
SENATE BILL No. 360

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3-11.

Synopsis: Family college savings plan tax credit. Provides a one-time income tax credit for family college savings deposits in 2000 and for deposits made in the year that the taxpayer opens an individual trust account for taxable years beginning after December 31, 2000. Provides that the credit is equal to the lesser of: (1) 10% of the aggregate of the family college savings deposited by the taxpayer for the taxpayer's dependent; or (2) \$100 per dependent. Provides that the credit is deposited into the taxpayer's family college savings account. Provides that the amount of the credit may only be used for the dependent's qualified higher education expenses.

Effective: January 1, 2000 (retroactive).

Bowser

January 10, 2000, read first time and referred to Committee on Finance.

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Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

SENATE BILL No. 360



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3-3-11 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2000 (RETROACTIVE)]: **Sec. 11. (a) As used in this**
- 4 **section, "dependent" means a person who the taxpayer is eligible**
- 5 **to claim as a dependent on the taxpayer's federal income tax return**
- 6 **for the taxable year under Section 151 of the Internal Revenue**
- 7 **Code.**
- 8 (b) As used in this section, "family college savings" means
- 9 deposits made to an individual trust account in the Indiana family
- 10 college savings trust fund under IC 21-9.
- 11 (c) As used in this section, "higher education institution" has the
- 12 meaning set forth in IC 21-9-2-16.
- 13 (d) As used in this section, "individual trust account" has the
- 14 meaning set forth in IC 21-9-2-17.
- 15 (e) As used in this section, "taxpayer" means:
- 16 (1) an individual who:
- 17 (A) is an Indiana resident; and



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- 1 **(B) files a separate return; or**
 2 **(2) a husband and wife who:**
 3 **(A) are Indiana residents; and**
 4 **(B) file a joint return.**

5 **(f) This subsection applies to individual trust accounts opened**
 6 **before January 1, 2001. A taxpayer is entitled to a one-time credit**
 7 **equal to the amount specified in subsection (h) for deposits of**
 8 **family college savings in an individual trust account for the**
 9 **taxpayer's dependent in the taxable year beginning after December**
 10 **31, 1999, and ending before January 1, 2001.**

11 **(g) This subsection applies to individual trust accounts opened**
 12 **in taxable years beginning after December 31, 2000. A taxpayer is**
 13 **entitled to a one-time credit equal to the amount specified in**
 14 **subsection (h) for deposits of family college savings in an individual**
 15 **trust account for the taxpayer's dependent in the taxable year in**
 16 **which the individual trust account is opened.**

17 **(h) The amount of the credit for each dependent under this**
 18 **section is equal to the lesser of:**

- 19 **(1) ten percent (10%) of the aggregate of the family college**
 20 **savings deposited by the taxpayer for the dependent; or**
 21 **(2) one hundred dollars (\$100).**

22 **(i) A credit under this section must be claimed under procedures**
 23 **established by the department of state revenue.**

24 **(j) The department of state revenue shall deposit the amount of**
 25 **the credit determined under subsection (h) for each eligible**
 26 **dependent in the individual trust account in which the taxpayer**
 27 **made a deposit of family college savings for the dependent. Money**
 28 **deposited under this subsection may be used only for a purpose for**
 29 **which other money in the individual trust account may be used. A**
 30 **deposit under this subsection is exempt from taxation under this**
 31 **title.**

32 **(k) If the amount determined under subsection (h) exceeds the**
 33 **amount of the taxpayer's adjusted gross income tax liability, the**
 34 **excess is refundable. The department of state revenue shall deposit**
 35 **the amount of the refund in the individual trust account in which**
 36 **the taxpayer made a deposit of family college savings for an eligible**
 37 **dependent. If there is more than one (1) eligible dependent, the**
 38 **department of state revenue shall pro rate the amount of the**
 39 **refund among the individual trust accounts of the eligible**
 40 **dependents. Money deposited under this subsection may be used**
 41 **only for a purpose for which other money in the individual trust**
 42 **account may be used. A deposit under this subsection is exempt**



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from taxation under this title.

(l) If:

(1) a credit is taken under this section for family college savings; and

(2) the amount deposited is withdrawn from the Indiana family college savings trust fund and not used exclusively for qualified higher education expenses (as defined in IC 21-9-2-19.5) of the taxpayer's dependent;

the taxpayer receiving the credit is subject to a penalty in the year of the withdrawal.

(m) The penalty imposed under subsection (l) is the penalty established for distributions not used exclusively for the qualified higher education expenses of an account beneficiary (as defined in IC 21-9-2-3) by the Indiana education savings authority under IC 21-9-7-9.

SECTION 2. [EFFECTIVE JANUARY 1, 2000 (RETROACTIVE)] IC 6-3-3-11, as added by this act, applies only to taxable years beginning after December 31, 1999.

SECTION 3. An emergency is declared for this act.

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