
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2259 Session of
2020

INTRODUCED BY ROWE, BERNSTINE, BOROWICZ, GROVE, LEWIS, MOUL,
POLINCHOCK, ROTHMAN, RYAN, SANKEY AND STRUZZI,
JANUARY 30, 2020

REFERRED TO COMMITTEE ON FINANCE, JANUARY 30, 2020

AN ACT

1 Repealing the act of July 12, 1935 (P.L.970, No.314), entitled
2 "An act imposing a graduated income tax for school purposes
3 on residents of Pennsylvania including fiduciaries and on
4 income of nonresidents derived from property or business in
5 Pennsylvania; defining taxable income and requiring filing of
6 returns thereof; providing for the assessment, collection and
7 lien of said tax and for the disposition of proceeds thereof;
8 providing for administration and enforcement of the act by
9 the Department of Revenue; conferring powers and imposing
10 duties on certain persons, partnerships, associations,
11 corporations, school districts, State officers, employes and
12 departments; imposing penalties; and appropriating the
13 revenues derived from said tax."

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

16 Section 1. The act of July 12, 1935 (P.L.970, No.314), known
17 as the Individual Net Income Tax Act, is repealed:

[AN ACT

18 Imposing a graduated income tax for school purposes on
19 residents of Pennsylvania including fiduciaries and on
20 income of nonresidents derived from property or business
21 in Pennsylvania; defining taxable income and requiring
22 filing of returns thereof; providing for the assessment,

1 collection and lien of said tax and for the disposition
2 of proceeds thereof; providing for administration and
3 enforcement of the act by the Department of Revenue;
4 conferring powers and imposing duties on certain persons,
5 partnerships, associations, corporations, school
6 districts, State officers, employes and departments;
7 imposing penalties; and appropriating the revenues
8 derived from said tax.

9 ARTICLE I

10 SHORT TITLE AND DEFINITIONS

11 Section 1. Short Title.--Be it enacted, &c., That this act
12 shall be known and may be cited as the "Individual Net Income
13 Tax Act."

14 Section 2. Definitions.--The following words, terms and
15 phrases when used in this act shall have the meaning ascribed to
16 them in this section, except where the context clearly indicates
17 a different meaning.

18 "Association." A partnership, limited partnership, or any
19 other form of unincorporated enterprise owned by two or more
20 persons.

21 "Corporation." A corporation or joint stock association
22 organized under the laws of this Commonwealth, the United
23 States, or any other state, territory, or foreign country or
24 dependency.

25 "Department." The Department of Revenue of this
26 Commonwealth.

27 "Dividend." Any distribution made by a corporation or
28 association, subject, or not subject, to the payment of a tax on
29 capital stock under the laws of the Commonwealth, out of its net
30 earnings or profits, accumulated after December thirty-first,

1 one thousand nine hundred and thirty-four, to its stockholders
2 or members, whether in cash or in other property or in stock,
3 other than stock dividends as hereinafter defined.

4 "Fiduciary." A guardian, committee, trustee, executor,
5 administrator, receiver, conservator, or any person, whether
6 individual or corporate, acting in any fiduciary capacity for
7 any person, estate or trust.

8 "Individual." A natural person.

9 "Paid." For the purposes of the deductions under this act,
10 means "paid or accrued" or "paid or incurred," and the words
11 "paid or accrued," "paid or incurred" and "incurred" shall be
12 construed according to the method of accounting upon the basis
13 of which the net income is computed under this act.

14 "Person." Every natural person, fiduciary, association, or
15 corporation. Whenever used in any clause prescribing and
16 imposing a fine or imprisonment, or both, the term "person," as
17 applied to associations, shall mean the partners or members
18 thereof, and as applied to corporations, the officers thereof.

19 "Received." For the purpose of the computation of the net
20 income under this act, means "received or accrued" and the words
21 "received or accrued" shall be construed according to the method
22 of accounting upon the basis of which the net income is computed
23 under this act.

24 "Resident." As applied to an individual, means any person
25 domiciled in the Commonwealth of Pennsylvania and any person who
26 maintains a permanent place of abode within this Commonwealth.

27 "Stock dividends." New stock for surplus or profits
28 capitalized, issued to stockholders in proportion to their
29 previous holdings.

