

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1486 Session of
1986

INTRODUCED BY HOWARD, STAUFFER, FISHER, LEMMOND, JUBELIRER,
GREENLEAF, TILGHMAN, HOPPER, HELFRICK, WENGER, LOEPER,
SHUMAKER, RHOADES, MOORE, PECORA AND HOLL, APRIL 17, 1986

REFERRED TO FINANCE, APRIL 17, 1986

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 providing for a change in the personal
11 income tax and corporate net income tax rates and a change in
12 the estimated tax limit; and adding to the capital stock-
13 franchise tax definitions.

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

16 Section 1. Section 302 of the act of March 4, 1971 (P.L.6,
17 No.2), known as the Tax Reform Code of 1971, amended July 1,
18 1985 (P.L.78, No.29), is amended to read:

19 Section 302. Imposition of Tax.--(a) There is hereby
20 imposed a tax to be paid by resident individuals, estates or
21 trusts at the annual rate of two and two-tenths per cent for
22 taxable years up to and including the taxable year commencing on
23 or after January 1, 1982, and at the annual rate of two and

1 forty-five hundredths per cent for the taxable year commencing
2 on or after January 1, 1983, and for the first six months of the
3 taxable year commencing on or after January 1, 1984, and at the
4 annual rate of two and thirty-five hundredths per cent for the
5 second six months of the taxable year commencing on or after
6 January 1, 1984, and for the taxable year commencing on or after
7 January 1, 1985, and at the annual rate of two and two-tenths
8 per cent for the first six months of the taxable year commencing
9 on or after January 1, 1986, and at a rate of two and one-tenth
10 per cent for the second six months of the taxable year
11 commencing on or after January 1, 1986, and for each taxable
12 year thereafter on the privilege of receiving each of the
13 classes of income hereinafter enumerated in section 303.

14 (b) There is hereby imposed a tax to be paid by nonresident
15 individuals, estates or trusts at the annual rate of two and
16 two-tenths per cent for taxable years up to and including the
17 taxable year commencing on or after January 1, 1982, and at the
18 annual rate of two and forty-five hundredths per cent for the
19 taxable year commencing on or after January 1, 1983, and for the
20 first six months of the taxable year commencing on or after
21 January 1, 1984, and at the annual rate of two and thirty-five
22 hundredths per cent for the second six months of the taxable
23 year commencing on or after January 1, 1984, and for the taxable
24 year commencing on or after January 1, 1985, and at the annual
25 rate of two and two-tenth per cent for the first six months of
26 the taxable year commencing on or after January 1, 1986, and at
27 a rate of two and one-tenth per cent of the second six months of
28 the taxable year commencing on or after January 1, 1986, and for
29 each taxable year thereafter on the privilege of receiving each
30 of the classes of income enumerated in section 303 from sources

1 within this Commonwealth.

2 Section 2. Section 325(a), (d) and (f) of the act, added
3 August 31, 1971 (P.L.362, No.93), are amended to read:

4 Section 325. Declarations of Estimated Tax.--(a) Every
5 resident and nonresident individual shall at the time
6 hereinafter prescribed make a declaration of his estimated tax
7 for the taxable year, containing such information as the
8 department may prescribe by regulations, if his income, other
9 than from compensation on which tax is withheld under this
10 article, can reasonably be expected to exceed [one thousand
11 dollars (\$1,000)] two thousand five hundred dollars (\$2,500).

12 * * *

13 (d) Except as hereinafter provided, the date for filing a
14 declaration of estimated tax shall depend upon when the resident
15 or nonresident individual determines that his income on which no
16 tax has been withheld under this article can reasonably be
17 expected to exceed [one thousand dollars (\$1,000)] two thousand
18 five hundred dollars (\$2,500) in the taxable year, as follows:

19 (1) If the determination is made on or before April 1 of the
20 taxable year, a declaration of estimated tax shall be filed no
21 later than April 15 of the taxable year.

22 (2) If the determination is made after April 1 but before
23 June 2 of the taxable year, the declaration shall be filed no
24 later than June 15 of such year.

25 (3) If the determination is made after June 1 but before
26 September 2 of the taxable year, the declaration shall be filed
27 no later than September 15 of such year.

28 (4) If the determination is made after September 1 of the
29 taxable year, the declaration shall be filed no later than
30 January 15 of the year succeeding the taxable year.

1 * * *

2 (f) A declaration of estimated tax of an individual having a
3 total estimated tax for the taxable year of [fifty dollars
4 (\$50)] one hundred dollars (\$100) or less may be filed at any
5 time on or before January 15 of the succeeding year under
6 regulations of the department.

7 * * *

8 Section 3. Section 402 of the act, amended June 29, 1984
9 (P.L.445, No.94), is amended to read:

10 Section 402. Imposition of Tax.--Every corporation shall be
11 subject to, and shall pay for the privilege of (i) doing
12 business in this Commonwealth; or (ii) carrying on activities in
13 this Commonwealth; (iii) having capital or property employed or
14 used in this Commonwealth; or (iv) owning property in this
15 Commonwealth, by or in the name of itself, or any person,
16 partnership, association, limited partnership, joint-stock
17 association, or corporation, a State excise tax at the rate of
18 twelve per cent per annum upon each dollar of taxable income of
19 such corporation received by, and accruing to, such corporation
20 during the calendar year 1971 and the first six months of 1972
21 and at the rate of eleven per cent per annum upon each dollar of
22 taxable income of such corporation received by, and accruing to,
23 such corporation during the second six months of calendar year
24 1972 through the calendar year 1973 and at the rate of nine and
25 one-half per cent per annum upon each dollar of taxable income
26 of such corporation received by, and accruing to, such
27 corporation during the calendar years 1974, 1975 and 1976 and at
28 the rate of ten and one-half per cent per annum upon each dollar
29 of taxable income of such corporation received by, and accruing
30 to, such corporation during the calendar year 1977 through the

