

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 754

Session of
1981

INTRODUCED BY DOMBROWSKI, BOWSER, KOLTER, CAPPABIANCA, McCALL,
LEVIN, MANDERINO, STEWART, PISTELLA, BORSKI AND
A. K. HUTCHINSON, MARCH 9, 1981

REFERRED TO COMMITTEE ON FINANCE, MARCH 9, 1981

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 taxable income under the
11 Corporate Net Income Tax.

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

14 Section 1. Subclause 1 of clause (3) of section 401, act of
15 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
16 1971," amended December 8, 1980 (No.195), is amended to read:

17 Section 401. Definitions.--The following words, terms, and
18 phrases, when used in this article, shall have the meaning
19 ascribed to them in this section, except where the context
20 clearly indicates a different meaning:

21 * * *

22 (3) "Taxable income." 1. In case the entire business of the

1 corporation is transacted within this Commonwealth, for any
2 taxable year which begins on or after January 1, 1971, taxable
3 income for the calendar year or fiscal year as returned to and
4 ascertained by the Federal Government, or in the case of a
5 corporation participating in the filing of consolidated returns
6 to the Federal Government, the taxable income which would have
7 been returned to and ascertained by the Federal Government if
8 separate returns had been made to the Federal Government for the
9 current and prior taxable years, subject, however, to any
10 correction thereof, for fraud, evasion, or error as finally
11 ascertained by the Federal Government: Provided, That additional
12 deductions shall be allowed from taxable income on account of
13 any dividends received from any other corporation but only to
14 the extent that such dividends are included in taxable income as
15 returned to and ascertained by the Federal Government: Provided
16 further, That additional deductions shall be allowed from
17 taxable income in an amount equal to the amount of any reduction
18 in an employer's deduction for wages and salaries as required by
19 section 280C of the Internal Revenue Code as a result of the
20 employer taking a credit for "new jobs" pursuant to section 44B
21 of the Internal Revenue Code: Provided further, That taxable
22 income will include the sum of the following tax preference
23 items as defined in section 57 of the Internal Revenue Code, as
24 amended, (i) excess investment interest; (ii) accelerated
25 depreciation on real property; (iii) accelerated depreciation on
26 personal property subject to a net lease; (iv) amortization of
27 certified pollution control facilities; (v) amortization of
28 railroad rolling stock; (vi) stock options; (vii) reserves for
29 losses on bad debts of financial institutions; (viii) and
30 capital gains but only to the extent that such preference items

1 are not included in "taxable income" as returned to and
2 ascertained by the Federal Government. No deduction shall be
3 allowed for net operating losses sustained by the corporation
4 during any other fiscal or calendar year: Provided, That for the
5 calendar year 1981 and fiscal years beginning in 1981 and
6 thereafter, a net operating loss, as provided by section 172 of
7 the Internal Revenue Code, shall be allowed as a deduction and a
8 carryover pursuant to the following schedule:

9	Net Operating Loss for Year	Carryover
10	1981	1 year
11	1982	2 years
12	1983 and thereafter	3 years

13 The net operating loss shall be carried to the earliest of the
14 taxable years to which, under this schedule, such loss may first
15 be carried. In the case of regulated investment companies as
16 defined by the Internal Revenue Code of 1954, as amended,
17 "taxable income" shall be investment company taxable income as
18 defined in the aforesaid Internal Revenue Code of 1954, as
19 amended. In arriving at "taxable income" for Federal tax
20 purposes for any taxable year beginning on or after January 1,
21 1971, any corporate net income tax due to the Commonwealth
22 pursuant to the provisions of this article shall not be allowed
23 as a deduction and the amount of corporate tax so due and
24 excluded from Federal taxable income under the Internal Revenue
25 Code shall not be apportioned but shall be subject to tax at the
26 rate imposed under this article. In arriving at taxable income
27 for Federal tax purposes for any taxable year beginning on or
28 after January 1, 1981, no deduction shall be allowed for any
29 Federal Windfall Profits Tax on Domestic Crude Oil and the
30 amount excluded from Federal taxable income under section

1 164(a)(5) of the Internal Revenue Code of 1954 shall be subject
2 to apportionment and to taxation at the rate imposed under this
3 article.

4 * * *

5 Section 2. This act shall take effect in 60 days.