

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 802 Session of  
2005

INTRODUCED BY MANN, BARRAR, BENNINGHOFF, CALTAGIRONE, CAPPELLI, CAWLEY, CRAHALLA, CREIGHTON, DALLY, FRANKEL, GEIST, GEORGE, HENNESSEY, HUTCHINSON, KOTIK, S. MILLER, NAILOR, PISTELLA, SAINATO, SCAVELLO, TURZAI, YUDICHAK, HARRIS, HERSHEY, KILLION, McILHATTAN, MUNDY, PETRARCA, REICHLEY, SAYLOR, TIGUE, YOUNGBLOOD AND MAHER, MARCH 14, 2005

REFERRED TO COMMITTEE ON FINANCE, MARCH 14, 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 for the definition of "capital  
11 stock value."

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

14 Section 1. The definition of "capital stock value" in  
15 section 601(a) of the act of March 4, 1971 (P.L.6, No.2), known  
16 as the Tax Reform Code of 1971, amended May 7, 1997 (P.L.85,  
17 No.7), is amended to read:

18 Section 601. Definitions and Reports.--(a) The following  
19 words, terms and phrases when used in this Article VI shall have  
20 the meaning ascribed to them in this section, except where the

1 context clearly indicates a different meaning:

2 \* \* \*

3 "Capital stock value." The amount computed pursuant to the  
4 following formula: the product of one-half times the sum of the  
5 average net income capitalized at the rate of nine and one-half  
6 per cent plus seventy-five per cent of net worth, from which  
7 product shall be subtracted [one hundred twenty-five thousand  
8 dollars (\$125,000)] two hundred fifty thousand dollars  
9 (\$250,000), the algebraic equivalent of which is

10 
$$(.5 \times (\text{average net income} / .095 + (.75)$$
  
11 
$$(\text{net worth}))) - [\$125,000] \text{ } \underline{\$250,000}$$

12 \* \* \*

13 Section 2. This act shall apply to taxable years beginning  
14 after December 31, 2004.

15 Section 3. This act shall take effect immediately.