

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 650 Session of
2005

INTRODUCED BY TURZAI, REICHLEY, BAKER, BALDWIN, BARRAR, BASTIAN, BENNINGHOFF, BOYD, BROWNE, BUNT, CAPPELLI, CAUSER, CLYMER, CREIGHTON, DALEY, DALLY, DENLINGER, ELLIS, FAIRCHILD, FICHTER, FLEAGLE, FLICK, FORCIER, GINGRICH, GODSHALL, HARPER, HERMAN, HERSHEY, HICKERNELL, HUTCHINSON, KILLION, KOTIK, LEH, MARKOSEK, MARSICO, McILHATTAN, METCALFE, R. MILLER, S. MILLER, MUSTIO, NAILOR, NICKOL, O'NEILL, PHILLIPS, PICKETT, REED, ROHRER, RUBLEY, SATHER, SAYLOR, SCAVELLO, SCHRODER, SEMMEL, B. SMITH, STEIL, STERN, R. STEVENSON, T. STEVENSON, J. TAYLOR, THOMAS, TRUE, WATSON, WILT, WRIGHT, YOUNGBLOOD, ZUG, HARRIS, KAUFFMAN, ARMSTRONG AND HENNESSEY, MARCH 1, 2005

REFERRED TO COMMITTEE ON FINANCE, MARCH 1, 2005

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, in corporate net income tax,
11 for the definition of "taxable income."

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

14 Section 1. Section 401(3)4(c) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended
16 June 29, 2002 (P.L.559, No.89), is amended to read:

17 Section 401. Definitions.--The following words, terms, and

1 phrases, when used in this article, shall have the meaning
2 ascribed to them in this section, except where the context
3 clearly indicates a different meaning:

4 * * *

5 (3) "Taxable income." * * *

6 4. * * *

7 (c) (1) The net loss deduction shall be:

8 (i) for taxable years ending before January 1, 2000, the
9 lesser of two million dollars (\$2,000,000) or the amount of the
10 net loss or losses which may be carried over to the taxable year
11 or taxable income as determined under subclause 1 or, if
12 applicable, subclause 2[.]; and

13 (ii) for taxable years beginning after December 31, 1999,
14 the amount of the net loss or losses which may be carried over
15 to the taxable year or taxable income as determined under
16 subclause 1 or, if applicable, subclause 2.

17 In no event shall the net loss deduction include more than five
18 hundred thousand dollars (\$500,000), in the aggregate, of net
19 losses from taxable years 1988 through 1994.

20 (2) A net loss for a taxable year may only be carried over
21 pursuant to the following schedule:

22	Taxable Year	Carryover
23	1981	1 taxable year
24	1982	2 taxable years
25	1983-1987	3 taxable years
26	1988	2 taxable years plus
27		1 taxable year
28		starting with the
29		1995 taxable year
30	1989	1 taxable year plus

1		2 taxable years
2		starting with the
3		1995 taxable year
4	1990-1993	3 taxable years
5		starting with the
6		1995 taxable year
7	1994	1 taxable year
8	1995-1997	10 taxable years
9	1998 and thereafter	20 taxable years

10 The earliest net loss shall be carried over to the earliest
11 taxable year to which it may be carried under this schedule. The
12 total net loss deduction allowed [in any taxable year] for
13 taxable years ending before January 1, 2000, shall not exceed
14 two million dollars (\$2,000,000). The total net loss deduction
15 allowed for taxable years beginning after December 31, 1999,
16 shall be unlimited.

17 * * *

18 Section 2. The amendment of section 401(3)4(c) of the act
19 shall be retroactive to taxable years beginning after December
20 31, 1999, and shall apply to net operating loss deductions for
21 taxable years beginning after December 31, 1999.

22 Section 3. This act shall take effect immediately.