

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2553 Session of
1978

INTRODUCED BY BRUNNER AND POTT, JUNE 12, 1978

REFERRED TO COMMITTEE ON FINANCE, JUNE 12, 1978

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," clarifying the recognition of the valuation
11 portion of the loan loss reserve in assessing the value of
12 capital stock for the bank shares tax and the title insurance
13 and trust companies shares tax.

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

16 Section 1. Section 701 and the first paragraph of section
17 801, act of March 4, 1971 (P.L.6, No.2), known as the "Tax
18 Reform Code of 1971," are amended to read:

19 Section 701. Imposition of Tax.--Every bank or savings
20 institution having capital stock, incorporated by or under any
21 law of this Commonwealth or under any law of the United States,
22 and located within this Commonwealth, shall, on or before April
23 15 in each and every year, make to the Department of Revenue a
24 report in writing, verified as required by law, setting forth

1 the full number of shares of the capital stock subscribed for or
2 issued, as of the preceding January 1, by such bank or savings
3 institution having capital stock, and the actual value thereof
4 as of the preceding January 1, which actual value shall be
5 ascertained as hereinafter provided. It shall be the duty of the
6 Department of Revenue to assess such shares for the calendar
7 year beginning January 1, 1971, and each year thereafter, at the
8 rate of fifteen mills upon each dollar of actual value thereof,
9 the actual value of each share of stock to be ascertained and
10 fixed by adding together the amount of capital stock paid in,
11 the surplus, and undivided profits, and dividing this amount by
12 the number of shares. In ascertaining the actual value of each
13 share of stock, the Department of Revenue shall not increase the
14 undivided profits by the amount of the valuation reserve for
15 loan losses entered on the books of such bank or savings
16 institution in accordance with requirements of banking
17 regulatory authorities of this State or of the United States. It
18 shall be the duty of every bank or savings institution having
19 capital stock, at the time of making every report required by
20 this section, to compute the tax and to pay the amount of said
21 tax to the State Treasurer, through the Department of Revenue
22 either from its general fund, or from the amount of said tax
23 collected from its shareholders: Provided, That for the calendar
24 year beginning January 1, 1971, and each year thereafter, such
25 bank or savings institution having capital stock, upon the date
26 its report, herein required is made for such calendar year
27 beginning January 1, 1971, and each year thereafter, shall pay
28 to the Department of Revenue not less than eighty per cent of
29 the tax due to the Commonwealth by it for such calendar year,
30 and the remaining tax due shall be paid at the time when the

1 report herein required for the year next succeeding is made:
2 Provided, That in case any bank or savings institution having
3 capital stock, incorporated under the law of this State or of
4 the United States, shall collect, annually, from the
5 shareholders thereof said tax of fifteen mills, on the dollar
6 upon the actual value of all the shares of stock of said bank or
7 savings institution, according to the provisions of this
8 article, that have been subscribed for or issued, and pay the
9 same into the State Treasury, through the Department of Revenue,
10 the shares, and so much of the capital and profits of such bank
11 or savings institution having capital stock as shall not be
12 invested in real estate, shall be exempt from local taxation
13 under the laws of this Commonwealth; and such bank or savings
14 institution having capital stock shall not be required to make
15 any report to the local assessor or county commissioners of its
16 personal property owned by it in its own right for purposes of
17 taxation and shall not be required to pay any tax thereon.

18 Section 801. Imposition of Tax.--Every company incorporated
19 under the provisions of section 29 of an act, entitled "An act
20 to provide for the incorporation and regulation of certain
21 corporations," approved April 29, 1874, and its supplements, or
22 any other act of Assembly heretofore or hereafter approved, for
23 the insurance of owners of real estate, mortgages, and others
24 interested in real estate, from loss by reason of defective
25 titles, liens, and encumbrances, and every company entitled to
26 benefits of, and every company having any of the powers of,
27 companies entitled to the benefits of an act, entitled "An act
28 conferring upon certain fidelity, insurance, safety deposit,
29 trust, and savings companies, the powers and privileges of
30 companies incorporated under the provisions of section 29 of an

1 act, entitled 'An act to provide for the incorporation and
2 regulation of certain corporations,' approved April 29, 1874,
3 and of the supplements thereto," approved June 27, 1895,
4 commonly known as title insurance or trust companies, and every
5 company organized as a bank and trust company or as a trust
6 company under any act of Assembly heretofore or hereafter
7 approved, except any such companies, all of the shares of
8 capital stock of which (other than shares necessary to qualify
9 directors) are owned by a company which is liable to pay to the
10 Commonwealth a tax on shares, shall, on or before April 15 in
11 each and every year, make to the Department of Revenue a report
12 in writing, setting forth the full number of shares of the
13 capital stock subscribed for or issued by such company, and the
14 actual value thereof as of January 1 preceding, which shall be
15 ascertained as hereinafter provided. It shall be the duty of the
16 Department of Revenue, to assess such shares for taxation at the
17 rate of fifteen mills upon each dollar of the actual value
18 thereof, the actual value of each share of stock to be
19 ascertained and fixed by adding together the amount of capital
20 stock paid in, the surplus, and undivided profits, and dividing
21 this amount by the number of shares. In ascertaining the actual
22 value of each share of stock, the Department of Revenue shall
23 not increase the undivided profits by the amount of the
24 valuation reserve for loan losses entered on the books of such
25 company in accordance with requirements of banking regulatory
26 authorities of this State or of the United States.

27 * * *

28 Section 2. This act shall take effect immediately and shall
29 be applicable to require use of the amount of the valuation
30 reserve for loan losses entered on the books of every bank,

1 savings institution, or title insurance or trust company in
2 determining the shares tax liabilities for all years including
3 prior years for which (i) the right to file petitions for
4 resettlement, review or refund or to appeal to the courts has
5 not been barred by law, or (ii) an appeal to the courts is
6 pending, regardless whether the taxes were assessed under the
7 provisions of the "Tax Reform Code of 1971," or comparable
8 provisions of prior law.