S T A T E O F N E W Y O R K

4827

2015-2016 Regular Sessions

I N S E N A T E

April 20, 2015

Introduced by Sen. VALESKY -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations

AN ACT to amend the tax law, in relation to lump sum distributions used for the payment of post-secondary education loans

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Section 603 of the tax law is amended by adding a new subsection (c) to read as follows:

(C) EXEMPTION. LUMP SUM DISTRIBUTIONS, AS TAXED UNDER THIS SECTION, USED FOR PAYMENTS TO AN INSTITUTION RECEIVING ANY SCHEDULED PERIODIC PAYMENTS FROM A BORROWER PURSUANT TO THE TERMS OF ANY POST-SECONDARY EDUCATION LOAN, AND MAKING THE PAYMENTS OF PRINCIPAL AND INTEREST AND OTHER AMOUNTS WITH RESPECT TO THE AMOUNTS RECEIVED FROM THE BORROWER AS MAY BE REQUIRED PURSUANT TO THE TERMS OF THE POST-SECONDARY EDUCATION LOAN OR OF THE CONTRACT GOVERNING THE SERVICING; OR, DURING A PERIOD WHEN PAYMENT ON A POST-SECONDARY EDUCATION LOAN IS DEFERRED, MAINTAINING ACCOUNT RECORDS FOR THE LOAN AND COMMUNICATING WITH THE BORROWER REGARDING THE LOAN, ON BEHALF OF THE LOAN'S HOLDER SHALL NOT BE SUBJECT TO THE SEPARATE TAX IMPOSED IN SUBSECTION (A) OF THIS SECTION.

S 2. Subsection (c) of section 612 of the tax law is amended by adding a new paragraph 3-d to read as follows:

(3-D) PENSIONS AND ANNUITIES RECEIVED BY AN INDIVIDUAL OF ANY AGE, NOT OTHERWISE EXCLUDED PURSUANT TO PARAGRAPH THREE OF THIS SUBSECTION, TO THE EXTENT INCLUDIBLE IN GROSS INCOME FOR FEDERAL TAX PURPOSES, WHICH ARISE (I) FROM AN EMPLOYER-EMPLOYEE RELATIONSHIP OR (II) FROM CONTRIBUTIONS TO A RETIREMENT PLAN WHICH ARE DEDUCTIBLE FOR FEDERAL INCOME TAX PURPOSES WHICH ARE USED FOR PAYMENTS TO AN INSTITUTION RECEIVING ANY SCHEDULED PERIODIC PAYMENTS FROM A BORROWER PURSUANT TO THE TERMS OF ANY POST-SECONDARY EDUCATION LOAN, AND MAKING THE PAYMENTS OF PRINCIPAL AND INTEREST AND OTHER AMOUNTS WITH RESPECT TO THE AMOUNTS RECEIVED FROM THE

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD10306-02-5

BORROWER AS MAY BE REQUIRED PURSUANT TO THE TERMS OF THE POST-SECONDARY EDUCATION LOAN OR OF THE CONTRACT GOVERNING THE SERVICING; OR, DURING A PERIOD WHEN PAYMENT ON A POST-SECONDARY EDUCATION LOAN IS DEFERRED, MAINTAINING ACCOUNT RECORDS FOR THE LOAN AND COMMUNICATING WITH THE BORROWER REGARDING THE LOAN, ON BEHALF OF THE LOAN'S HOLDER. HOWEVER, THE TERM "PENSIONS AND ANNUITIES" SHALL ALSO INCLUDE DISTRIBUTIONS OF ANY KIND, INCLUDING ANY LUMP SUM DISTRIBUTIONS, AS DEFINED IN SUBPARAGRAPH (A) OF PARAGRAPH FOUR OF SUBSECTION (E) OF SECTION FOUR HUNDRED TWO OF THE INTERNAL REVENUE CODE AND TAXED UNDER SECTION SIX HUNDRED THREE OF THIS ARTICLE, RECEIVED BY AN INDIVIDUAL OF ANY AGE FROM AN INDIVIDUAL RETIREMENT ACCOUNT OR AN INDIVIDUAL RETIREMENT ANNUITY, AS DEFINED IN SECTION FOUR HUNDRED EIGHT OF THE INTERNAL REVENUE CODE, AND DISTRIBUTIONS RECEIVED BY AN INDIVIDUAL OF ANY AGE FROM SELF-EMPLOYED INDIVIDUAL AND OWNER-EMPLOYEE RETIREMENT PLANS WHICH QUALIFY UNDER SECTION FOUR HUNDRED ONE OF THE INTERNAL REVENUE CODE, WHETHER OR NOT THE PAYMENTS ARE PERIODIC IN NATURE.

S 3. This act shall take effect immediately and shall apply to taxable years commencing on or after January 1, 2014.