

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2489 Session of  
1998

INTRODUCED BY BUNT, MAJOR, ARMSTRONG, TRUE, HERSHEY, SEMMEL,  
MAITLAND AND KREBS, MARCH 31, 1998

REFERRED TO COMMITTEE ON FINANCE, MARCH 31, 1998

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," further providing for family farm corporation  
11 exemption, for definitions, for acquired company and for  
12 excluded transactions.

13 The General Assembly of the Commonwealth of Pennsylvania  
14 hereby enacts as follows:

15 Section 1. Section 602.2(b) of the act of March 4, 1971  
16 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended  
17 by adding a clause to read:

18 Section 602.2. Family Farm Corporation Exemption.--\* \* \*

19 (3) Assets shall be treated as devoted to the business of  
20 agriculture based upon the actual use of the assets. The leasing  
21 of any assets shall not affect the determination of whether such  
22 assets are devoted to the business of agriculture.

1 Section 2. Section 1101-C, amended July 2, 1986 (P.L.318,  
2 No.77), the definition of "Family farm corporation" is amended  
3 and the section is amended by adding a definition to read:

4 Section 1101-C. Definitions.--The following words when used  
5 in this article shall have the meanings ascribed to them in this  
6 section:

7 \* \* \*

8 "Devoted to the business of agriculture." Assets shall be  
9 treated as devoted to the business of agriculture based upon the  
10 actual use of the assets. The leasing of any assets shall not  
11 affect the determination of whether such assets are devoted to  
12 the business of agriculture.

13 \* \* \*

14 "Family farm corporation." A corporation or limited  
15 liability company of which at least seventy-five per cent of its  
16 assets are devoted to the business of agriculture and at least  
17 seventy-five per cent of each class of stock of the corporation  
18 or of the interest of the limited liability company is  
19 continuously owned by members of the same family. The business  
20 of agriculture shall not be deemed to include:

21 (1) Recreational activities such as, but not limited to,  
22 hunting, fishing, camping, skiing, show competition or racing;

23 (2) The raising, breeding or training of game animals or  
24 game birds, fish, cats, dogs or pets or animals intended for use  
25 in sporting or recreational activities;

26 (3) Fur farming;

27 (4) Stockyard and slaughterhouse operations; or

28 (5) Manufacturing or processing operations of any kind.

29 \* \* \*

30 Section 3. Sections 1102-C.3(19 and 1102-C.5(b), added July

1 2, 1986 (P.L.318, No.77), are amended to read:

2 Section 1102-C.3. Excluded Transactions.--The tax imposed by  
3 section 1102-C shall not be imposed upon:

4 \* \* \*

5 (19) A transfer of real estate devoted to the business of  
6 agriculture to a family farm corporation by a member of the same  
7 family which directly owns at least seventy-five per cent of  
8 each class of the stock or members interest thereof.

9 \* \* \*

10 Section 1102-C.5. Acquired Company.--\* \* \*

11 (b) With respect to real estate acquired after February 16,  
12 1986, a family farm corporation is an acquired company when,  
13 because of voluntary or involuntary dissolution, it ceases to be  
14 a family farm corporation or when, because of issuance or  
15 transfer of stock or members interest because of acquisition or  
16 transfer of assets that are devoted to the business of  
17 agriculture, it fails to meet the minimum requirements of a  
18 family farm corporation under this act.

19 \* \* \*

20 Section 4. This act shall take effect in 60 days.