30 "Tax year." The calendar year upon the basis of which the

1 net income of a taxpayer is computed under this act.

2 "Taxpayer." Any individual, trust or estate required to pay
3 a tax under the provisions of this act.

4 The singular shall include the plural, and the masculine
5 shall include the feminine and neuter.

6 ARTICLE II

7 IMPOSITION OF TAX

8 Section 201. Residents and Nonresidents.--A. A tax is
9 hereby imposed upon every resident taxpayer of this
10 Commonwealth, which tax shall be levied, collected and paid
11 annually, with respect to his entire net income as herein
12 defined, computed at the following rates, after deducting the
13 exemptions provided in this act:

14 (1) Two per centum of the amount of net income not exceeding
15 five thousand dollars (\$5,000.00);

16 (2) Two and one-half per centum of the amount of the net
17 income in excess of five thousand dollars (\$5,000.00), but not
18 in excess of ten thousand dollars (\$10,000.00);

19 (3) Three per centum of the amount of net income in excess
20 of ten thousand dollars (\$10,000.00), but not in excess of
21 twenty-five thousand dollars (\$25,000.00);

22 (4) Four per centum of the amount of net income in excess of
23 twenty-five thousand dollars (\$25,000.00), but not in excess of
24 fifty thousand dollars (\$50,000.00);

25 (5) Five per centum of the amount of net income in excess of
26 fifty thousand dollars (\$50,000.00), but not in excess of
27 seventy-five thousand dollars (\$75,000.00);

28 (6) Six per centum of the amount of net income in excess of
29 seventy-five thousand dollars (\$75,000.00), but not in excess of
30 one hundred thousand dollars (\$100,000.00);

1 (7) Eight per centum of the amount of net income in excess
2 of one hundred thousand dollars (\$100,000.00).

3 B. A like tax is hereby imposed, and shall be levied and
4 collected and paid annually, at the rates specified in this
5 section, upon and with respect to the entire net income as
6 herein defined, from all property owned and from every business,
7 trade, occupation or profession carried on in this Commonwealth
8 by natural persons not residents of this Commonwealth.

9 Section 202. Estates and Trusts.--A. The tax imposed by
10 this act shall apply to estates and trusts which tax shall be
11 levied, collected and paid annually upon and with respect to the
12 income of estates or of any kind of property held in trust
13 including:

14 (1) Income received by estates of deceased persons during
15 the period of administration or settlement of the estate;

16 (2) Income accumulated in trust for the benefit of unborn or
17 unascertained persons or persons with contingent interests;

18 (3) Income held for future distribution under the terms of
19 the will or trust;

20 (4) Income which is to be distributed to the beneficiaries
21 periodically, whether or not at regular intervals, and the
22 income collected by a guardian of an infant to be held or
23 distributed as the court may direct; and

24 (5) Income of an estate during the period of administration
25 or settlement permitted by subsection C of this section to be
26 deducted from the net income upon which the tax is to be paid by
27 the fiduciary.

28 B. The fiduciary shall be responsible for making the return
29 of income for the estate or trust for which he acts whether such
30 income be taxable to the estate or trust or to the beneficiaries

1 thereof. The net income of an estate or trust shall be computed
2 in the same manner and on the same basis as provided for
3 individual taxpayers, and in cases under paragraphs (four) and
4 (five) of subsection A of this section the fiduciary shall
5 include in the return a statement of each beneficiary's
6 distributive share of such net income, whether or not
7 distributed before the close of the tax year for which the
8 return is made.

9 C. In cases under paragraphs (one), (two) and (three) of
10 subsection A of this section, the tax shall be imposed upon the
11 estate or trust with respect to the net income of the estate or
12 trust and shall be paid by the fiduciary, except that in
13 determining the net income of the estate of any deceased person
14 during the period of administration or settlement there may be
15 deducted the amount of any income property paid or credited to
16 any legatee, heir or other beneficiary. In such cases the estate
17 or trust shall be allowed the same personal deductions as are
18 allowed to single persons under section three hundred and eight,
19 and in such cases an estate or trust created by a person not a
20 resident, and an estate of a person not a resident, shall be
21 subject to tax only to the extent to which individuals, other
22 than residents, are liable, by reason of the limitation as to
23 gross income provided in section three hundred and three,
24 subsection C.

