

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1700 Session of
2001

INTRODUCED BY MAHER, JUNE 19, 2001

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, JUNE 19, 2001

AN ACT

1 Amending the act of December 31, 1965 (P.L.1257, No.511),
2 entitled "An act empowering cities of the second class,
3 cities of the second class A, cities of the third class,
4 boroughs, towns, townships of the first class, townships of
5 the second class, school districts of the second class,
6 school districts of the third class and school districts of
7 the fourth class including independent school districts, to
8 levy, assess, collect or to provide for the levying,
9 assessment and collection of certain taxes subject to maximum
10 limitations for general revenue purposes; authorizing the
11 establishment of bureaus and the appointment and compensation
12 of officers, agencies and employees to assess and collect such
13 taxes; providing for joint collection of certain taxes,
14 prescribing certain definitions and other provisions for
15 taxes levied and assessed upon earned income, providing for
16 annual audits and for collection of delinquent taxes, and
17 permitting and requiring penalties to be imposed and
18 enforced, including penalties for disclosure of confidential
19 information, providing an appeal from the ordinance or
20 resolution levying such taxes to the court of quarter
21 sessions and to the Supreme Court and Superior Court,"
22 further providing for definitions.

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

25 Section 1. The definitions of "earned income" and "net
26 profits" in section 13 I of the act of December 31, 1965
27 (P.L.1257, No.511), known as The Local Tax Enabling Act, amended

1 December 20, 2000 (P.L.781, No.110), are amended to read:

2 Section 13. Earned Income Taxes.--On and after the effective
3 date of this act the remaining provisions of this section shall
4 be included in or construed to be a part of each tax levied and
5 assessed upon earned income by any political subdivision levying
6 and assessing such tax pursuant to this act. The definitions
7 contained in this section shall be exclusive for any tax upon
8 earned income and net profits levied and assessed pursuant to
9 this act, and shall not be altered or changed by any political
10 subdivision levying and assessing such tax.

11 I. Definitions

12 * * *

13 "Earned income." [Salaries, wages, commissions, bonuses,
14 incentive payments, fees, tips and other compensation received
15 by a person or his personal representative for services
16 rendered, whether directly or through an agent, and whether in
17 cash or in property; not including, however, wages or
18 compensation paid to persons on active military service,
19 periodic payments for sickness and disability other than regular
20 wages received during a period of sickness, disability or
21 retirement or payments arising under workmen's compensation
22 acts, occupational disease acts and similar legislation, or
23 payments commonly recognized as old age benefits, retirement pay
24 or pensions paid to persons retired from service after reaching
25 a specific age or after a stated period of employment or
26 payments commonly known as public assistance, or unemployment
27 compensation payments made by any governmental agency or
28 payments to reimburse expenses or payments made by employers or
29 labor unions for wage and salary supplemental programs,
30 including, but not limited to, programs covering

1 hospitalization, sickness, disability or death, supplemental
2 unemployment benefits, strike benefits, social security and
3 retirement.] As determined by the Department of Revenue under
4 section 303 of the act of March 4, 1971 (P.L.6, No.2), known as
5 the "Tax Reform Code of 1971," and regulations in 61 Pa. Code
6 Pt. I Art. V (relating to personal income tax). Employe business
7 expenses are allowable deductions as determined under section
8 303 of the "Tax Reform Code of 1971" and 61 Pa. Code Pt. I
9 Subpt. B Art. V (relating to personal income tax).

10 * * *

11 "Net profits." The net income from the operation of a
12 business, profession, or other activity, except corporations,
13 [after provision for all costs and expenses incurred in the
14 conduct thereof, determined either on a cash or accrual basis in
15 accordance with the accounting system used in such business,
16 profession, or other activity, but without deduction of taxes
17 based on income.] determined under Article III of the act of
18 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
19 1971," and regulations of the Department of Revenue promulgated
20 under that article. The term does not include income which is
21 not paid for services provided and which is in the nature of
22 earnings from an investment. For taxpayers engaged in the
23 business, profession or activity of farming, the term shall not
24 include:

- 25 (1) any interest earnings generated from any monetary
26 accounts or investment instruments of the farming business;
27 (2) any gain on the sale of farm machinery;
28 (3) any gain on the sale of livestock held twelve months or
29 more for draft, breeding or dairy purposes; and
30 (4) any gain on the sale of other capital assets of the

1 farm.

2 * * *

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