

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 129 Session of 1991

INTRODUCED BY McNALLY, PISTELLA, KUKOVICH, LESCOVITZ, HAYDEN, BELFANTI, TRICH, STAIRS, KOSINSKI, PESCI, D. R. WRIGHT, KENNEY, HALUSKA, MAIALE, HERMAN, MICHLOVIC, ROBINSON, COLAIZZO, PRESTON, DALEY, BLAUM, CIVERA, BILLOW, CAPPABIANCA, GIGLIOTTI, OLASZ, JAMES, JOSEPHS, MARKOSEK, TANGRETTI AND CAWLEY, JANUARY 29, 1991

REFERRED TO COMMITTEE ON FINANCE, JANUARY 29, 1991

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 tax exclusions for contributions by
11 taxpayers to qualified employee-owned export development
12 corporations and for dividends from these corporations.

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

15 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
16 the Tax Reform Code of 1971, is amended by adding an article to
17 read:

ARTICLE XXI

19 WORKERS' EXPORT PARTNERSHIP INCENTIVE EXCLUSIONS.

20 Section 2101. Short Title.--This article shall be known and
21 may be cited as the "Workers' Export Partnership Law."

1 Section 2102. Legislative Intent.--The General Assembly of
2 the Commonwealth of Pennsylvania hereby finds that:

3 (a) Whereas, imports threaten the economic security of
4 Pennsylvania and her citizens; and

5 (b) Whereas, Pennsylvania's history demonstrates that a
6 partnership of labor, capital, management and government is the
7 most effective response to foreign aggression of any kind; and

8 (c) Whereas, the policy of the Commonwealth of Pennsylvania
9 is to promote cooperation among all partners in Pennsylvania;
10 and

11 (d) Whereas, workers of Pennsylvania require the assistance
12 of the Commonwealth of Pennsylvania to establish a meaningful
13 role in a partnership to promote exports; and

14 (e) Whereas, the foreign threat to Pennsylvania's economic
15 security requires the enlistment of all available resources to
16 restore the State's economic power;

17 (f) Therefore, the public interest will be served by the
18 exclusion from taxable income of contributions to qualified
19 employe-owned export development corporations and dividends
20 earned from qualified employe-owned export development
21 corporations.

22 Section 2103. Definitions.--The following words, terms and
23 phrases, when used in this article, shall have the meanings
24 ascribed to them in this section, except where the context
25 clearly indicates a different meaning:

26 "Department." The Department of Revenue of the Commonwealth.

27 "Qualified employe-owned export development corporation."

28 (1) A corporation organized under the laws of this
29 Commonwealth; and

30 (2) certified by the Department of Commerce as a qualified

1 employee-owned export development corporation.

2 Section 2104. Exclusion of Certain Contributions and
3 Dividends from Taxable Income.--Contributions made to a
4 qualified employee-owned export development corporation in the
5 amount of two thousand dollars (\$2,000) per year, limited to a
6 total amount of ten thousand dollars (\$10,000) per lifetime, and
7 dividends derived therefrom shall be excludable in computing
8 income which is subject to tax under Articles III and IV.

9 Section 2105. Certification of Qualified Employee-owned
10 Export Development Corporations.--It shall be the duty of the
11 Department of Commerce to receive applications from Pennsylvania
12 corporations for status as a qualified employee-owned export
13 development corporation. The department shall certify a
14 Pennsylvania corporation as a qualified employee-owned export
15 development corporation if it satisfies the following
16 conditions:

17 (1) All shareholders of the corporation are individuals and
18 the corporation is effectively under the control of the
19 individual shareholders.

20 (2) All of the shareholders are employees of the same
21 business.

22 (3) All classes of employees of the business are permitted to
23 participate as shareholders and each class of employees is
24 actually represented among the shareholders.

25 (4) Only one class of stock is issued by the corporation.

26 (5) The corporation submits as a part of its application a
27 business plan which demonstrates a viable business opportunity
28 to realize the sale of goods or services in a market outside the
29 United States of America, its territories and commonwealths.

30 (6) The investment activities of the corporation are

1 reasonably calculated to realize bona fide exports of goods
2 produced in this Commonwealth or, in the case of services, by
3 individuals who reside in or are employed in this Commonwealth
4 and are not speculative or intended merely to realize financial
5 gain by investment in securities, commodities or other
6 instruments issued by governments or other entities located in a
7 foreign country.

8 (7) The corporation satisfies other Federal or State law
9 requirements to do business in this Commonwealth and other
10 regulations promulgated by the Department of Commerce or the
11 department under this article.

12 Section 2106. Powers and Duties.--(a) Pursuant to and in
13 furtherance of this article, the department shall have the power
14 and duty to:

15 (1) Publish rules and regulations necessary to carry out the
16 provisions of this article.

17 (2) Publish as a notice in the Pennsylvania Bulletin, no
18 later than January 1 of each year, forms upon which taxpayers
19 may apply for the exclusions from taxable income provided for in
20 this article, and forms upon which corporations may apply for
21 certification as qualified employe-owned export development
22 corporations as authorized by this article.

23 (b) Pursuant to and in furtherances of this article, the
24 Department of Commerce shall have the power and duty to furnish
25 the members of the General Assembly, along with the submission
26 of the Governor's budget, the following information:

27 (1) The total amount of tax expenditures made under this
28 article.

29 (2) The amount of tax expenditures claimed by taxpayers
30 classified according to the classification of the business which

1 they are employees of, such classification of business to be
2 determined according to the standard industrial classification
3 code as determined by the Department of Labor and Industry.

4 (3) The amount of employment, State and local tax revenues,
5 profits, capital investment, increases in export sales and
6 economic growth which may be attributed to the use of exclusions
7 from taxable income for contributions to and dividends from
8 qualified employe-owned export development corporations.

9 (4) Publish rules and regulations necessary to carry out the
10 provisions of this article.

11 Section 2107. Sunset.--The Department of Commerce may not
12 certify any corporation as a qualified employe-owned export
13 development corporation more than seventy-two months after the
14 effective date of this act.

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