25 D. In cases under paragraphs (four) and (five) of subsection
26 A of this section, if the distribution of income is in the
27 discretion of the fiduciary, either as to the beneficiaries to
28 whom payable, or as to the amounts to which any beneficiary is
29 entitled, the tax shall be imposed upon the estate or trust in
30 the manner provided in subsection C of this section, but without

1 the deduction of any amounts of income paid or credited to any
2 such beneficiary. In all other cases under paragraphs (four) and
3 (five) of subsection A of this section, the tax shall not be
4 paid by the fiduciary but there shall be included, in computing
5 the net income of each beneficiary, his distributive share,
6 whether distributed or not, of the net income of the estate or
7 trust for the tax year. In such cases the net income of a
8 beneficiary not a resident derived through such estate or trust
9 shall be subject to tax only to the extent to which individuals,
10 other than residents are liable, by reason of the limitations as
11 to gross income provided in section three hundred and three,
12 subsection C.

13 E. A trust created by an employer as a part of a stock bonus
14 pension or profit-sharing plan for the exclusive benefit of
15 some, or all, of his employes to which contributions are made by
16 such employer or employes, or both, for the purpose of
17 distributing to such employes the earnings and principal of the
18 fund accumulated by the trust in accordance with such plan,
19 shall not be taxable under this section but any amount actually
20 distributed, or made available to any distributee, shall be
21 taxable to him in the year in which so distributed or made
22 available to the extent that it exceeds the amounts paid in by
23 him.

24 F. Where any part of the income of a trust, other than a
25 testamentary trust, is, or may be, applied to the payment of
26 premiums upon policies of insurance on the life of the grantor,
27 or to the payment of premiums upon policies of life insurance
28 under which the grantor is the beneficiary, such part of the
29 income of the trust shall be included in computing the net
30 income of the grantor.

1 Section 203. Partnerships.--Individuals carrying on business
2 in partnerships shall be liable for income tax only in their
3 individual capacity. There shall be included in computing the
4 net income of each partner his distributive share, whether
5 distributed or not, of the net income of the partnership for the
6 tax year. Taxpayers who are members of partnerships may be
7 required by the department to make a return stating the gross
8 receipts and net gains or profits of the partnership for any tax
9 year. The net income of the partnership shall be computed in the
10 same manner and on the same basis as provided in computing the
11 net income of individuals and the personal deductions provided
12 for in section three hundred and eight shall be allowed only to
13 the individual partners.

14 Section 204. Initial Tax Levy.--The tax imposed by this
15 article shall first be levied, collected and paid in the year
16 one thousand nine hundred thirty-six upon and with respect to
17 taxable net income for the calendar year one thousand nine
18 hundred thirty-five.

19 ARTICLE III

20 COMPUTATION OF THE TAX

21 Section 301. Net Income.--The term "net income" means the
22 gross income of a taxpayer less the deductions allowed by this
23 article.

24 Section 302. Manner of Computing Net Income.--The net income
25 shall be computed in accordance with the method of accounting
26 regularly employed in keeping the books of the taxpayer; but if
27 no such method of accounting has been so employed, or if the
28 method employed, does not clearly reflect the income, the
29 computation shall be made upon such basis, and in such manner,
30 as in the opinion of the department does clearly reflect the

1 income.

2 Section 303. Gross Income.--A. The term "gross income"
3 includes gains, profits and income derived from salaries, wages
4 or compensation for personal service, of whatever kind and in
5 whatever form paid, or from professions, vocations, trades,
6 businesses, commerce, or sales, or dealings in property, whether
7 real or personal, growing out of the ownership, or use of, or
8 interest in, such property, also from interest, rent, dividends,
9 securities, or the transaction of any business, carried on for
10 gain or profit, and all other income derived from any source
11 whatever, including income derived through estates or trusts by
12 the beneficiaries thereof, whether as distributed or as
13 distributable shares. The amount of all such items shall be
14 included in the gross income for the tax year in which received
15 by the taxpayer.