1 calendar year 1984 and at the rate of nine and one-half per cent
2 per annum upon each dollar of taxable income of such corporation
3 received by and accruing to such corporation during the calendar
4 year 1985 through calendar year 1986 and at the rate of eight
5 and one-half per cent per annum upon each dollar of taxable
6 income of such corporation received by and accruing to such
7 corporation during the calendar year 1987 and each calendar year
8 thereafter, except where a corporation reports to the Federal
9 Government on the basis of a fiscal year, and has certified such
10 fact to the department as required by section 403 of this
11 article, in which case, such tax, at the rate of twelve per
12 cent, shall be levied, collected, and paid upon all taxable
13 income received by, and accruing to, such corporation during the
14 first six months of the fiscal year commencing in the calendar
15 year 1972 and at the rate of eleven per cent, shall be levied,
16 collected, and paid upon all taxable income received by, and
17 accruing to, such corporation during the second six months of
18 the fiscal year commencing in the calendar year 1972 and during
19 the fiscal year commencing in the calendar year 1973 and at the
20 rate of nine and one-half per cent, shall be levied, collected,
21 and paid upon all taxable income received by, and accruing to,
22 such corporation during the fiscal year commencing in the
23 calendar years 1974, 1975 and 1976 and at the rate of ten and
24 one-half per cent, shall be levied, collected, and paid upon all
25 taxable income received by, and accruing to, such corporation
26 during the fiscal year commencing in the calendar year 1977
27 through the fiscal year commencing in 1984 and at the rate of
28 nine and one-half per cent, shall be levied, collected, and paid
29 upon all taxable income received by and accruing to such
30 corporation during the fiscal year commencing in 1985 through

1 fiscal year 1986 and at the rate of eight and one-half per cent
2 per annum upon each dollar of taxable income of such corporation
3 received by and accruing to such corporation during the fiscal
4 year 1987 and during each fiscal year thereafter. No penalty
5 prescribed by subsection (e) of section 3003 shall be assessed
6 against a corporation for the additional tax which may be due as
7 a result of the increase in tax rate from nine and one-half per
8 cent to ten and one-half per cent imposed retroactively by this
9 section for the calendar year 1977 or for the fiscal year
10 commencing in 1977.

11 Section 4. The definitions of "capital stock value,"
12 "foreign entity" and "net worth" in section 601(a) of the act,
13 amended December 23, 1983 (P.L.360, No.89), are amended to read:

14 Section 601. Definitions and Reports.--(a) The following
15 words, terms and phrases when used in this Article VI shall have
16 the meaning ascribed to them in this section, except where the
17 context clearly indicates a different meaning:

18 * * *

19 "Capital stock value." The amount computed pursuant to the
20 following formula: the product of one-half times the sum of the
21 average net income capitalized at the rate of nine and one-half
22 per cent plus seventy-five per cent of net worth, from which
23 product shall be subtracted twenty-five thousand dollars
24 (\$25,000), the algebraic equivalent of which is

25
$$(.5 \times (\text{average net income} / .095 + (.75)$$

26
$$(\text{net worth}))) - \$25,000$$

27 * * *

28 "Foreign entity." Every corporation, joint-stock
29 association, limited partnership and company whatsoever, now or
30 hereafter incorporated or organized by or under the law of any

1 other state or territory of the United States, or by the United
2 States, or by or under the law of any foreign government, and
3 doing business in and liable to taxation within the Commonwealth
4 or carrying on activities in the Commonwealth, including
5 solicitation or either owning or having capital or property
6 employed or used in the Commonwealth by or in the name of any
7 limited partnership or joint-stock association, copartnership or
8 copartnerships, person or persons, or in any other manner doing
9 business within and liable to taxation within the Commonwealth
10 other than nonprofit corporations, banks, savings institutions,
11 title insurance or trust companies, building and loan
12 associations and insurance companies is a foreign entity.

13 * * *

14 "Net worth." (1) Net worth shall be the sum of the entity's
15 issued and outstanding capital stock, surplus and undivided
16 profits as per books set forth for the close of such tax year on
17 the income tax return filed by the entity with the Federal
18 Government, or if no such return is made, as would have been set
19 forth had such return been made, subject, however, in either
20 case to any correction thereof for fraud, evasion or error. In
21 the case of any entity which has investments in the common stock
22 of other corporations, the net worth shall be the consolidated
23 net worth of such entity computed in accordance with generally
24 accepted accounting principles. Net worth shall in no case be
25 less than zero.

26 (2) If net worth as arrived at under clause (1) for the
27 current tax year is greater than twice or less than one-half of
28 the net worth which would have been calculated under clause (1)
29 as of the first day of the current tax year, then net worth for
30 the current tax year shall be the average of these two amounts.

1 * * *

2 Section 5. If the amendment to the definition of "capital
3 stock value" as provided by section 4, or the application
4 thereof to any person or circumstances is held invalid, it is
5 the intent of the General Assembly that such amendment shall be
6 severable and "capital stock value" shall be defined as if this
7 amendment had never been enacted.

8 Section 6. Except as provided in section 7, this act shall
9 apply to taxable years beginning on or after January 1, 1986.

10 Section 7. The amendment to section 601 to the definition of
11 "foreign entity" shall apply retroactively to January 1, 1985.

12 Section 8. This act shall take effect immediately.