

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1490 Session of
2002

INTRODUCED BY CORMAN, CONTI, ERICKSON, COSTA, GERLACH, KUKOVICH,
ORIE, MUSTO, LEMMOND, RHOADES, SCHWARTZ, SCARNATI, WAUGH,
WOZNIAK AND BOSCOLA, JUNE 25, 2002

REFERRED TO FINANCE, JUNE 25, 2002

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 defining "taxable income" for purposes of
11 corporate net income tax.

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

14 Section 1. Section 401(3)4(c) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended May
16 12, 1999 (P.L.26, No.4), 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 4. * * *

2 (c) (1) [The] Except as provided in subparagraph 3, the net
3 loss deduction shall be the lesser of two million dollars
4 (\$2,000,000) or the amount of the net loss or losses which may
5 be carried over to the taxable year or taxable income as
6 determined under subclause 1 or, if applicable, subclause 2. In
7 no event shall the net loss deduction include more than five
8 hundred thousand dollars (\$500,000), in the aggregate, of net
9 losses from taxable years 1988 through 1994.

10 (2) A net loss for a taxable year may only be carried over
11 pursuant to the following schedule:

12	Taxable Year	Carryover
13	1981	1 taxable year
14	1982	2 taxable years
15	1983-1987	3 taxable years
16	1988	2 taxable years plus
17		1 taxable year
18		starting with the
19		1995 taxable year
20	1989	1 taxable year plus
21		2 taxable years
22		starting with the
23		1995 taxable year
24	1990-1993	3 taxable years
25		starting with the
26		1995 taxable year
27	1994	1 taxable year
28	[1995 and thereafter	10 taxable years]
29	<u>1995-1997</u>	<u>10 taxable years</u>
30	<u>1998 and thereafter</u>	<u>20 taxable years</u>

1 The earliest net loss shall be carried over to the earliest
2 taxable year to which it may be carried under this schedule. The
3 total net loss deduction allowed in any taxable year shall not
4 exceed two million dollars (\$2,000,000).

5 (3) The two million dollar (\$2,000,000) limit on the net
6 operating loss deduction in a taxable year under paragraphs (1)
7 and (2) shall not apply to the deduction of start-up period
8 losses. For the purposes of this paragraph, start-up period
9 losses are the sum of the net loss or losses incurred in the
10 corporation's first taxable year plus its nine succeeding
11 taxable years. A reorganization, as the term is defined under
12 section 303(a)(3)(iv)(B) of this act, shall be disregarded for
13 the purposes of applying this paragraph.

14 * * *

15 Section 2. This act shall apply to net operating loss
16 deductions for taxable years beginning after December 31, 2002.

17 Section 3. This act shall take effect immediately.