

By Mr. Tarr of Gloucester, petition of Bruce E. Tarr relative to an income tax exemption for parents of minor children to be used for educational purposes. Taxation.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Three.

AN ACT PROVIDING FOR AN INCOME TAX EXEMPTION TO PARENTS OF MINOR CHILDREN FOR EDUCATIONAL PURPOSES.

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

1 Paragraph (b) of subsection (B) of section 3 of chapter 62 of
2 the General Laws, as appearing in the 1988 Official Edition, is
3 hereby amended by adding the following clause:—

4 (D) An additional exemption, not to exceed three thousand
5 dollars per year for each child who is under the age of twenty-
6 two and claimed as a dependent by said parents; provided
7 however, that the amount claimed as an exemption under this
8 provision must be set aside by the parents into an Educational
9 Investment Account. Money in the account may be withdrawn,
10 without penalty or adverse tax consequence, to pay for college
11 tuition or for the cost of room and board while attending college.
12 Except as otherwise provided in this section any balance left in
13 said account after payment of the child's tuition and room and
14 board shall be taxable to the parents as earned income. Premature
15 withdrawals, except for reasons of hardship, shall make the
16 amount withdrawn subject to immediate taxation and shall
17 require the payment of a twenty per cent penalty. Hardship
18 withdrawals shall be permitted only for reasons involving the
19 disability of the child or the death of the child or expenses directly
20 related to said death. If the money in such amount is not used
21 for the higher education of the child prior to his twenty-fifth
22 birthday, all monies in said account shall immediately become
23 taxable to the parents as income in addition to the payment of

24 a ten per cent penalty charge. In order to qualify for this
25 exemption, any money set aside into an Educational Investment
26 Account must be invested which is included on a list of acceptable
27 prepared and published by the department of revenue. This
28 exemption shall be available to parents who have been awarded
29 custodial care and legal guardianship of a minor child by a court
30 of competent jurisdiction.