an account owned by an employee under
3 the Tuition Account Guaranteed Savings Program or Tuition
4 Account Investment Plan may claim a tax credit against the
5 employer's State tax liability.

6 (b) Amount of tax credit.--The amount of the tax credit
7 under subsection (a) shall be equal to 25% of the employer's
8 aggregate contributions made to accounts owned by employees
9 during the tax year.

10 (c) Contribution limit for employers.--The total amount of
11 contributions that an employer may make to accounts owned by
12 employees shall be no more than \$500 per employee during the tax
13 year.

14 (d) Proof of contribution.--In order to receive the tax
15 credit, an employer shall provide the department with proof that
16 the employer has made qualifying contributions to employee-owned
17 accounts under this article at the time of filing the employer's
18 tax return.

19 Section 1904-J. Carryover, carryback and assignment of credit.

20 (a) General rule.--If the amount of the tax credit allowed
21 under this article exceeds the employer's tax liability in the
22 tax year in which the tax credit is approved, the excess tax
23 credit may be carried over to succeeding tax years for a period
24 not to exceed three years to reduce the employer's tax liability
25 during those tax years. The following shall apply:

26 (1) A tax credit that is carried over to succeeding tax
27 years must be applied first to the earliest tax year
28 possible.

29 (2) Any credit remaining after three tax years following
30 the initial approval of a tax credit under this article shall

1 not be refunded or credited to the employer.

2 (b) No carryback or refund.--An employer approved for a tax
3 credit is not entitled to carry back or obtain a refund of all
4 or any portion of an unused tax credit granted to the employer
5 under this article.

6 Section 1905-J. Departmental duties.

7 (a) Guidelines.--The department shall publish guidelines and
8 may promulgate regulations necessary for the implementation and
9 administration of this article.

10 (b) Verification of contributions.--The department shall
11 coordinate with the Treasury Department to obtain information
12 necessary to verify that an employer applying for a tax credit
13 under this article has made contributions to employees' accounts
14 and the aggregate amount of contributions made.

15 Section 1906-J. Nondiscrimination in contributions.

16 (a) Accounts owned by employees.--An employee who owns an
17 account shall have equal opportunity to receive a contribution
18 from the employer.

19 (b) Duty of employers.--If an employer chooses to make
20 contributions to employee-owned accounts for the purposes of
21 claiming the tax credit, the employer shall make equal
22 contributions during the tax year to any employee that either
23 owns an account or chooses to open an account while employed by
24 the employer.

25 (c) Rights of employees.--An employee who owns an account
26 may voluntarily opt out of an employer contribution benefit
27 during any tax year. An employee who opts out of a contribution
28 benefit from the employer during one tax year may elect to
29 receive the contribution benefit during another succeeding tax
30 year.

1 Section 1907-J. Report to General Assembly.

2 (a) Annual report.--No later than July 1, 2024, and each
3 July 1 thereafter, the department shall submit a report to the
4 General Assembly indicating the effectiveness of the tax credit
5 under this article.

6 (b) Information required.--The report required under
7 subsection (a) shall include the following information:

8 (1) The number of tax credits approved under this
9 article.

10 (2) The amount of tax credits approved under this
11 article.

12 (3) The number of tax credits denied and the reason for
13 denial.

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