

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2597 Session of  
1988

INTRODUCED BY TRELLO, VROON, PETRONE, BATTISTO, MAYERNIK, FARGO,  
ROBBINS, BUNT, VAN HORNE, DeLUCA, PISTELLA, LaGROTTA, GALLEN,  
SHOWERS, B. SMITH, FOSTER, COLAFELLA, PRESTON, WIGGINS,  
EVANS, KENNEY, CARN, SEVENTY, COWELL, MAIALE AND GANNON,  
JUNE 29, 1988

REFERRED TO COMMITTEE ON FINANCE, JUNE 29, 1988

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," providing for the exclusion of certain tax-exempt  
11 income.

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

14 Section 1. Section 303(a)(3) of the act of March 4, 1971  
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended  
16 by adding a paragraph to read:

17 Section 303. Classes of Income.--(a) The classes of income  
18 referred to above are as follows:

19 \* \* \*

20 (3) Net gains or income from disposition of property. \* \* \*

21 In the case of a regulated investment company, as defined in

1 section 851 of the United States Internal Revenue Code of 1986  
2 (Public Law 99-514, 26 U.S.C. et seq.), net gains or income from  
3 disposition of property shall not include gain from the  
4 redemption or sale of a share or unit in such regulated  
5 investment company to the extent that such gain represents a  
6 proportionate share of unrealized gain on obligations held by  
7 the investment company which are statutorily free from State or  
8 local taxation under any act of the General Assembly of the  
9 Commonwealth of Pennsylvania, or under the laws of the United  
10 States, nor shall it include that share of a dividend or other  
11 distribution from the investment company which represents gain  
12 from such tax-exempt obligations upon sale, exchange,  
13 redemption, or payment at maturity realized by the investment  
14 company.

15 \* \* \*

16 Section 2. Section 303(a)(5) of the act, added August 31,  
17 1971 (P.L.362, No.93), is amended to read:

18 Section 303. Classes of Income.--(a) The classes of income  
19 referred to above are as follows:

20 \* \* \*

21 (5) Dividends. Corporate distributions from current or  
22 accumulated earnings and profits. Dividends shall not include  
23 distributions received from a regulated investment company, as  
24 defined in section 851 of the United States Internal Revenue  
25 Code of 1986 (Public Law 99-514, 26 U.S.C. et seq.), to the  
26 extent of the proportion representing interest or gains from  
27 obligations which are statutorily free from State or local  
28 taxation under any act of the General Assembly of the  
29 Commonwealth of Pennsylvania, or under the laws of the United  
30 States.

1       \* \* \*

2       Section 3.   This act shall take effect in 30 days.