AN ACT

Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An act relating to tax reform and State taxation by codifying and enumerating certain subjects of taxation and imposing taxes thereon; providing procedures for the payment, collection, administration and enforcement thereof; providing for tax credits in certain cases; conferring powers and imposing duties upon the Department of Revenue, certain employers, fiduciaries, individuals, persons, corporations and other entities; prescribing crimes, offenses and penalties," in corporate net income tax, further providing for definitions.

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

Section 1. Section 401(3)4(c) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended to read:

Section 401. Definitions.--The following words, terms, and phrases, when used in this article, shall have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

* * *
4. The net loss deduction shall be the lesser of:
   (i) For taxable years beginning before January 1, 2007, two million dollars ($2,000,000);
   (ii) For taxable years beginning after December 31, 2006, the greater of twelve and one-half per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000);
   (iii) For taxable years beginning after December 31, 2008, the greater of fifteen per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000);
   (iv) For taxable years beginning after December 31, 2009, the greater of twenty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000);
   (v) For taxable years beginning after December 31, 2013, the greater of twenty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or four million dollars ($4,000,000);
   (vi) For taxable years beginning after December 31, 2014, the greater of thirty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or five million dollars ($5,000,000);
   (vii) For taxable years beginning after December 31, 2017, thirty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2;
   (viii) For taxable years beginning after December 31, 2018, forty per cent of taxable income as determined under subclause 1.
or, if applicable, subclause 2; [or]

(IX) For taxable years beginning after December 31, 2019,
forty-five per cent of taxable income as determined under
subclause 1 or, if applicable, subclause 2;

(X) For taxable years beginning after December 31, 2020,
fifty per cent of taxable income as determined under subclause 1
or, if applicable, subclause 2; or

(B) The amount of the net loss or losses which may be
carried over to the taxable year or taxable income as determined
under subclause 1 or, if applicable, subclause 2.

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

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

<table>
<thead>
<tr>
<th>Taxable Year</th>
<th>Carryover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>1 taxable year</td>
</tr>
<tr>
<td>1982</td>
<td>2 taxable years</td>
</tr>
<tr>
<td>1983-1987</td>
<td>3 taxable years</td>
</tr>
<tr>
<td>1988</td>
<td>2 taxable years plus 1 taxable year starting with the 1995 taxable year</td>
</tr>
<tr>
<td>1989</td>
<td>1 taxable year plus 2 taxable years starting with the 1995 taxable year</td>
</tr>
<tr>
<td>1990-1993</td>
<td>3 taxable years</td>
</tr>
</tbody>
</table>

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(B) The earliest net loss shall be carried over to the earliest taxable year to which it may be carried under this schedule. The total net loss deduction allowed in any taxable year shall not exceed:

(I) Two million dollars ($2,000,000) for taxable years beginning before January 1, 2007.

(II) The greater of twelve and one-half per cent of the taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000) for taxable years beginning after December 31, 2006.

(III) The greater of fifteen per cent of the taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000) for taxable years beginning after December 31, 2008.

(IV) The greater of twenty per cent of the taxable income as determined under subclause 1 or, if applicable, subclause 2 or three million dollars ($3,000,000) for taxable years beginning after December 31, 2009.

(V) The greater of twenty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or four million dollars ($4,000,000) for taxable years beginning after December 31, 2013.

(VI) The greater of thirty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or five million dollars ($5,000,000) for taxable years beginning after December 31, 2014.

(VII) Thirty-five per cent of taxable income as determined
under subclause 1 or, if applicable, subclause 2 for taxable years beginning after December 31, 2017.

(VIII) Forty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 for taxable years beginning after December 31, 2018.

(IX) Forty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 for taxable years beginning after December 31, 2019.

(X) Fifty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 for taxable years beginning after December 31, 2020.

* * *

Section 2. This act shall take effect in 60 days.