
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2022 Session of
1987

INTRODUCED BY O'DONNELL AND WESTON, DECEMBER 1, 1987

REFERRED TO COMMITTEE ON FINANCE, DECEMBER 1, 1987

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 certain corporate taxes.

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

13 Section 1. The introductory paragraph and clause (s.2) of
14 section 301 of the act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971, added August 31, 1971 (P.L.362,
16 No.93) and December 23, 1983 (P.L.370, No.90), are amended to
17 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

1 article to the Internal Revenue Code shall include the Internal
2 Revenue Code of 1954, [as amended to the date on which this
3 article is effective] or the Internal Revenue Code of 1986
4 (Public Law 99-514, 26 U.S.C. § 1 et seq.), whichever would be
5 applicable to the taxpayer for Federal income tax purposes for a
6 particular taxable year:

7 * * *

8 (s.2) "Small corporation" means any corporation which has a
9 valid election in effect under subchapter S of Chapter 1 of the
10 Internal Revenue Code [of 1954, as amended as of January 1,
11 1983], and which does not have passive investment income in
12 excess of twenty-five per cent of its gross receipts. For
13 purposes of this clause, "passive investment income" means gross
14 receipts derived from royalties, rents, dividends, interest,
15 annuities and sales or exchanges of stock or securities (gross
16 receipts from such sales or exchanges being taken into account
17 only to the extent of gains therefrom[.], provided that "passive
18 investment income" shall not include income derived from any
19 options dealer, commodities dealer or equity specialist in the
20 normal course of the taxpayer's activity of dealing in or
21 trading options, commodities, or stock or securities. For the
22 purposes of this clause, the term "options dealer" means any
23 person registered with an appropriate securities exchange as a
24 market maker or specialist in listed options; the term
25 "commodities dealer" means a person who is actively engaged in
26 trading on and is registered with a domestic board of trade
27 which is designated as a contract market by the Commodities
28 Futures Trading Commission; and the term "equity specialist"
29 means any person registered with an appropriate securities
30 exchange as a specialist in listed stocks or securities.

1 * * *

2 Section 2. This act shall apply to corporation tax years
3 commencing after December 31, 1983.

4 Section 3. This act shall take effect immediately.