

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

*Codification
District of
Columbia
Official Code*

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To amend, on a temporary basis, Title 47 of the District of Columbia Official Code to limit ownership of a college savings account to one person; to specify a limit on District of Columbia tax deductions for contributions to a college savings account; and to eliminate the requirement that an account owner or the beneficiary be a resident of the District of Columbia.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "College Savings Program Temporary Act of 2002".

Sec. 2. Title 47 of the District of Columbia Official Code is amended as follows:

(a) The table of contents for Chapter 45 is amended by striking the section designation "47-4508. Residency requirement." and inserting the section designation "47-4508. Repealed." in its place.

(b) Section 47-4501 is amended as follows:

Note,
§ 47-4501

(1) Paragraph (2) is amended by striking the word "individual" and inserting the phrase "individual or organization" in its place.

(2) Paragraph (4) is amended to read as follows:

"(4) "Designated beneficiary" shall have the same meaning as in section 529(e)(1) of the Internal Revenue Code."

(3) Paragraph (5) is amended to read as follows:

"(5) "Eligible institution" shall have the same meaning as "eligible educational institution" in section 529(e)(5) of the Internal Revenue Code."

(4) Paragraph (7) is amended to read as follows:

"(7) "Member of the family" shall have the same meaning as in section 529(e)(2) of the Internal Revenue Code."

(5) Paragraph (9) is amended to read as follows:

"(9) "Qualified higher education expenses" shall have the same meaning as in section 529(e)(3) of the Internal Revenue Code."

(c) Section 47-4503 is amended as follows:

Note,
§ 47-4503

(1) Subsection (a) is amended by adding a new sentence to read as follows:

"An account shall not be held jointly."

(2) Subsection (f) is amended by adding a new sentence to read as follows:

"A change in the designated beneficiary of an account shall not be treated as a withdrawal if the new beneficiary is a member of the family of the former beneficiary."

(3) Subsection (g) is amended to read as follows:

"(g) An account owner may transfer all or a portion of the balance of an account to another account under the Program or into another qualified tuition program for the benefit of the designated beneficiary or a member of the family of the designated beneficiary in accordance with procedures established by the Chief Financial Officer. A transfer to another qualified tuition program to the credit of the same designated beneficiary shall be treated as a withdrawal if the transfer occurs within 12 months from the date of a previous transfer."

(4) Subsections (h), (i), (j), and (k) are repealed.

(5) Subsection (m) is amended by adding a new sentence to read as follows:

"This restriction shall be interpreted in accordance with applicable guidance issued by the Internal Revenue Service under section 529 of the Internal Revenue Code."

(d) Section 47-4506(c) is repealed.

(e) Section 47-4508 is repealed.

(f) Section 47-4509 is amended to read as follows:

"(a) An account owner who files an income tax return in the District of Columbia may claim a deduction in an annual amount not to exceed \$3,000 for contributions made to all accounts under the Program. With respect to married individuals filing a joint return, each married individual may claim a deduction in an annual amount not to exceed \$3,000 for contributions made to all accounts under the Program for which the married individual is the account owner.

"(b) If an amount greater than \$3,000 is contributed to one or more accounts in a tax year, the excess may be carried forward as a deduction, subject to the annual limit, for 5 years.

"(c) Any deduction taken under this section shall be subject to recapture with respect to a withdrawal or rollover taken within 2 years of the establishment of the account for any reason other than provided in subsection (d) of this section. In addition, notwithstanding the statute of limitations on assessments in § 47-912, any deduction taken under this section shall be subject to recapture in the taxable year in which the withdrawal or rollover is made after 2 years of the establishment of the account for any reason other than provided in subsection (d) of this section or to transfer to another qualified tuition program.

"(d) Deductions taken under this section shall not be subject to recapture as provided in subsection (c) of this section if:

"(1) The funds are used to pay for qualified higher education expenses;

"(2) The beneficiary dies, becomes disabled, or receives a scholarship;

"(3) The beneficiary receives a scholarship; provided, that the exemption shall be limited to the amount of the scholarship; or

"(4) The funds are transferred to another account maintained under the

Note,
§ 47-4506
Note, Repeal
§ 47-4508
Note,
§ 47-4509

Program.

"(e) Subject to subsection (f) of this section, earnings on accounts shall be exempt from District of Columbia income taxation.

"(f) Qualified withdrawals shall be exempt from District of Columbia income taxation. The portion of any other withdrawal that is attributable to account earnings shall be subject to District of Columbia income taxation in the year in which the withdrawal is made."

Sec. 3. Fiscal impact statement.

There is no new fiscal impact because the impact of the Program has already been incorporated into the Budget and Financial Plan.

Sec. 4. Effective date.

(a) This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

(b) This act shall expire after 225 days of its having taken effect.

Chairman
Council of the District of Columbia

Mayor
District of Columbia