

HOUSE No. 4231

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, May 5, 2016.

The committee on Revenue to whom were referred the petition (accompanied by bill, Senate, No. 1468) of Eileen M. Donoghue, Thomas A. Golden, Jr., Paul W. Mark, Aaron Vega and other members of the General Court for legislation relative to building real incentives for college savings, the petition (accompanied by bill, Senate, No. 1604) of Bruce E. Tarr, Steven S. Howitt, Donald H. Wong, Viriato M. deMacedo and other members of the General Court for legislation relative to family and education savings plan, the petition (accompanied by bill, Senate, No. 1612) of James E. Timilty for legislation relative to tax deductions for contributions to college savings plans, petition (accompanied by bill, House, No. 2620) of Michael J. Moran and Frank A. Moran for legislation to provide an income tax exemption for certain college savings plan contributions, and the petition (accompanied by bill, House, No. 2696) of Chris Walsh and others for legislation to provide tax deductions for contributions to certain college savings plans, reports recommending that the accompanying bill (House, No. 4231) ought to pass.

For the committee,

JAY R. KAUFMAN.

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**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**

An Act building real incentives for college savings.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Paragraph (11) of subsection (a) of part B of section 3 of chapter 62 of the
2 General Laws, as appearing in the 2014 Official Edition, is hereby amended by inserting at the
3 end thereof the following sentence:-

4 An individual who is a nonresident for all or part of the taxable year shall not be eligible
5 to claim this deduction.

6 SECTION 2. Subsection (a) of part B of section 3 of chapter 62 of the General Laws, as
7 appearing in the 2014 Official Edition, is hereby amended by inserting at the end thereof the
8 following new paragraphs:-

9 (19) An amount equal to the amount expended in such taxable year for the purchase of an
10 interest in, or contributed in such taxable year to an account in, a prepaid tuition program or
11 college savings program established by the commonwealth or any instrumentality or authority
12 thereof. In the case of a single person or a married person filing a separate return or a head of
13 household, the total amount deducted in such taxable year shall not exceed \$1,000. In the case of

14 a married couple filing a joint return, the total amount deducted in such taxable year shall not
15 exceed \$2,000.

16 Notwithstanding any statute of limitations on the assessment of an income tax under this
17 chapter, any deduction taken hereunder shall be subject to recapture in the taxable year or years
18 in which distributions or refunds are made for any reason other than (a) to pay qualified higher
19 education expenses, as defined by 26 U.S. Code §529 (e)(3), or (b) the beneficiary's death,
20 disability, or receipt of a scholarship. For the purposes of this subdivision, the term "purchaser"
21 or "contributor" means the person shown as such on the records of the qualifying Massachusetts
22 prepaid tuition or college savings plans as of December 31 of the taxable year. In the case of a
23 transfer of ownership of a prepaid tuition contract or savings trust account, the transferee shall
24 succeed to the transferor's tax attributes associated with a prepaid tuition contract or savings trust
25 account, including, but not limited to, carryover and recapture of deductions.

26 On or before October 15 of each year beginning on or after January 1, 2018, the
27 commissioner shall submit a report to the secretary of administration and finance, the house and
28 senate committees on ways and means, and the joint committee on revenue. The annual report
29 shall provide the following information: the number of 529 college savings accounts opened by
30 Massachusetts residents during the prior year; the amount of the allowable deductions claimed
31 under this paragraph during the prior year; the adjusted gross income of each taxpayer qualifying
32 for the deduction allowed under this section.

33 The deduction allowed under this paragraph shall apply for taxable years beginning on or
34 after January 1, 2017; provided, however, that, in taxable years beginning on or after January 1,

35 2022, no such deduction shall be allowed in any taxable year unless the deduction is reauthorized
36 by legislative action.

37 SECTION 3. Section 1 shall take effect as of January 1, 2017.