16 B. The term "gross income" does not include the following
17 items:

18 (1) Amounts received under a life insurance contract paid by
19 reason of the death of the insured, whether in a single sum or
20 in installments, but if such amounts are held by the insurer
21 under an agreement to pay interest thereon, the interest
22 payments shall be included in gross income;

23 (2) The amount received by the insured as a return of
24 premium or premiums paid by him under life insurance, endowment
25 or annuity contract, either during the term, or at the maturity
26 of the term, mentioned in the contract, or upon surrender of the
27 contract;

28 (3) The value of property acquired by gift, bequest, devise
29 or descent, but the income from such property shall be included
30 in gross income;

1 (4) Interest upon the obligations of the United States, or
2 its possessions, or the obligations of the Commonwealth of
3 Pennsylvania, or of any municipal corporation, or political
4 subdivision thereof;

5 (5) Any amount received through accident or health
6 insurance, or under workmen's compensation acts as compensation
7 for personal injuries or sickness, plus the amount of any
8 damages received, whether by suit or agreement, on account of
9 such injuries or sickness, or through the war risk insurance
10 act, or any law for the benefit or relief of injured or disabled
11 members of the military or naval forces of the United States;

12 (6) Salaries, wages and other compensation received from the
13 United States by officials or employes thereof, including
14 persons in the military or naval forces of the United States;

15 (7) Income received by any officer of a religious
16 denomination, or by any institution or trust for moral or mental
17 improvement, religious, bible, tract, charitable, benevolent,
18 fraternal, missionary, hospital, infirmary, educational,
19 scientific, literary, library, patriotic, historical or cemetery
20 purposes or for the enforcement of laws relating to children or
21 animals, or for two or more of such purposes, if such income be
22 used exclusively for carrying out one, or more, of such
23 purposes, but nothing herein shall be construed to exempt the
24 fees, stipends, personal earnings or other private income of
25 such officer or trustees;

26 (8) Stock dividends when received by a shareholder, but if
27 before or after the distribution of any such dividend, the
28 corporation proceeds to cancel or redeem its stock, at such time
29 and in such manner as to make the distribution and cancellation
30 or redemption in whole or in part essentially equivalent to the

1 distribution of a taxable dividend, the amount so distributed in
2 redemption or cancellation of the stock shall be treated as a
3 taxable dividend, and included in gross income: Provided, That
4 any stock dividend shall be considered in computing gain, profit
5 or income upon the sale, exchange or other disposition of the
6 stock upon which a stock dividend has been declared, or of the
7 stock included in such stock dividend;

8 (9) The principal and income paid by a building and loan
9 association to a member thereof upon the maturity of his or her
10 shares or upon the withdrawal of such member from the
11 association;

12 (10) Any amount received by any person whatever under any
13 law of this Commonwealth, the United States, or any other state
14 providing for any pension, bonus or compensation whatsoever for,
15 or in respect to, services in the military or naval forces of
16 the United States in any war in which the United States has been
17 engaged.

18 C. In the case of taxpayers, other than residents, gross
19 income includes only the gross income from sources within the
20 State, but shall not include annuities, interest on bank
21 deposits, interest on bonds, notes or other interest-bearing
22 obligations or dividends from corporations, except to the extent
23 to which the same shall be a part of income from any business,
24 trade, profession or occupation carried on in this State subject
25 to taxation under this act.

26 D. In the case of taxpayers who regularly sell, or otherwise
27 dispose of, personal property on the installment plan, gross
28 income includes, in any tax year, only such portion of the total
29 profit realized, or to be realized when the payment is
30 completed, as the installment payments received in that year

1 bears to the total of all installment payments.

2 E. In the case of a casual sale or other casual disposition
3 of personal property, or of a sale or other disposition of real
4 property, if in either case the payment in cash or property are
5 not completed during the tax year when the sale or disposition
6 was made, the income may be returned on the basis and in the
7 manner above described in subsection D of this section for
8 installment sales. Evidences of indebtedness of the purchaser,
9 or amounts secured by the property sold or disposed of, shall
10 not be construed to be payments, but in such cases the income
11 shall be returned on the above basis in the tax year when such
12 indebtedness, or the amounts secured or any part thereof, is
13 paid to the vendor.

