

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1360 Session of
2006

INTRODUCED BY ARMSTRONG, BOSCOLA, PUNT, ORIE, RAFFERTY,
ERICKSON, REGOLA, GREENLEAF, PILEGGI, COSTA, D. WHITE,
LEMMOND, BROWNE AND PICCOLA, OCTOBER 12, 2006

REFERRED TO FINANCE, OCTOBER 12, 2006

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, in personal income tax, for
11 definitions and for poverty provisions.

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

14 Section 1. Section 301 of the act of March 4, 1971 (P.L.6,
15 No.2), known as the Tax Reform Code of 1971, is amended by
16 adding a clause to read:

17 Section 301. Definitions.--Any reference in this article to
18 the Internal Revenue Code of 1986 shall mean the Internal
19 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
20 as amended to January 1, 1997, unless the reference contains the
21 phrase "as amended" and refers to no other date, in which case
22 the reference shall be to the Internal Revenue Code of 1986 as

1 it exists as of the time of application of this article. The
2 following words, terms and phrases when used in this article
3 shall have the meaning ascribed to them in this section except
4 where the context clearly indicates a different meaning:

5 * * *

6 (i.1) "Health savings account" has the meaning given in
7 section 223(d) of the Internal Revenue Code of 1986, as amended
8 (Public Law 99-514, 26 U.S.C. 223(d)).

9 * * *

10 Section 2. Section 304 of the act, amended December 13, 1991
11 (P.L.373, No.40) and December 23, 2003 (P.L.250, No.46), is
12 amended to read:

13 Section 304. Special Tax Provisions for Poverty.--(a) The
14 General Assembly, in recognition of the powers contained in
15 section 2(b)(ii) of Article VIII of the Constitution of the
16 Commonwealth of Pennsylvania which provides therein for the
17 establishing as a class or classes of subjects of taxation the
18 property or privileges of persons who, because of poverty are
19 determined to be in need of special tax provisions hereby
20 declares as its legislative intent and purpose to implement such
21 power under such constitutional provision by establishing
22 special tax provisions as hereinafter provided in this act.

23 (b) The General Assembly having determined that there are
24 persons within this Commonwealth whose incomes are such that
25 imposition of a tax thereon would deprive them and their
26 dependents of the bare necessities of life and having further
27 determined that poverty is a relative concept inextricably
28 joined with actual income and the number of people dependent
29 upon such income deems it to be a matter of public policy to
30 provide special tax provisions for that class of persons

1 hereinafter designated to relieve their economic burden.

2 (c) For the taxable year 1974 and each year thereafter any
3 claimant who meets the following standards of eligibility
4 established by this act as the test for poverty shall be deemed
5 a separate class of subject of taxation, and, as such, shall be
6 entitled to the benefit of the special provisions of this act.

7 (d) Any claim for special tax provisions hereunder shall be
8 determined in accordance with the following:

9 (1) If the poverty income of the claimant during an entire
10 taxable year is six thousand five hundred dollars (\$6,500) or
11 less, or, in the case of a married claimant, if the joint
12 poverty income of the claimant and the claimant's spouse during
13 an entire taxable year is thirteen thousand dollars (\$13,000) or
14 less, the claimant shall be entitled to a refund or forgiveness
15 of any moneys which have been paid over to (or would except for
16 the provisions of this act be payable to) the Commonwealth under
17 the provisions of this article, with an additional income
18 allowance of nine thousand five hundred dollars (\$9,500) for
19 each dependent of the claimant. For purposes of this subsection,
20 a claimant shall not be considered to be married if:

21 (i) The claimant and the claimant's spouse file separate
22 returns; and

23 (ii) The claimant and the claimant's spouse live apart at
24 all times during the last six months of the taxable year or are
25 separated pursuant to a written separation agreement.

26 (2) If the poverty income of the claimant during an entire
27 taxable year does not exceed the poverty income limitations
28 prescribed by clause (1) by more than the dollar category
29 contained in subclauses (i), (ii), (iii), (iv), (v), (vi),
30 (vii), (viii) or (ix) of this clause, the claimant shall be

1 entitled to a refund or forgiveness based on the per centage
2 prescribed in such subclauses of any moneys which have been paid
3 over to (or would have been except for the provisions herein be
4 payable to) the Commonwealth under this article:

5 (i) Ninety per cent if not in excess of two hundred fifty
6 dollars (\$250).

7 (ii) Eighty per cent if not in excess of five hundred
8 dollars (\$500).

9 (iii) Seventy per cent if not in excess of seven hundred
10 fifty dollars (\$750).

11 (iv) Sixty per cent if not in excess of one thousand dollars
12 (\$1,000).

13 (v) Fifty per cent if not in excess of one thousand two
14 hundred fifty dollars (\$1,250).

15 (vi) Forty per cent if not in excess of one thousand five
16 hundred dollars (\$1,500).

17 (vii) Thirty per cent if not in excess of one thousand seven
18 hundred fifty dollars (\$1,750).

19 (viii) Twenty per cent if not in excess of two thousand
20 dollars (\$2,000).

21 (ix) Ten per cent if not in excess of two thousand two
22 hundred fifty dollars (\$2,250).

23 (3) If an individual has a taxable year of less than twelve
24 months, the poverty income thereof shall be annualized in such
25 manner as the department may prescribe.

26 (e) A claimant who has income under section 303 of less than
27 two hundred per cent of the Poverty Level established by the
28 Bureau of the Census shall be entitled to a credit against the
29 tax imposed by this article for a deposit into a health savings
30 account. The amount of the credit shall be the greater of the

1 amount of the contribution or two thousand five hundred dollars
2 (\$2,500).

3 Section 3. The addition of section 304(e) of the act shall
4 apply to taxable years beginning after December 31, 2005.

5 Section 4. This act shall take effect immediately.