

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 770
Committee Substitute Favorable 6/6/06
Third Edition Engrossed 6/12/06

Short Title: Parental Savings Trust Fund Tax Deduction.-AB

(Public)

Sponsors:

Referred to:

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO ALLOW FOR AN INCOME TAX DEDUCTION FOR CERTAIN CONTRIBUTIONS TO THE PARENTAL SAVINGS TRUST FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-134.6(d) is amended by adding two new subdivisions to read:

"(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

...

(4) The taxpayer may deduct from taxable income the amount, not to exceed ten thousand dollars (\$10,000), contributed to an account in the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25. In the case of a married couple filing a joint return, the maximum dollar amount of the deduction is twenty thousand dollars (\$20,000).

(5) The taxpayer shall add to taxable income the amount deducted from taxable income in a prior taxable year under subdivision (4) of this subsection to the extent this amount was withdrawn from the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25 and not used to pay for the qualified higher education expenses of the designated beneficiary, unless the withdrawal was made without penalty under section 529 of the Code due to the death or permanent disability of the designated beneficiary."

SECTION 2. The Revenue Laws Study Committee shall study the issue of providing income tax deductions for all contributions to section 529 plans. The Committee shall report on its findings, including any recommendations or legislative proposals, to the 2007 General Assembly.

1 **SECTION 3.** Section 1 of this act is effective for taxable years beginning on
2 or after January 1, 2006. The remainder of this act is effective when it becomes law.
3 This act is repealed for taxable years beginning on or after January 1, 2011.