

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2401 Session of 2014

INTRODUCED BY GROVE, BLOOM, DUNBAR, TALLMAN, MACKENZIE, GREINER, BAKER, BARRAR, SANKEY, SWANGER, SAYLOR, MCGINNIS, MILLARD, FEE, CUTLER, KAUFFMAN, C. HARRIS, LAWRENCE, CLYMER, GILLEN, AUMENT, RAPP, BENNINGHOFF, PICKETT, HARHART, COX AND MARSHALL, JUNE 19, 2014

REFERRED TO COMMITTEE ON FINANCE, JUNE 19, 2014

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," in personal income tax, further providing for  
11 classes of income.

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

14 Section 1. Section 303(a)(2) of the act of March 4, 1971  
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended  
16 July 9, 2013 (P.L.270, No.52), is amended to read:

17 Section 303. Classes of Income.--(a) The classes of income  
18 referred to above are as follows:

19 \* \* \*

20 (2) Net profits or net loss. The net income from the  
21 operation of a business, profession, or other activity, after

1 provision for all costs and expenses incurred in the conduct  
2 thereof, determined either on a cash or accrual basis in  
3 accordance with accepted accounting principles and practices but  
4 without deduction of taxes based on income. For purposes of  
5 calculating net income under this paragraph, to the extent a  
6 taxpayer properly deducts an amount under section 195(b)(1)(A)  
7 of the Internal Revenue Code of 1986 (26 U.S.C. § 195(b)(1)(A)),  
8 as amended, and the regulations promulgated under section 195(b)  
9 (1)(A) of the Internal Revenue Code of 1986, the taxpayer shall  
10 be permitted a deduction in equal amount in the same taxable  
11 year. There shall be permitted a deduction from other classes of  
12 income equal to the net loss for the tax year.

13 \* \* \*

14 Section 2. The amendment of section 303(a)(2) of the act  
15 shall apply to the tax years beginning after December 31, 2014.

16 Section 3. This act shall take effect immediately.