

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2265 Session of
2000

INTRODUCED BY COY, McCALL, CAPPABIANCA, TRICH, ROBERTS, EACHUS,
STETLER, TRAVAGLIO, TIGUE, TRELLO, HARHAI, YOUNGBLOOD,
SAMUELSON, STEELMAN, BEBKO-JONES, JOSEPHS, LUCYK, OLIVER,
VAN HORNE, DeWEESE, BATTISTO, SANTONI, M. COHEN, GRUCELA,
SAINATO, GEORGE, VEON, DeLUCA, FRANKEL, CALTAGIRONE, MANN,
GORDNER, LAUGHLIN, SHANER, STABACK, LaGROTTA AND WILLIAMS,
FEBRUARY 15, 2000

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 15, 2000

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 the capital stock and
11 franchise tax exemption.

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

14 Section 1. Section 602(b) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended
16 December 15, 1999 (P.L. 926, No.63), is amended to read:

17 Section 602. Imposition of Tax.--* * *

18 (b) (1) Every foreign entity from which a report is
19 required under section 601 hereof, shall be subject to and pay
20 to the department annually, a franchise tax which is the greater

1 of (i) the amount computed by multiplying each dollar of the
2 capital stock value as defined in section 601(a) by the
3 appropriate rate of tax as set forth in subsection (h); or (ii)
4 the minimum tax set forth in subsection (i), upon a taxable
5 value to be determined in the following manner. The capital
6 stock value shall be ascertained in the manner prescribed in
7 section 601(a) of this article. The taxable value shall then be
8 determined by employing the relevant apportionment factors set
9 forth in Article IV: Provided, That the manufacturing,
10 processing, research and development exemptions contained under
11 section 602(a) shall also apply to foreign corporations. In
12 determining the relevant apportionment factors, the following
13 shall apply:

14 (i) for all taxable years other than specifically set forth
15 in subclause (ii) the numerator of the property, payroll or
16 sales factors shall not include any property, payroll or sales
17 attributable to manufacturing, processing, research or
18 development activities in the Commonwealth;

19 (ii) for the taxable years beginning after December 31,
20 1998, [and beginning before January 1, 2001,] the numerator of
21 the property or payroll factors shall not include any property
22 or payroll attributable to manufacturing, processing, research
23 or development activities in the Commonwealth and any property
24 or payroll attributable to manufacturing, processing, research
25 or development activities outside of the Commonwealth shall also
26 be excluded from the numerator of the property or payroll
27 factors. Except for the imposition of the minimum tax set forth
28 in subsection (i), the provisions of this section shall not
29 apply to the taxation of so much of the capital stock value
30 attributable to student loan assets owned or held by an entity

1 created for the securitization of student loans or by a trustee
2 on its behalf. Any foreign corporation, joint-stock association,
3 limited partnership or company subject to the tax prescribed
4 herein may elect to compute and pay its tax under section
5 602(a): Provided, That any foreign corporation, joint-stock
6 association, limited partnership or company electing to compute
7 and pay its tax under section 602(a) shall be treated as if it
8 were a domestic corporation for the purpose of determining which
9 of its assets are exempt from taxation and for the purpose of
10 determining the proportion of the value of its capital stock
11 which is subject to taxation.

12 (2) The provisions of this article shall apply to the
13 taxation of entities organized for manufacturing, processing,
14 research or development purposes, but shall not apply to such
15 entities as enjoy and exercise the right of eminent domain.

16 * * *

17 Section 2. This act shall take effect immediately.