

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 347

PRINTER NO. 350

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

March 10, 2021

PRIME SPONSOR

Senator DiSanto

DESCRIPTION

Senate Bill 347 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, to conform Pennsylvania’s personal income tax to federal Internal Revenue Code (IRC) § 1031 with regard to the exchange of property held for productive use or investment.

Generally, when business or investment property is sold at a gain, tax will be owed on the gain at the time of sale. However, under federal law, IRC § 1031 provides an exception and allows the tax on the gain from real property to be postponed, or deferred, if the proceeds are re-invested in similar property as part of a qualifying like-kind exchange. Gain deferred in a like-kind exchange under IRC § 1031 is tax-deferred, but it is not tax-free.

Senate Bill 347 provides that the provisions of IRC § 1031 shall apply to the personal income tax (PIT). Under current Pennsylvania law, gain resulting from like-kind exchanges of property that occur in the Commonwealth are generally subject to personal income tax at the time of sale. The legislation will allow gain resulting from a qualifying like-kind exchange of real property to be tax-deferred for personal income tax as it is for federal tax purposes.

The legislation shall apply to tax years beginning after December 31, 2020 and shall take effect immediately.

FISCAL IMPACT:

Senate Bill 347 will reduce General Fund revenue of the Commonwealth. The Pennsylvania Department of Revenue prepared the following fiscal impact analysis with regard to personal income tax collections:

General Fund			
	2021-22	2022-23	2023-24
Total Effect	(\$18.5)	(\$16.2)	(\$15.1)
Cash Effect	(\$10.5)	(\$8.2)	(\$7.6)
Refund Effect	\$8.0	\$8.1	\$7.5