

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 151

Session of
1975

INTRODUCED BY MESSRS. ZEARFOSS, RHODES, YOHN, RYAN, BUTERA,
BRUNNER, GARZIA, O'KEEFE, ANDERSON, MEBUS AND DORR,
JANUARY 28, 1975

REFERRED TO COMMITTEE ON FINANCE, JANUARY 28, 1975

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 the term "net gains or income."

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

13 Section 1. Clause (3) of subsection (a) of section 303, act
14 of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
15 1971," added August 31, 1971 (P.L.362, No.93), is amended by
16 adding paragraphs to read:

17 Section 303. Classes of Income.--(a) The classes of income
18 referred to above are as follows:

19 * * *

20 (3) Net gains or income from disposition of property. * * *

21 The term "net gains or income" shall not include gains

1 derived from the sale of the taxpayers personal residence
2 provided that he purchased another one during the year prior to
3 the sale, or he purchases another one within one year after the
4 sale or he starts construction on another one within one year
5 after the sale and resides therein within eighteen months after
6 the sale.

7 Where the purchase of a new residence results in the
8 nonrecognition of gain on the sale of an old residence, in
9 determining the adjusted basis of the new residence as of any
10 time following the sale of the old residence, the adjustments to
11 basis shall include a reduction by an amount equal to the amount
12 of the gain not so recognized on the sale of the old residence.
13 For this purpose, the amount of the gain not so recognized on
14 the sale of the old residence includes only so much of such gain
15 as is not recognized by reason of the cost, up to such time, of
16 purchasing the new residence.

17 The term "net gains or income" shall not include gains
18 derived from the sale of property whether or not he purchases or
19 constructs another if:

20 (i) the taxpayer has attained the age of sixty-five before
21 the date of such sale; and

22 (ii) during the eight year period ending on the date of sale
23 such property has been owned by the taxpayer as his principal
24 residence for periods aggregating five years or more.

25 If the adjusted sales price of the property sold exceeds twenty
26 thousand dollars (\$20,000) then the term "net gains or income"
27 in so far as it relates to this paragraph shall not include that
28 portion of the gain which bears the same ratio to the total
29 amount of such gains as twenty thousand dollars (\$20,000) bears
30 to such adjusted sales price. For purposes of this paragraph,

1 the term "adjusted sales price" means the amount realized,
2 reduced by the aggregate of the expenses for work performed on
3 the old residence in order to assist in its sale.

4 If the property is held by husband and wife as joint tenants
5 or tenants by the entirety, if such husband and wife made a
6 joint return for the taxable year of the sale, and if one spouse
7 satisfies the age, holding and use requirements with respect to
8 such property then both husband and wife shall be treated as
9 satisfying the requirements of the above paragraph.

10 If property (as a result of its destruction in whole or in
11 part, theft, seizure, or requisition or condemnation or threat
12 or imminence thereof) is compulsorily or involuntarily converted
13 into money or into property not similar or related in service or
14 use to the converted property the gains (if any) shall be "net
15 gains or income" except if the taxpayer, during the period
16 beginning with the date of the disposition of the converted
17 property, or the earliest date of the threat or imminence of
18 requisition or condemnation of the converted property, whichever
19 is earlier and ending two years after the close of the first
20 taxable year in which any part of the gain upon the conversion
21 is realized, for the purpose of replacing the property so
22 converted, purchases other property similar or related in
23 service or use to the property so converted, or purchases stock
24 in the acquisition of control of a corporation owning such other
25 property, then, at the election of the taxpayer, the gains (if
26 any) shall only be "net gains or income" to the extent that the
27 amount realized upon such conversion (regardless of whether such
28 amount is received in one or more taxable years) exceeds the
29 cost of such other property or such stock.

30 * * *

1 Section 2. This act shall take effect immediately and shall
2 be retroactive to June 1, 1971.