

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 385 Session of  
2021

INTRODUCED BY DUNBAR, ROTHMAN, BROOKS, CIRESI, SCHLEGEL CULVER,  
GLEIM, GREINER, GROVE, HILL-EVANS, KNOWLES, MIHALEK, MILLARD,  
E. NELSON, PICKETT, PISCIOTTANO, ROWE, RYAN, SMITH, STAATS,  
STAMBAUGH, STRUZZI, WARREN, WHEELAND, MERCURI, SANKEY,  
THOMAS, GILLEN, MARKOSEK, HENNESSEY, GAYDOS, JOZWIAK,  
MENTZER, HERRIN, IRVIN, HERSHEY, BURNS AND ARMANINI,  
FEBRUARY 3, 2021

AS RE-REPORTED FROM COMMITTEE ON APPROPRIATIONS, HOUSE OF  
REPRESENTATIVES, AS AMENDED, APRIL 26, 2022

## 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," in personal income tax, further providing for  
11 classes of income; AND MAKING A RELATED REPEAL. <--

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

14 ~~Section 1. Section 303(a.7) of the act of March 4, 1971~~ <--  
15 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971, is amended~~  
16 ~~by adding a paragraph to read:~~

17 SECTION 1. SECTION 303(A.7) OF THE ACT OF MARCH 4, 1971 <--  
18 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, IS AMENDED  
19 BY ADDING PARAGRAPHS AND THE SECTION IS AMENDED BY ADDING A

1 SUBSECTION TO READ:

2 Section 303. Classes of Income.--\* \* \*

3 (a.7) The following apply:

4 \* \* \*

5 (5) As follows:

6 ~~(i) A forgiveness of indebtedness for an amount of a covered~~<--  
7 ~~loan granted under any of the following shall not be subject to~~  
8 ~~tax under this article:~~

9 ~~(A) Section 1106 of the Coronavirus Aid, Relief, and~~  
10 ~~Economic Security Act (Public Law 116 136, 134 Stat. 281).~~

11 ~~(B) Section 9, DIVISION N, TITLE II, Subtitle B, section 276~~  
12 ~~of the Consolidated Appropriation Act, 2021 (Public Law 116~~  
13 ~~260) (relating to clarification of tax treatment of forgiveness~~  
14 ~~of covered loans).~~

15 ~~(C) Section 9, DIVISION N, TITLE III (relating to CONTINUING~~  
16 ~~THE PAYCHECK PROTECTION PROGRAM AND OTHER SMALL BUSINESS~~  
17 ~~SUPPORT) of the Consolidated Appropriation Act, 2021 (Public Law~~  
18 ~~116 260).~~

19 ~~(ii) The exclusion provided under this paragraph shall apply~~  
20 ~~to a forgiveness of indebtedness for an amount of a covered loan~~  
21 ~~granted after March 27, 2020.~~

22 \* \* \*

23 ~~Section 2. The addition of section 303(a.7)(5) shall apply~~  
24 ~~to taxable years beginning after December 31, 2019.~~

25 (I) THE CLASSES OF INCOME UNDER THIS SECTION SHALL NOT <--  
26 INCLUDE ANY AMOUNT WHICH IS EXCLUDED FROM FEDERAL GROSS INCOME  
27 UNDER SECTIONS 276 AND 278(A) OF THE COVID-RELATED TAX RELIEF  
28 ACT OF 2020, ENACTED AS SUBTITLE B OF TITLE II OF DIVISION N OF  
29 THE CONSOLIDATED APPROPRIATIONS ACT, 2021 (PUBLIC LAW 116-260,  
30 134 STAT. 1182).

1 (II) NO DEDUCTION MAY BE DISALLOWED FOR AN EXPENSE THAT IS  
2 OTHERWISE DEDUCTIBLE IF THE PAYMENT OF THE EXPENSE RESULTS IN  
3 FORGIVENESS OF A COVERED LOAN UNDER SUBPARAGRAPH (I).

