

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 323 Session of 2011

INTRODUCED BY BOYD, CALTAGIRONE, CAUSER, CLYMER, DeLUCA, FLECK, GEIST, GRELL, HARRIS, HENNESSEY, HESS, HICKERNELL, HUTCHINSON, JOSEPHS, KAUFFMAN, M.K. KELLER, KILLION, KOTIK, METCALFE, MILLARD, MILLER, MUSTIO, REICHLEY, ROSS, SONNEY AND VULAKOVICH, JANUARY 31, 2011

REFERRED TO COMMITTEE ON FINANCE, JANUARY 31, 2011

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 defining "installment sales method of  
11 reporting" for purposes of the personal income tax; and  
12 further providing for excluded transactions.

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

15 Section 1. Section 301(1.1) of the act of March 4, 1971  
16 (P.L.6, No.2), known as the Tax Reform Code of 1971, added  
17 December 23, 1983 (P.L.370, No.90), is amended to read:

18 Section 301. Definitions.--Any reference in this article to  
19 the Internal Revenue Code of 1986 shall mean the Internal  
20 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),  
21 as amended to January 1, 1997, unless the reference contains the

1 phrase "as amended" and refers to no other date, in which case  
2 the reference shall be to the Internal Revenue Code of 1986 as  
3 it exists as of the time of application of this article. The  
4 following words, terms and phrases when used in this article  
5 shall have the meaning ascribed to them in this section except  
6 where the context clearly indicates a different meaning:

7 \* \* \*

8 (1.1) "Installment sales method of reporting" means the  
9 method by which a taxpayer reports the gain upon the sale of  
10 [tangible personal property or real property when at least one  
11 payment is to be received in any taxable year following the  
12 taxable year of sale, whether such property is sold or otherwise  
13 disposed of in an isolated transaction or from the inventory of  
14 a dealer or broker.] property when the sale of such property  
15 qualifies for treatment as an installment sale as defined under  
16 section 453 of the Internal Revenue Code of 1986 (Public Law  
17 99-514, 26 U.S.C. § 453). Taxpayers may elect to allocate the  
18 gain upon such transactions in equal proportion to each payment  
19 to be received. Taxpayers who do not elect to allocate the gain  
20 upon such transactions in equal proportion to each payment  
21 received shall report all gains upon the sale in the taxable  
22 year in which the transaction occurred. For the purposes of this  
23 definition: (i) the gain upon the transaction shall be the  
24 difference between the sales price and the seller's basis in the  
25 property; and (ii) the sales price shall be the face amount of  
26 the evidence of indebtedness given in exchange for the property  
27 sold or otherwise disposed of together with the value of any  
28 other consideration received by the seller. Where the evidence  
29 of indebtedness fails to state a price, the evidence of  
30 indebtedness will be valued at the fair market value of the

1 property sold, less the value of other property or cash received  
2 in the same transaction. The installment sales method of  
3 reporting shall not be used for transactions the object of which  
4 is the lending of money or the rendering of services.

5 \* \* \*

6 Section 2. Section 1102-C.3 of the act is amended by adding  
7 a clause to read:

8 Section 1102-C.3. Excluded Transactions.--The tax imposed by  
9 section 1102-C shall not be imposed upon:

10 \* \* \*

11 (23) A transfer between a municipality and a volunteer fire  
12 company as defined in the act of July 15, 1976 (P.L.1036,  
13 No.208), known as the "Volunteer Fire Company, Ambulance Service  
14 and Rescue Squad Assistance Act."

15 Section 3. This act shall apply to taxable years beginning  
16 after December 31, 2008.

17 Section 4. This act shall take effect immediately.