

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2452 Session of
1986

INTRODUCED BY McCLATCHY, RYAN, E. Z. TAYLOR, VROON, BUNT,
GALLEN, GLADECK, GODSHALL, BIRMELIN, JOHNSON, GEIST, WOGAN,
HAGARTY, CORNELL, BOOK, FOX, SAURMAN, BOWSER, MERRY,
MICOZZIE, MACKOWSKI, FARGO, SCHULER, G. SNYDER, JACKSON,
GREENWOOD, SEMMEL, PHILLIPS, PITTS, DISTLER, BUSH, FLICK,
ROBBINS, CLYMER, CARLSON, POTT, REINARD, NOYE, J. L. WRIGHT,
B. SMITH, McVERRY, LANGTRY, CESSAR, LASHINGER, BURD,
J. TAYLOR, FISCHER, CHADWICK, CIVERA, FREIND AND ARTY, MAY 5,
1986

REFERRED TO COMMITTEE ON FINANCE, MAY 5, 1986

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 providing for a change in the personal
11 income tax and corporate net income tax rates; and providing
12 a limited exemption from the capital stock-franchise tax.

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

15 Section 1. Section 302 of the act of March 4, 1971 (P.L.6,
16 No.2), known as the Tax Reform Code of 1971, amended July 1,
17 1985 (P.L.78, No.29), is amended to read:

18 Section 302. Imposition of Tax.--(a) There is hereby
19 imposed a tax to be paid by resident individuals, estates or

1 trusts at the annual rate of two and two-tenths per cent for
2 taxable years up to and including the taxable year commencing on
3 or after January 1, 1982, and at the annual rate of two and
4 forty-five hundredths per cent for the taxable year commencing
5 on or after January 1, 1983, and for the first six months of the
6 taxable year commencing on or after January 1, 1984, and at the
7 annual rate of two and thirty-five hundredths per cent for the
8 second six months of the taxable year commencing on or after
9 January 1, 1984, and for the taxable year commencing on or after
10 January 1, 1985, and at the annual rate of two and two-tenths
11 per cent for the first six months of the taxable year commencing
12 on or after January 1, 1986, and at a rate of two and one-tenth
13 per cent for the second six months of the taxable year
14 commencing on or after January 1, 1986, and for each taxable
15 year thereafter on the privilege of receiving each of the
16 classes of income hereinafter enumerated in section 303.

17 (b) There is hereby imposed a tax to be paid by nonresident
18 individuals, estates or trusts at the annual rate of two and
19 two-tenths per cent for taxable years up to and including the
20 taxable year commencing on or after January 1, 1982, and at the
21 annual rate of two and forty-five hundredths per cent for the
22 taxable year commencing on or after January 1, 1983, and for the
23 first six months of the taxable year commencing on or after
24 January 1, 1984, and at the annual rate of two and thirty-five
25 hundredths per cent for the second six months of the taxable
26 year commencing on or after January 1, 1984, and for the taxable
27 year commencing on or after January 1, 1985, and at the annual
28 rate of two and two-tenth per cent for the first six months of
29 the taxable year commencing on or after January 1, 1986, and at
30 a rate of two and one-tenth per cent of the second six months of

1 the taxable year commencing on or after January 1, 1986, and for
2 each taxable year thereafter on the privilege of receiving each
3 of the classes of income enumerated in section 303 from sources
4 within this Commonwealth.

