
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1556

Session of
1977

INTRODUCED BY VROON, ARTHURS, MEBUS, PITTS, GREENLEAF,
E. H. SMITH, SCIRICA, ZEARFOSS, KNEPPER, TADDONIO, MORRIS,
POTT, DeVERTER, PICCOLA, O'CONNELL, DORR, DIETZ, HELFRICK,
E. Z. TAYLOR, HALVERSON AND McCLATCHY, JULY 29, 1977

REFERRED TO COMMITTEE ON FINANCE, JULY 29, 1977

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," permitting deductions for net operating losses
11 sustained in certain years.

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

14 Section 1. Subclause 1 of clause (3) of section 401, act of
15 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
16 1971," amended August 31, 1971 (P.L.362, No.93), and September
17 9, 1971 (P.L.437, No.105), is amended to read:

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

1 * * *

2 (3) "Taxable income." 1. In case the entire business of the
3 corporation is transacted within this Commonwealth, for any
4 taxable year which begins on or after January 1, 1971, taxable
5 income for the calendar year or fiscal year as returned to and
6 ascertained by the Federal Government, or in the case of a
7 corporation participating in the filing of consolidated returns
8 to the Federal Government, the taxable income which would have
9 been returned to and ascertained by the Federal Government if
10 separate returns had been made to the Federal Government for the
11 current and prior taxable years, subject, however, to any
12 correction thereof, for fraud, evasion, or error as finally
13 ascertained by the Federal Government: Provided, That additional
14 deductions shall be allowed from taxable income on account of
15 any dividends received from any other corporation but only to
16 the extent that such dividends are included in taxable income as
17 returned to and ascertained by the Federal Government: Provided
18 further, That taxable income will include the sum of the
19 following tax preference items as defined in section 57 of the
20 Internal Revenue Code, as amended, (i) excess investment
21 interest; (ii) accelerated depreciation on real property; (iii)
22 accelerated depreciation on personal property subject to a net
23 lease; (iv) amortization of certified pollution control
24 facilities; (v) amortization of railroad rolling stock; (vi)
25 stock options; (vii) reserves for losses on bad debts of
26 financial institutions; (viii) and capital gains but only to
27 the extent that such preference items are not included in
28 "taxable income" as returned to and ascertained by the Federal
29 Government. [No deduction shall be allowed for net operating
30 losses sustained by the corporation during any other fiscal or

1 calendar year.] Any corporation which sustained a net operating
2 loss in a taxable year beginning on or after January 1, 1979,
3 shall be allowed a deduction for such net operating loss. A net
4 operating loss for a taxable year shall be carried over to each
5 of the five taxable years succeeding the taxable year in which
6 such loss is sustained. In the case of regulated investment
7 companies as defined by the Internal Revenue Code of 1954, as
8 amended, "taxable income" shall be investment company taxable
9 income as defined in the aforesaid Internal Revenue Code of
10 1954, as amended. In arriving at "taxable income" for Federal
11 tax purposes for any taxable year beginning on or after January
12 1, 1971, any corporate net income tax due to the Commonwealth
13 pursuant to the provisions of this article shall not be allowed
14 as a deduction and the amount of corporate tax so due and
15 excluded from Federal taxable income under the Internal Revenue
16 Code shall not be apportioned but shall be subject to tax at the
17 rate imposed under this article.

18 * * *

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