

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1367 Session of
1998

INTRODUCED BY KASUNIC, HART, COSTA, BELAN, O'PAKE, STAPLETON AND
WAGNER, MARCH 16, 1998

REFERRED TO FINANCE, MARCH 16, 1998

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," establishing a graduated payment scale for
11 certain taxpayers liable for corporate net income tax
12 payments.

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

15 Section 1. Section 402 of the act of March 4, 1971 (P.L.6,
16 No.2), known as the Tax Reform Code of 1971, amended June 30,
17 1995 (P.L.139, No.21), is amended to read:

18 Section 402. Imposition of Tax.--[Every] Subject to the
19 provisions of section 402.2, every corporation shall be subject
20 to, and shall pay for the privilege of (i) doing business in
21 this Commonwealth; or (ii) carrying on activities in this
22 Commonwealth; (iii) having capital or property employed or used

1 in this Commonwealth; or (iv) owning property in this
2 Commonwealth, by or in the name of itself, or any person,
3 partnership, association, limited partnership, joint-stock
4 association, or corporation, a State excise tax at the rate of
5 twelve per cent per annum upon each dollar of taxable income of
6 such corporation received by, and accruing to, such corporation
7 during the calendar year 1971 and the first six months of 1972
8 and at the rate of eleven per cent per annum upon each dollar of
9 taxable income of such corporation received by, and accruing to,
10 such corporation during the second six months of calendar year
11 1972 through the calendar year 1973 and at the rate of nine and
12 one-half per cent per annum upon each dollar of taxable income
13 of such corporation received by, and accruing to, such
14 corporation during the calendar years 1974, 1975 and 1976 and at
15 the rate of ten and one-half per cent per annum upon each dollar
16 of taxable income of such corporation received by, and accruing
17 to, such corporation during the calendar year 1977 through the
18 calendar year 1984 and at the rate of nine and one-half per cent
19 per annum upon each dollar of taxable income of such corporation
20 received by and accruing to such corporation during the calendar
21 year 1985 through calendar year 1986 and at the rate of eight
22 and one-half per cent per annum upon each dollar of taxable
23 income of such corporation received by and accruing to such
24 corporation during the calendar year 1987 through the calendar
25 year 1990 and at the rate of ten and one-half per cent per annum
26 upon each dollar of taxable income of such corporation received
27 by and accruing to such corporation during calendar year 1991
28 through the calendar year 1994 and at the rate of nine and
29 ninety-nine hundredths per cent per annum upon each dollar of
30 taxable income of such corporation received by and accruing to

1 such corporation during the calendar year 1995 and during each
2 calendar year thereafter, with an additional surtax equal to one
3 and seventy-five hundredths per cent per annum upon each dollar
4 of taxable income of such corporation received by and accruing
5 to such corporation during calendar year 1991 and through
6 calendar year 1993 and with an additional surtax equal to one
7 and forty-nine hundredths per cent per annum upon each dollar of
8 taxable income of such corporation received by and accruing to
9 such corporation during calendar year 1994 and with no surtax
10 during calendar year 1995 and each calendar year thereafter,
11 except where a corporation reports to the Federal Government on
12 the basis of a fiscal year, and has certified such fact to the
13 department as required by section 403 of this article, in which
14 case, such tax, at the rate of twelve per cent, shall be levied,
15 collected, and paid upon all taxable income received by, and
16 accruing to, such corporation during the first six months of the
17 fiscal year commencing in the calendar year 1972 and at the rate
18 of eleven per cent, shall be levied, collected, and paid upon
19 all taxable income received by, and accruing to, such
20 corporation during the second six months of the fiscal year
21 commencing in the calendar year 1972 and during the fiscal year
22 commencing in the calendar year 1973 and at the rate of nine and
23 one-half per cent, shall be levied, collected, and paid upon all
24 taxable income received by, and accruing to, such corporation
25 during the fiscal year commencing in the calendar years 1974,
26 1975 and 1976 and at the rate of ten and one-half per cent,
27 shall be levied, collected, and paid upon all taxable income
28 received by, and accruing to, such corporation during the fiscal
29 year commencing in the calendar year 1977 through the fiscal
30 year commencing in 1984 and at the rate of nine and one-half per

1 cent, shall be levied, collected, and paid upon all taxable
2 income received by and accruing to such corporation during the
3 fiscal year commencing in 1985 through the fiscal year
4 commencing in 1986 and at the rate of eight and one-half per
5 cent per annum upon each dollar of taxable income of such
6 corporation received by and accruing to such corporation during
7 the fiscal year commencing in 1987 through the fiscal year
8 commencing in 1990 and at the rate of ten and one-half per cent
9 per annum upon each dollar of taxable income of such corporation
10 received by and accruing to such corporation during the fiscal
11 year commencing in 1991 through the fiscal year commencing in
12 1994 and at the rate of nine and ninety-nine hundredths per cent
13 per annum upon each dollar of taxable income of such corporation
14 received by and accruing to such corporation during the fiscal
15 year commencing in 1995 and during each fiscal year thereafter,
16 with an additional surtax equal to one and seventy-five
17 hundredths per cent per annum upon each dollar of taxable income
18 of such corporation received by and accruing to such corporation
19 during the fiscal year commencing in 1991 and through fiscal
20 year 1993 and with an additional surtax equal to one and forty-
21 nine hundredths per cent per annum upon each dollar of taxable
22 income of such corporation received by and accruing to such
23 corporation during fiscal year 1994 and with no surtax during
24 the fiscal year commencing in 1995 and each fiscal year
25 thereafter. No penalty prescribed by subsection (e) of section
26 3003 shall be assessed against a corporation for the additional
27 tax which may be due as a result of the increase in tax rate
28 from nine and one-half per cent to ten and one-half per cent
29 imposed retroactively by this section for the calendar year 1977
30 or for the fiscal year commencing in 1977.

Section 2. The act is amended by adding a section to read:

Section 402.2. Reduced Tax Liability for Corporate Net

Income Tax.--(a) Each corporation which is liable for payment of the tax imposed under section 402 and which meets the requirements of subsection (b) shall have its tax liability under section 402 adjusted as follows:

(1) For the first qualified tax year the tax liability shall be equal to twenty per cent of the total tax liability under section 402.

(2) For the second qualified tax year the tax liability shall be equal to forty per cent of the total tax liability under section 402.

(3) For the third qualified tax year the tax liability shall be equal to sixty per cent of the total tax liability under section 402.

(4) For the fourth qualified tax year the tax liability shall be equal to eighty per cent of the total tax liability under section 402.

(5) For the fifth qualified tax year and each tax year thereafter the tax liability shall be equal to one hundred per cent of the total tax liability under section 402.

(b) A corporation to be eligible for the tax liability adjustments under subsection (a) shall meet all of the following criteria:

(1) The corporation is:

(i) initiating a new business within this Commonwealth;

(ii) relocating an existing business from outside of this Commonwealth into this Commonwealth; or

(iii) expanding an existing operation within this Commonwealth.

1 The corporate action under this clause shall not include any
2 activity resulting from mergers, acquisitions, buyouts,
3 consolidations, reorganizations or the takeover, purchase or
4 other similar transfer of ownership of any existing business
5 located within this Commonwealth.

6 (2) The corporate activity under clause (1) creates at least
7 fifty new full-time employment positions which are filled within
8 the first taxable year and these new positions are maintained
9 and filled for at least five consecutive tax years.

10 Section 3. This act shall take effect July 1, 1998.