

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 419

Session of  
1981

INTRODUCED BY POTT, FEBRUARY 9, 1981

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 9, 1981

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 December 8, 1980 (No.195), is amended to read:

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

21 \* \* \*

22 (3) "Taxable income." 1. In case the entire business of the

1 corporation is transacted within this Commonwealth, for any  
2 taxable year which begins on or after January 1, 1971, taxable  
3 income for the calendar year or fiscal year as returned to and  
4 ascertained by the Federal Government, or in the case of a  
5 corporation participating in the filing of consolidated returns  
6 to the Federal Government, the taxable income which would have  
7 been returned to and ascertained by the Federal Government if  
8 separate returns had been made to the Federal Government for the  
9 current and prior taxable years, subject, however, to any  
10 correction thereof, for fraud, evasion, or error as finally  
11 ascertained by the Federal Government: Provided, That additional  
12 deductions shall be allowed from taxable income on account of  
13 any dividends received from any other corporation but only to  
14 the extent that such dividends are included in taxable income as  
15 returned to and ascertained by the Federal Government: Provided  
16 further, That additional deductions shall be allowed from  
17 taxable income in an amount equal to the amount of any reduction  
18 in an employer's deduction for wages and salaries as required by  
19 section 280C of the Internal Revenue Code as a result of the  
20 employer taking a credit for "new jobs" pursuant to section 44B  
21 of the Internal Revenue Code[: Provided further, That taxable  
22 income will include the sum of the following tax preference  
23 items as defined in section 57 of the Internal Revenue Code, as  
24 amended, (i) excess investment interest; (ii) accelerated  
25 depreciation on real property; (iii) accelerated depreciation on  
26 personal property subject to a net lease; (iv) amortization of  
27 certified pollution control facilities; (v) amortization of  
28 railroad rolling stock; (vi) stock options; (vii) reserves for  
29 losses on bad debts of financial institutions; (viii) and  
30 capital gains but only to the extent that such preference items

1 are not included in "taxable income" as returned to and  
2 ascertained by the Federal Government]. No deduction shall be  
3 allowed for net operating losses sustained by the corporation  
4 during any other fiscal or calendar year: Provided, That for the  
5 calendar year 1981 and fiscal years beginning in 1981 and  
6 thereafter, a net operating loss, as provided by section 172 of  
7 the Internal Revenue Code, shall be allowed as a deduction and a  
8 carryover pursuant to the following schedule:

9	Net Operating Loss for Year	Carryover
10	1981	1 year
11	1982	2 years
12	1983 and thereafter	3 years

13 The net operating loss shall be carried to the earliest of the  
14 taxable years to which, under this schedule, such loss may first  
15 be carried. In the case of regulated investment companies as  
16 defined by the Internal Revenue Code of 1954, as amended,  
17 "taxable income" shall be investment company taxable income as  
18 defined in the aforesaid Internal Revenue Code of 1954, as  
19 amended. In arriving at "taxable income" for Federal tax  
20 purposes for any taxable year beginning on or after [January 1,  
21 1971, any corporate net income tax due to the Commonwealth  
22 pursuant to the provisions of this article shall not be allowed  
23 as a deduction and the amount of corporate tax so due and  
24 excluded from Federal taxable income under the Internal Revenue  
25 Code shall not be apportioned but shall be subject to tax at the  
26 rate imposed under this article.] January 1, 1981, no deduction  
27 shall be allowed for taxes imposed on or measured by net income.

28 \* \* \*

29 Section 2. This act shall take effect immediately and shall  
30 apply to taxable income for the calendar or fiscal year of the

1 corporation beginning on or after January 1, 1981.