4 (6) THE CLASSES OF INCOME UNDER THIS SECTION SHALL NOT  
5 INCLUDE A PAYMENT RECEIVED BY AN INDIVIDUAL FROM THE UNITED  
6 STATES UNDER SECTION 2201 OF THE CORONAVIRUS AID, RELIEF, AND  
7 ECONOMIC SECURITY ACT (PUBLIC LAW 116-136, 134 STAT. 281) OR  
8 SECTIONS 272 AND 273 OF THE CONSOLIDATED APPROPRIATIONS ACT,  
9 2021.

10 \* \* \*

11 (A.11) THE REQUIREMENTS OF SECTION 1031 OF THE INTERNAL  
12 REVENUE CODE OF 1986 (26 U.S.C. § 1031) IN EFFECT ON THE  
13 EFFECTIVE DATE OF THIS SUBSECTION SHALL BE APPLICABLE.

14 \* \* \*

15 SECTION 2. THIS ACT SHALL APPLY AS FOLLOWS:

16 (1) THE ADDITION OF SECTION 303(A.7) (5) OF THE ACT SHALL  
17 APPLY TO THE TAXABLE YEAR IN WHICH A LOAN UNDER SECTION  
18 303(A.7) (5) (I) OF THE ACT WAS FORGIVEN.

19 (2) THE ADDITION OF SECTION 303(A.7) (6) OF THE ACT SHALL  
20 APPLY TO A TAXABLE YEAR IN WHICH A PAYMENT UNDER SECTION  
21 303(A.7) (6) OF THE ACT IS RECEIVED.

22 (3) THE ADDITION OF SECTION 303(A.11) OF THE ACT SHALL  
23 APPLY TO TRANSACTIONS OCCURRING IN TAX YEARS BEGINNING AFTER  
24 DECEMBER 31, 2021.

25 SECTION 3. REPEALS ARE AS FOLLOWS:

26 (1) THE GENERAL ASSEMBLY DECLARES THAT THE REPEAL UNDER  
27 PARAGRAPH (2) IS NECESSARY TO EFFECTUATE THE ADDITION OF  
28 SECTION 303(A.7) (5) AND (6) OF THE ACT.

29 (2) SECTION 104-A OF THE ACT OF APRIL 9, 1929 (P.L.343,  
30 NO.176), KNOWN AS THE FISCAL CODE, IS REPEALED.

1       SECTION 4.   THE ADDITION OF SECTION 303(A.7) (5) AND (6) OF  
2   THE ACT ARE A CONTINUATION OF SECTION 104-A OF THE ACT OF APRIL  
3   9, 1929 (P.L.343, NO.176), KNOWN AS THE FISCAL CODE. EXCEPT AS  
4   OTHERWISE PROVIDED IN SECTION 303(A.7) (5) AND (6) OF THE ACT,  
5   ALL ACTIVITIES INITIATED UNDER SECTION 104-A OF THE FISCAL CODE  
6   SHALL CONTINUE AND REMAIN IN FULL FORCE AND EFFECT AND MAY BE  
7   COMPLETED UNDER SECTION 303(A.7) (5) AND (6) OF THE ACT. ORDERS,  
8   REGULATIONS, RULES AND DECISIONS WHICH WERE MADE UNDER SECTION  
9   104-A OF THE FISCAL CODE AND WHICH ARE IN EFFECT ON THE  
10   EFFECTIVE DATE OF SECTION 3(2) OF THIS ACT SHALL REMAIN IN FULL  
11   FORCE AND EFFECT UNTIL REVOKED, VACATED OR MODIFIED UNDER  
12   SECTION 303(A.7) (5) AND (6) OF THE ACT. CONTRACTS, OBLIGATIONS  
13   AND COLLECTIVE BARGAINING AGREEMENTS ENTERED INTO UNDER THE  
14   SECTION 104-A OF THE FISCAL CODE ARE NOT AFFECTED NOR IMPAIRED  
15   BY THE REPEAL OF SECTION 104-A OF THE FISCAL CODE.

16       Section ~~3~~ 5.   This act shall take effect immediately.

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