

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2963 Session of
2006

INTRODUCED BY HARHAI, BARRAR, BELARDI, BELFANTI, CALTAGIRONE,
CASORIO, CAWLEY, ELLIS, FLAHERTY, FREEMAN, GRUCELA,
HENNESSEY, HERSHEY, KOTIK, McILHATTAN, MUSTIO, READSHAW,
SANTONI, TIGUE, WOJNAROSKI, YOUNGBLOOD, LEVDANSKY, DeLUCA,
FABRIZIO AND BOYD, OCTOBER 3, 2006

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 3, 2006

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, in neighborhood assistance tax
11 credit, for definitions and for grant of tax credit; and
12 providing for Pennsylvania S corporation shareholder pass-
13 through.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. The definition of "business firm" in section
17 1902-A of the act of March 4, 1971 (P.L.6, No.2), known as the
18 Tax Reform Code of 1971, amended May 7, 1997 (P.L.85, No.7), is
19 amended to read:

20 Section 1902-A. Definitions.--The following words, terms and
21 phrases, when used in this article, shall have the meanings
22 ascribed to them in this section, except where the context

1 clearly indicates a different meaning:

2 "Business firm." Any business entity authorized to do
3 business in this Commonwealth and subject to taxes imposed by
4 Article III, IV, VI, VII, VII-A, VIII, VIII-A, IX, X or XV of
5 this act. The term shall include a shareholder of a Pennsylvania
6 S corporation who is liable for taxes imposed under Article III.

7 * * *

8 Section 2. Section 1905-A of the act, amended July 7, 2005
9 (P.L.149, No.40), is amended to read:

10 Section 1905-A. Grant of Tax Credit.--The Department of
11 Revenue shall grant a tax credit against any tax due under
12 Article III, IV, VI, VII, VII-A, VIII, VIII-A, IX, X or XV of
13 this act, or any tax substituted in lieu thereof in an amount
14 which shall not exceed fifty per cent of the total amount
15 invested during the taxable year by the business firm or twenty
16 per cent of qualified investments by a private company in
17 programs approved pursuant to section 1904-A of this act:
18 Provided, That a tax credit of up to seventy per cent of the
19 total amount invested during the taxable year by a business firm
20 or up to thirty per cent of the amount of qualified investments
21 by a private company may be allowed for investment in programs
22 where activities fall within the scope of special program
23 priorities as defined with the approval of the Governor in
24 regulations promulgated by the secretary. Such credit shall not
25 exceed two hundred fifty thousand dollars (\$250,000) annually,
26 except in the case of comprehensive service projects which shall
27 be allowed an additional credit equal to seventy per cent of the
28 qualifying investments made in comprehensive service projects;
29 however, such additional credit shall not exceed three hundred
30 fifty thousand dollars (\$350,000) annually. No tax credit shall

1 be granted to any bank, bank and trust company, insurance
2 company, trust company, national bank, savings association,
3 mutual savings bank or building and loan association for
4 activities that are a part of its normal course of business. Any
5 tax credit not used in the period the investment was made may be
6 carried over for the next five succeeding calendar or fiscal
7 years until the full credit has been allowed. The total amount
8 of all tax credits allowed pursuant to this act shall not exceed
9 eighteen million dollars (\$18,000,000) in any one fiscal year.

10 Section 3. The act is amended by adding a section to read:

11 Section 1907-A. Pennsylvania S Corporation Shareholder Pass-
12 Through.--(a) If a Pennsylvania S corporation does not have an
13 eligible tax liability against which the neighborhood assistance
14 tax credit may be applied, a shareholder of the Pennsylvania S
15 corporation is entitled to a neighborhood assistance tax credit
16 equal to the neighborhood assistance tax credit determined for
17 the Pennsylvania S corporation for the taxable year multiplied
18 by the percentage of the Pennsylvania S corporation's
19 distributive income to which the shareholder is entitled.

20 (b) The credit provided under subsection (a) is in addition
21 to any neighborhood assistance tax credit to which a shareholder
22 of a Pennsylvania S corporation is otherwise entitled under this
23 article. However, a Pennsylvania S corporation and a shareholder
24 of a Pennsylvania S corporation may not claim a credit under
25 this article for the same qualified neighborhood assistance
26 expense.

27 (c) The tax credits under this section shall be granted by
28 the department to Pennsylvania S corporations and shareholders
29 of Pennsylvania S corporations only after the tax credits under
30 section 1905-A have been granted to business entities authorized

1 to do business in this Commonwealth and subject to taxes imposed
2 by Article IV, VI, VII, VII-A, VIII, VIII-A, IX, X or XV of this
3 act.

4 Section 4. This act shall take effect July 1, 2005, or
5 immediately, whichever is later.