

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2570 Session of
2008

INTRODUCED BY McCALL, ARGALL, BENNINGTON, BOYD, BRENNAN, CAUSER,
CUTLER, DALLY, DENLINGER, DePASQUALE, EACHUS, ELLIS, FRANKEL,
GOODMAN, GRUCELA, HARHAI, HARKINS, KENNEY, KORTZ, MACKERETH,
MARKOSEK, MARSHALL, MUSTIO, PALLONE, PAYTON, PRESTON, PYLE,
SCAVELLO, SIPTROTH, McILVAINE SMITH, SOLOBAY, WALKO AND
WANSACZ, MAY 30, 2008

REFERRED TO COMMITTEE ON EDUCATION, MAY 30, 2008

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," further providing, in educational
6 improvement tax credit, for the definition of "business
7 firm"; providing for the definition of "pass-through entity";
8 and further providing for tax credits.

9 The General Assembly of the Commonwealth of Pennsylvania
10 hereby enacts as follows:

11 Section 1. The definition of "business firm" in section
12 2002-B of the act of March 10, 1949 (P.L.30, No.14), known as
13 the Public School Code of 1949, amended July 11, 2006 (P.L.1092,
14 No.114), is amended and the section is amended by adding a
15 definition to read:

16 Section 2002-B. Definitions.

17 The following words and phrases when used in this article
18 shall have the meanings given to them in this section unless the
19 context clearly indicates otherwise:

1 "Business firm." An entity authorized to do business in this
2 Commonwealth and subject to taxes imposed under Article IV, VI,
3 VII, [VII-A,] VIII, [VIII-A,] IX or XV of the act of March 4,
4 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971. The
5 term includes the shareholder, owner or member of a pass-through
6 entity that is subject to liability for taxes under Article III
7 of the Tax Reform Code of 1971.

8 * * *

9 Pass-through entity." Any of the following:

10 (1) A partnership, limited partnership, limited
11 liability company, business trust or other unincorporated
12 entity, that for Federal income tax purposes is taxable as a
13 partnership.

14 (2) A Pennsylvania S corporation.

15 * * *

16 Section 2. Section 2005-B of the act, amended December 23,
17 2003 (P.L.304, No.48) and July 4, 2004 (P.L.536, No.70), is
18 amended to read:

19 Section 2005-B. Tax credit.

20 (a) Scholarship or educational improvement organizations.--
21 In accordance with section 2006-B(a), the Department of Revenue
22 shall grant a tax credit against any tax due under Article III,
23 IV, VI, VII, [VII-A,] VIII, [VIII-A,] IX or XV of the act of
24 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
25 1971, to a business firm providing proof of a contribution to a
26 scholarship organization or educational improvement organization
27 in the taxable year in which the contribution is made which
28 shall not exceed 75% of the total amount contributed during the
29 taxable year by the business firm. Such credit shall not exceed
30 [~~\$200,000~~] \$300,000 annually per business firm for contributions

1 made to scholarship organizations or educational improvement
2 organizations.

3 (b) Additional amount.--The Department of Revenue shall
4 grant a tax credit of up to 90% of the total amount contributed
5 during the taxable year if the business firm provides a written
6 commitment to provide the scholarship organization or
7 educational improvement organization with the same amount of
8 contribution for two consecutive tax years. The business firm
9 must provide the written commitment under this subsection to the
10 department at the time of application.

11 (c) Pre-kindergarten scholarship organizations.--In
12 accordance with section 2006-B(a), the Department of Revenue
13 shall grant a tax credit against any tax due under Article III,
14 IV, VI, VII, [VII-A,] VIII, [VIII-A,] IX or XV of the "Tax
15 Reform Code of 1971" to a business firm providing proof of a
16 contribution to a pre-kindergarten scholarship organization in
17 the taxable year in which the contribution is made which shall
18 be equal to 100% of the first \$10,000 contributed during the
19 taxable year by the business firm, and which shall not exceed
20 90% of the remaining amount contributed during the taxable year
21 by the business firm. Such credit shall not exceed [\$100,000]
22 \$150,000 annually per business firm for contributions made to
23 pre-kindergarten scholarship organizations.

24 (d) Combination of tax credits.--A business firm may receive
25 tax credits from the Department of Revenue in any tax year for
26 any combination of contributions under subsection (a) or (b) or
27 (c). In no case may a business firm receive tax credits in any
28 tax year in excess of [\$200,000] \$300,000 for contributions
29 under subsections (a) and (b). In no case shall a business firm
30 receive tax credits in any tax year in excess of [\$100,000]

1 \$150,000 for contributions under subsection (c).

2 (e) Application to pass-through entities.--If a credit is
3 granted under this section to a Pennsylvania S corporation
4 against liability imposed under Article III of the Tax Reform
5 Code of 1971, a shareholder of the Pennsylvania S corporation
6 shall be entitled to the tax credit equal to the tax credit
7 determined for the Pennsylvania S corporation for the taxable
8 year multiplied by the percentage of the Pennsylvania S
9 corporation's distributive income to which the shareholder is
10 entitled. If a credit is granted under this section against
11 liability imposed under Article III of the Tax Reform Code of
12 1971 to a pass-through entity other than a Pennsylvania S
13 corporation, an owner or member of the pass-through entity is
14 entitled to a tax credit equal to the tax credit determined for
15 the pass-through entity for the taxable year multiplied by the
16 percentage of the pass-through entities' distributive income to
17 which the owner or member is entitled.

18 Section 3. This act shall take effect in 60 days.