

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 818

Session of
1975

INTRODUCED BY DREIBELBIS, O'DONNELL, BRADLEY AND ANDERSON,
MARCH 18, 1975

REFERRED TO COMMITTEE ON FINANCE, MARCH 19, 1975

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," removing tax preference items from the definition
11 of "taxable income."

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

14 Section 1. Subclause 1 of Clause (3) of section 401, act of
15 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
16 1971," amended August 31, 1971 (P.L.362, No.93) and September 9,
17 1971 (P.L.437, No.105), is amended to read:

18 Section 401. Definitions.--The following words, terms, and
19 phrases, when used in this article, shall have the meaning
20 ascribed to them in this section, except where the context
21 clearly indicates a different meaning:

22 * * *

1 (3) "Taxable income." 1. In case the entire business of the
2 corporation is transacted within this Commonwealth, for any
3 taxable year which begins on or after January 1, 1971, taxable
4 income for the calendar year or fiscal year as returned to and
5 ascertained by the Federal Government, or in the case of a
6 corporation participating in the filing of consolidated returns
7 to the Federal Government, the taxable income which would have
8 been returned to and ascertained by the Federal Government if
9 separate returns had been made to the Federal Government for the
10 current and prior taxable years, subject, however, to any
11 correction thereof, for fraud, evasion, or error as finally
12 ascertained by the Federal Government: Provided, That additional
13 deductions shall be allowed from taxable income on account of
14 any dividends received from any other corporation but only to
15 the extent that such dividends are included in taxable income as
16 returned to and ascertained by the Federal Government. [Provided
17 further, That taxable income will include the sum of the
18 following tax preference items as defined in section 57 of the
19 Internal Revenue Code, as amended, (i) excess investment
20 interest; (ii) accelerated depreciation on real property; (iii)
21 accelerated depreciation on personal property subject to a net
22 lease; (iv) amortization of certified pollution control
23 facilities; (v) amortization of railroad rolling stock; (vi)
24 stock options; (vii) reserves for losses on bad debts of
25 financial institutions; (viii) and capital gains but only to the
26 extent that such preference items are not included in "taxable
27 income" as returned to and ascertained by the Federal
28 Government.] No deduction shall be allowed for net operating
29 losses sustained by the corporation during any other fiscal or
30 calendar year. In the case of regulated investment companies as

1 defined by the Internal Revenue Code of 1954, as amended,
2 "taxable income" shall be investment company taxable income as
3 defined in the aforesaid Internal Revenue Code of 1954, as
4 amended. In arriving at "taxable income" for Federal tax
5 purposes for any taxable year beginning on or after January 1,
6 1971, any corporate net income tax due to the Commonwealth
7 pursuant to the provisions of this article shall not be allowed
8 as a deduction and the amount of corporate tax so due and
9 excluded from Federal taxable income under the Internal Revenue
10 Code shall not be apportioned but shall be subject to tax at the
11 rate imposed under this article.

12 * * *

13 Section 2. This act shall take effect and shall apply to
14 taxable income for the calendar or fiscal year of the
15 corporation beginning on or after January 1, 1975.