

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2912 Session of  
1980

INTRODUCED BY DOMBROWSKI, MANDERINO, BOWSER, CAPPABIANCA,  
ZITTERMAN, A. K. HUTCHINSON, BORSKI, WILLIAMS, PISTELLA,  
KOLTER AND LEVIN, SEPTEMBER 17, 1980

REFERRED TO COMMITTEE ON FINANCE, SEPTEMBER 17, 1980

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 defining taxable income under the  
11 Corporate Net Income Tax.

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 November 26, 1978 (P.L.1287, No.306), is amended  
17 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:

22 \* \* \*

1       (3) "Taxable income." 1. In case the entire business of the  
2 corporation is transacted within this Commonwealth, for any  
3 taxable year which begins on or after January 1, 1971, taxable  
4 income for the calendar year or fiscal year as returned to and  
5 ascertained by the Federal Government, or in the case of a  
6 corporation participating in the filing of consolidated returns  
7 to the Federal Government, the taxable income which would have  
8 been returned to and ascertained by the Federal Government if  
9 separate returns had been made to the Federal Government for the  
10 current and prior taxable years, subject, however, to any  
11 correction thereof, for fraud, evasion, or error as finally  
12 ascertained by the Federal Government: Provided, That additional  
13 deductions shall be allowed from taxable income on account of  
14 any dividends received from any other corporation but only to  
15 the extent that such dividends are included in taxable income as  
16 returned to and ascertained by the Federal Government: Provided  
17 further, That additional deductions shall be allowed from  
18 taxable income in an amount equal to the amount of any reduction  
19 in an employer's deduction for wages and salaries as required by  
20 section 280C of the Internal Revenue Code as a result of the  
21 employer taking a credit for "new jobs" pursuant to section 44B  
22 of the Internal Revenue Code: Provided further, That taxable  
23 income will include the sum of the following tax preference  
24 items as defined in section 57 of the Internal Revenue Code, as  
25 amended, (i) excess investment interest; (ii) accelerated  
26 depreciation on real property; (iii) accelerated depreciation on  
27 personal property subject to a net lease; (iv) amortization of  
28 certified pollution control facilities; (v) amortization of  
29 railroad rolling stock; (vi) stock options; (vii) reserves for  
30 losses on bad debts of financial institutions; (viii) and

1 capital gains but only to the extent that such preference items  
2 are not included in "taxable income" as returned to and  
3 ascertained by the Federal Government. No deduction shall be  
4 allowed for net operating losses sustained by the corporation  
5 during any other fiscal or calendar year. In the case of  
6 regulated investment companies as defined by the Internal  
7 Revenue Code of 1954, as amended, "taxable income" shall be  
8 investment company taxable income as defined in the aforesaid  
9 Internal Revenue Code of 1954, as amended. In arriving at  
10 "taxable income" for Federal tax purposes for any taxable year  
11 beginning on or after January 1, 1971, any corporate net income  
12 tax due to the Commonwealth pursuant to the provisions of this  
13 article shall not be allowed as a deduction and the amount of  
14 corporate tax so due and excluded from Federal taxable income  
15 under the Internal Revenue Code shall not be apportioned but  
16 shall be subject to tax at the rate imposed under this article.  
17 In arriving at taxable income for Federal tax purposes for any  
18 taxable year beginning on or after January 1, 1980, no deduction  
19 shall be allowed for any Federal Windfall Profits Tax on  
20 Domestic Crude Oil and the amount excluded from Federal taxable  
21 income under section 164(a)(5) of the Internal Revenue Code of  
22 1954 shall be subject to apportionment and to taxation at the  
23 rate imposed under this article.

24 \* \* \*

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