

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2110 Session of
1995

INTRODUCED BY BROWNE, DENT, FICHTER, COLAFELLA, CONTI, ROONEY,
LYNCH, ARMSTRONG, HENNESSEY, ALLEN, TRELLO, SAYLOR, LEH,
PETTIT, MICOZZIE, E. Z. TAYLOR, MERRY, YOUNGBLOOD, GEIST,
BUNT, ADOLPH, HASAY, L. I. COHEN, MAITLAND, SEMMEL, LAUGHLIN
AND FLICK, OCTOBER 18, 1995

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 18, 1995

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 the taxability of certain
11 government obligations.

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

14 Section 1. Sections 303(a)(3) first and third paragraphs and
15 2901 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
16 Reform Code of 1971, amended or added December 3, 1993 (P.L.473,
17 No.68), are amended to read:

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

20 * * *

21 (3) Net gains or income from disposition of property. Net

1 gains or net income, less net losses, derived from the sale,
2 exchange or other disposition of property, including real
3 property, tangible personal property[,] or intangible personal
4 property [or obligations issued on or after the effective date
5 of this amendatory act by the Commonwealth; any public
6 authority, commission, board or other agency created by the
7 Commonwealth; any political subdivision of the Commonwealth or
8 any public authority created by any such political subdivision;
9 or by the Federal Government] as determined in accordance with
10 accepted accounting principles and practices. For the purpose of
11 this act, for the determination of the basis of any property,
12 real and personal, if acquired prior to June 1, 1971, the date
13 of acquisition shall be adjusted to June 1, 1971, as if the
14 property had been acquired on that date. If the property was
15 acquired after June 1, 1971, the actual date of acquisition
16 shall be used in determination of the basis.

17 * * *

18 The term "net gains or income" and "net losses" shall not
19 include gains or income or loss derived from obligations which
20 are statutorily free from State or local taxation under Article
21 XXIX of this act or the act of August 31, 1971 (P.L.395, No.94),
22 entitled "An act exempting from taxation for State and local
23 purposes within the Commonwealth certain obligations, their
24 transfer and the income therefrom (including any profits made on
25 the sale thereof), issued by the Commonwealth, any public
26 authority, commission, board or other agency created by the
27 Commonwealth, any political subdivision of the Commonwealth or
28 any public authority created by any such political subdivision,"
29 or under the laws of the United States. The term "sale, exchange
30 or other disposition" shall not include the exchange of stock or

1 securities in a corporation a party to a reorganization in
2 pursuance of a plan of reorganization, solely for stock or
3 securities in such corporation or in another corporation a party
4 to the reorganization and the transfer of property to a
5 corporation by one or more persons solely in exchange for stock
6 or securities in such corporation if immediately after the
7 exchange such person or persons are in control of the
8 corporation. For purposes of this clause, stock or securities
9 issued for services shall not be considered as issued in return
10 for property.

11 * * *

12 Section 2901. Taxability of Government Obligations.--(a)
13 Except as provided in [subsections (b) and (c)] subsection (b),
14 all obligations, interest on obligations and income from
15 obligations issued on or after the effective date of this
16 section by the Commonwealth, any public authority, commission,
17 board or other agency created by the Commonwealth or any
18 political subdivision of the Commonwealth or any public
19 authority created by any political subdivision of the
20 Commonwealth shall at all times be free from taxation for State
21 and local purposes within the Commonwealth.

22 (b) Government obligations described in subsection (a) shall
23 continue to be subject to inheritance and estate taxes imposed
24 by Article XXI.

25 [(c) Profits, gains or income derived from the sale,
26 exchange or other disposition of government obligations
27 described in subsection (a) shall be subject to State or local
28 taxation.]

29 Section 2. The provisions of this act shall apply to all
30 obligations issued on or after February 3, 1994.

1 Section 3. This act shall take effect immediately.