

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1135 Session of  
1979

INTRODUCED BY E. Z. TAYLOR AND PITTS, MAY 1, 1979

REFERRED TO COMMITTEE ON FINANCE, MAY 1, 1979

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," adding certain definitions and certain exclusions  
11 from taxation.

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

14 Section 1. Clause (c) of section 301, act of March 4, 1971  
15 (P.L.6, No.2), known as the "Tax Reform Code of 1971," added  
16 August 31, 1971 (P.L.362, No.93), is amended and a clause is  
17 added to read:

18 Section 301. 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. Any reference in this  
22 article to the Internal Revenue Code shall include the Internal  
23 Revenue Code of 1954, as amended to the date on which this

1 article is effective:

2 \* \* \*

3 (c) "Business" means an enterprise, activity, profession,  
4 vocation, trade, joint venture, commerce or any other  
5 undertaking of any nature when engaged in as commercial  
6 enterprise and conducted for profit or ordinarily conducted for  
7 profit, whether by an individual, partnership, association or  
8 other unincorporated entity. The performance of services as an  
9 employe and the performance of the functions of a public office  
10 shall be considered businesses for purposes of this act.

11 \* \* \*

12 (n.1) "Ordinary and necessary expenses" means unavoidable  
13 expenses that are not unique in the course of conduct of a  
14 business.

15 \* \* \*

16 Section 2. Clause (2) of subsection (a) of section 303 of  
17 the act, added August 31, 1971 (P.L.362, No.93), is amended to  
18 read:

19 Section 303. Classes of Income.--(a) The classes of income  
20 referred to above are as follows:

21 \* \* \*

22 (2) Net profits. The net income from the operation of a  
23 business, profession, or other activity, after provision for all  
24 costs and expenses incurred in the conduct thereof, determined  
25 either on a cash or accrual basis in accordance with accepted  
26 accounting principles and practices but without deduction of  
27 taxes based on income.

28 In the case of an employe or public officer, only  
29 unreimbursed ordinary and necessary expenses incurred directly  
30 in the production of income shall be allowed.

1       Section 3.   This act shall take effect in 60 days.