

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## SENATE BILL

No. 1354 Session of  
2011

INTRODUCED BY CORMAN AND BRUBAKER, DECEMBER 6, 2011

SENATOR BRUBAKER, FINANCE, AS AMENDED, DECEMBER 14, 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," in personal income tax, providing for  
11 carryforward of losses by individual taxpayers; AND FURTHER  
12 PROVIDING FOR LIMITATION OF PASS-THRU OF LOSSES TO  
13 SHAREHOLDERS. ←

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

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

19 Section 304.2. Carryforward of Losses by Individual  
20 Taxpayers.--(a) ~~An~~ FOR THE TAX YEAR BEGINNING JANUARY 1, 2013, ←  
21 AND EACH TAX YEAR THEREAFTER, AN individual taxpayer required to  
22 file a return under this article shall be entitled to carry  
23 forward loss within a class of income enumerated under section  
24 303.

1 (B) A TAXPAYER MAY NOT OFFSET A GAIN WITHIN ONE CLASS OF  
2 INCOME WITH A LOSS CARRIED FORWARD FROM A PRIOR YEAR IN ANOTHER  
3 CLASS OF INCOME.

4 ~~(b)~~ (C) There shall be a carryforward period which may not  
5 exceed three taxable years.

6 ~~(c)~~ (D) This section shall not apply to losses relating to  
7 income under section 303(a)(7).

8 SECTION 2. SECTION 307.10 OF THE ACT, ADDED DECEMBER 23,  
9 1983 (P.L.370, NO.90), IS AMENDED TO READ:

10 SECTION 307.10. LIMITATION ON PASS-THRU OF LOSSES TO  
11 SHAREHOLDERS.--(A) THE AGGREGATE AMOUNT OF LOSSES TAKEN INTO  
12 ACCOUNT BY A SHAREHOLDER OF A PENNSYLVANIA S CORPORATION UNDER  
13 SECTION 307.9 SHALL NOT EXCEED THE SUM OF THE ADJUSTED BASIS OF  
14 THE SHAREHOLDER'S STOCK IN THE PENNSYLVANIA S CORPORATION,  
15 DETERMINED AFTER APPLYING SECTION 307.11(A) FOR THE TAXABLE YEAR  
16 AND THE SHAREHOLDER'S ADJUSTED BASIS OF ANY INDEBTEDNESS OF THE  
17 PENNSYLVANIA S CORPORATION TO THE SHAREHOLDER, DETERMINED BEFORE  
18 APPLYING SECTION 307.11(D) FOR THE TAXABLE YEAR.

19 (B) [THERE] EXCEPT AS PROVIDED UNDER SECTION 304.2, THERE  
20 SHALL BE NO CARRYOVER OF LOSSES BY THE SHAREHOLDERS OF THE  
21 PENNSYLVANIA S CORPORATION.

22 Section 2 3. This act shall take effect ~~in 60 days~~  
23 IMMEDIATELY.