

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2150 Session of  
1995

INTRODUCED BY DALEY, DeWEESE, ALLEN, CORRIGAN, GEIST, DeLUCA,  
FARGO, HERMAN, WALKO, COLAIZZO, ITKIN, BROWN, TRELLO, McCALL,  
PESCI, STISH, LUCYK, VAN HORNE, LAUGHLIN, ROBERTS, PETRARCA,  
OLASZ, GEORGE, STEELMAN, STAIRS, GODSHALL, SHANER, HALUSKA  
AND JAROLIN, OCTOBER 24, 1995

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 24, 1995

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 imposition of the utilities  
11 gross receipts tax.

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

14 Section 1. Section 1101 of the act of March 4, 1971 (P.L.6,  
15 No.2), known as the Tax Reform Code of 1971, is amended by  
16 adding subsections to read:

17 Section 1101. Imposition of Tax.--\* \* \*

18 (j) Coal Use Tax Credit.--

19 (1) For the tax year beginning January 1, 1996, and  
20 thereafter, every legal entity in this Commonwealth subject to  
21 this section shall be allowed a credit against the tax imposed

by this section in the amount of one dollar (\$1) per ton for each ton of coal purchased by such legal entity in excess of the number of tons of Pennsylvania coal purchased by such legal entity in 1994: Provided, That such coal was mined in Pennsylvania. This credit shall be prorated equally against the taxpayer's estimated payments for the tax year in which the coal is purchased.

(2) For tax years beginning on and after January 1, 1997, every legal entity subject to this section shall be allowed an additional credit against the tax imposed by this section in the amount of one dollar (\$1) per ton for each ton of coal purchased by the legal entity in excess of the number of tons of Pennsylvania coal purchased by such legal entity in 1994: Provided, That such coal was mined and consumed in Pennsylvania. The credit shall be prorated equally against the taxpayer's estimated payments for the tax year in which the coal is purchased.

(k) Coal Research and Development Tax Credit.--

(1) For the tax year beginning January 1, 1996, and thereafter, every legal entity in this Commonwealth subject to this section shall be allowed a credit against the tax imposed by this section equivalent to twenty per cent of the amount spent by the entity for research, development or demonstrations, as defined by the Federal Energy Regulatory Commission (FERC), of equipment, process or consumption methods which utilize clean coal technologies and result in increased use of coal mined in Pennsylvania or continue the consumption of coal mined in Pennsylvania which may have been curtailed except for the performance of such research, development or demonstration. Such tax credit, in the year in which claimed, shall be in addition

to any other credits which result from increased coal usage.  
Eligible legal entities may recover in tax year 1996 such  
creditable expenditures from tax years 1994 and 1995 which meet  
the requirements of this section. Taxpayers may receive such  
research credits in the year in which the expenditure occurs.  
However, credits for multi-year projects shall be subject to  
rescission if the completed project does not satisfy the  
requirements of this section for increasing or maintaining use  
of Pennsylvania coal.

(2) As used in clause (1) of this subsection, the term  
"research and development" means expenditures incurred by public  
utilities and licensees either directly or through another  
person or organization, including, but not limited to, a  
research institute, industry association, foundation,  
university, engineering company or similar contractor, in  
pursuing research and development activities, including  
experiment, design, installation, construction or operation.  
Research and development costs shall be reasonably related to  
the existing or future utility business, broadly defined, of the  
public utility or licensee or in the environment in which it  
operates or expects to operate. The term includes, but is not  
limited to: all such costs incidental to the design, development  
or implementation of an experimental facility, a plant process,  
a product, a formula, an invention, a system or similar items  
and the improvement of already existing items of a like nature;  
amounts expended in connection with the proposed delivery of  
alternate sources of electricity which utilize Pennsylvania  
coal; and the costs of obtaining its own patent, such as  
attorney fees expended in making and perfecting a patent  
application. The term "research and development" does not

1 include expenditures for efficiency surveys; studies of  
2 management, management techniques and organization; consumer  
3 surveys, advertising promotions or items of a like nature.

4 (3) The Pennsylvania Energy Office shall review research,  
5 development and demonstration expenditures submitted to the  
6 Department of Revenue pursuant to clause (1) of this subsection  
7 to determine eligibility for the tax credit. The Pennsylvania  
8 Energy Office shall advise the department of its determination  
9 and the reasons therefor within sixty days of receipt of a  
10 request from the department to conduct such a review.

11 Section 2. This act shall take effect immediately.