5 Section 2. Section 402 of the act, amended June 29, 1984
6 (P.L.445, No.94), is amended to read:

7 Section 402. Imposition of Tax.--Every corporation shall be
8 subject to, and shall pay for the privilege of (i) doing
9 business in this Commonwealth; or (ii) carrying on activities in
10 this Commonwealth; (iii) having capital or property employed or
11 used in this Commonwealth; or (iv) owning property in this
12 Commonwealth, by or in the name of itself, or any person,
13 partnership, association, limited partnership, joint-stock
14 association, or corporation, a State excise tax at the rate of
15 twelve per cent per annum upon each dollar of taxable income of
16 such corporation received by, and accruing to, such corporation
17 during the calendar year 1971 and the first six months of 1972
18 and at the rate of eleven per cent per annum upon each dollar of
19 taxable income of such corporation received by, and accruing to,
20 such corporation during the second six months of calendar year
21 1972 through the calendar year 1973 and at the rate of nine and
22 one-half per cent per annum upon each dollar of taxable income
23 of such corporation received by, and accruing to, such
24 corporation during the calendar years 1974, 1975 and 1976 and at
25 the rate of ten and one-half per cent per annum upon each dollar
26 of taxable income of such corporation received by, and accruing
27 to, such corporation during the calendar year 1977 through the
28 calendar year 1984 and at the rate of nine and one-half per cent
29 per annum upon each dollar of taxable income of such corporation
30 received by and accruing to such corporation during the calendar

1 year 1985 through calendar year 1986 and at the rate of eight
2 and one-half per cent per annum upon each dollar of taxable
3 income of such corporation received by and accruing to such
4 corporation during the calendar year 1987 and each calendar year
5 thereafter, except where a corporation reports to the Federal
6 Government on the basis of a fiscal year, and has certified such
7 fact to the department as required by section 403 of this
8 article, in which case, such tax, at the rate of twelve per
9 cent, shall be levied, collected, and paid upon all taxable
10 income received by, and accruing to, such corporation during the
11 first six months of the fiscal year commencing in the calendar
12 year 1972 and at the rate of eleven per cent, shall be levied,
13 collected, and paid upon all taxable income received by, and
14 accruing to, such corporation during the second six months of
15 the fiscal year commencing in the calendar year 1972 and during
16 the fiscal year commencing in the calendar year 1973 and at the
17 rate of nine and one-half per cent, shall be levied, collected,
18 and paid upon all taxable income received by, and accruing to,
19 such corporation during the fiscal year commencing in the
20 calendar years 1974, 1975 and 1976 and at the rate of ten and
21 one-half per cent, shall be levied, collected, and paid upon all
22 taxable income received by, and accruing to, such corporation
23 during the fiscal year commencing in the calendar year 1977
24 through the fiscal year commencing in 1984 and at the rate of
25 nine and one-half per cent, shall be levied, collected, and paid
26 upon all taxable income received by and accruing to such
27 corporation during the fiscal year commencing in 1985 through
28 fiscal year 1986 and at the rate of eight and one-half per cent
29 per annum upon each dollar of taxable income of such corporation
30 received by and accruing to such corporation during the fiscal

1 year 1987 and during each fiscal year thereafter. No penalty
2 prescribed by subsection (e) of section 3003 shall be assessed
3 against a corporation for the additional tax which may be due as
4 a result of the increase in tax rate from nine and one-half per
5 cent to ten and one-half per cent imposed retroactively by this
6 section for the calendar year 1977 or for the fiscal year
7 commencing in 1977.

8 Section 3. The definition of "capital stock value" in
9 section 601(a) of the act, amended December 23, 1983 (P.L.360,
10 No.89), is amended to read:

11 Section 601. Definitions and Reports.--(a) The following
12 words, terms and phrases when used in this Article VI shall have
13 the meaning ascribed to them in this section, except where the
14 context clearly indicates a different meaning:

15 * * *

16 "Capital stock value." The amount computed pursuant to the
17 following formula: the product of one-half times the sum of the
18 average net income capitalized at the rate of nine and one-half
19 per cent plus seventy-five per cent of net worth, from which
20 product shall be subtracted twenty-five thousand dollars
21 (\$25,000), the algebraic equivalent of which is

22
$$(.5 \times (\text{average net income} / .095 + (.75)$$

23
$$(\text{net worth}))) - \$25,000$$

24 * * *

25 Section 4. (a) Section 1 of this act shall apply to the
26 taxable years beginning on or after January 1, 1986.

27 (b) Sections 2 and 3 of this act shall apply to the taxable
28 years beginning on or after January 1, 1987.

29 Section 5. This act shall take effect immediately.