

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 581

Session of
1987

INTRODUCED BY DORR, CAPPABIANCA, F. TAYLOR, GALLEN, TRELLO, SCHULER, NOYE, BOWSER, MARKOSEK, HALUSKA, MOEHLMANN, ITKIN, BELFANTI, KUKOVICH, SCHEETZ, G. SNYDER, D. W. SNYDER, ANGSTADT, JOHNSON, SIRIANNI, MORRIS, MRKONIC, HERMAN, PITTS, DAWIDA, VAN HORNE, VROON, PRESTON, MERRY, WOGAN, DAVIES, BOOK, BURD, BUNT, LANGTRY, STEIGHNER, B. SMITH, PERZEL, MILLER, DISTLER, CLYMER, SEMMEL, GODSHALL, GEIST, PUNT, HAGARTY, STAIRS, FOX, BLACK, FLICK, O'BRIEN, BUSH, J. L. WRIGHT, COY, E. Z. TAYLOR, PHILLIPS, McVERRY AND SALOOM, MARCH 3, 1987

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MARCH 3, 1987

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," removing the requirement that a Pennsylvania S
11 corporation also be taxed as a Federal S corporation.

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

14 Section 1. Section 301(s.2) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, added
16 December 23, 1983 (P.L.370, No.90), is amended to read:

17 Section 301. Definitions.--The following words, terms and
18 phrases when used in this article shall have the meaning

1 ascribed to them in this section except where the context
2 clearly indicates a different meaning. Any reference in this
3 article to the Internal Revenue Code shall include the Internal
4 Revenue Code of 1954, as amended to the date on which this
5 article is effective:

6 * * *

7 (s.2) "Small corporation" means any corporation which has a
8 valid election in effect under [subchapter S of Chapter 1 of the
9 Internal Revenue Code of 1954, as amended as of January 1,
10 1983,] section 307 and which does not have passive investment
11 income in excess of twenty-five per cent of its gross receipts.
12 For purposes of this clause, "passive investment income" means
13 gross receipts derived from royalties, rents, dividends,
14 interest, annuities and sales or exchanges of stock or
15 securities (gross receipts from such sales or exchanges being
16 taken into account only to the extent of gains therefrom).

17 * * *

18 Section 2. This act shall apply to the tax year beginning
19 January 1, 1988.

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