14 Section 304. Ascertainment of Gain and Loss.--A. For the
15 purpose of ascertaining any gain included in gross income as
16 herein defined, derived, or any deductible loss sustained, for
17 the sale or other disposition of property, real, personal or
18 mixed, the basis shall be, in case of property acquired on or
19 after January first, one thousand nine hundred thirty-five, the
20 cost thereof or the inventory value, if the inventory is made in
21 accordance with this article.

22 B. In case of property acquired prior to January first, one
23 thousand nine hundred thirty-five, and disposed of thereafter--

24 (1) No profit shall be deemed to have been derived if either
25 the cost or the fair market price or value on January first, one
26 thousand nine hundred thirty-five, exceeds the value realized;

27 (2) No loss shall be deemed to have been sustained if either
28 the cost or the fair market price or value on January first, one
29 thousand nine hundred thirty-five, is less than the value
30 realized;

1 (3) Where both the cost and the fair market price or value
2 on January first, one thousand nine hundred thirty-five, are
3 less than the value realized, the basis for computing profit
4 shall be the cost or the fair market price or value on January
5 first, one thousand nine hundred thirty-five, whichever is
6 higher;

7 (4) Where both the cost and the fair market price or value
8 on January first, one thousand nine hundred thirty-five, are in
9 excess of the value realized, the basis for computing loss shall
10 be the cost or the fair market price or value on January first,
11 one thousand nine hundred thirty-five, whichever is lower.

12 Section 305. Exchange of Property.--Upon the sale or
13 exchange of property in transactions, the gain or profit from
14 which is included in gross income as herein defined, the entire
15 amount of the gain or loss determined under section three
16 hundred four of this act shall be recognized, except as
17 hereinafter provided in this section.

18 (A) No gain or loss shall be recognized if property held for
19 productive use in trade or business or for investment (not
20 including stock in trade or other property held primarily for
21 sale, nor stocks, bonds, notes, choses in action, certificates
22 of trust or beneficial interest, or other securities or
23 evidences of indebtedness or interest) is exchanged solely for
24 property of a like kind to be held either for productive use in
25 trade or business, or for investment, or if common stock in a
26 corporation is exchanged solely for common stock in the same
27 corporation, or if preferred stock in a corporation is exchanged
28 solely for preferred stock in the same corporation.

29 (B) No gain or loss shall be recognized if stock or
30 securities in a corporation, a party to a reorganization, are in

1 pursuant of the plan or reorganization exchanged solely for
2 stock or securities in such corporation or in another
3 corporation a party to the reorganization.

4 (C) No gain or loss shall be recognized if property is
5 transferred to a corporation by one or more persons solely in
6 exchange for stock or securities in such corporation, and
7 immediately after the exchange such person or persons are in
8 control of the corporations, but, in the case of an exchange by
9 two or more persons; this subsection shall apply only if the
10 amount of the stock and securities received by each is
11 substantially in proportion to his interest in the property
12 prior to the exchange.

13 (D) If property (as a result of its destruction in whole or
14 in part, theft, or seizure, or an exercise of the power of
15 requisition or condemnation, or the threat or imminence thereof)
16 is compulsorily or involuntarily converted into property,
17 similar or related in service or use, to the property so
18 converted, or into money which is forthwith in good faith, under
19 regulations prescribed by the department, expended in the
20 acquisition of other property similar or related in service or
21 use to the property so converted, or in the acquisition of
22 control of a corporation owning such other property, or in the
23 establishment of a replacement fund, no gain or loss shall be
24 recognized. If any part of the money is not so expended, the
25 gain, if any, shall be so recognized, but in an amount not in
26 excess of the money which is not so expended.

27 (E) If there is distributed, in pursuance of a plan or
28 reorganization, to a shareholder in a corporation, a party to
29 the reorganization, stock or securities in such corporation, or
30 in another corporation, a party to the reorganization, without

1 the surrender by such shareholder of stock or securities in such
2 a corporation, no gain to the distributee from the receipt of
3 such stock or securities shall be recognized.

4 (F) If an exchange would be within the provisions of
5 subsections A, B or C of this section, if it were not for the
6 fact that the property received in exchange consists not only of
7 property permitted by such subsection to be received without the
8 recognition of gain but also of other property or money, then
9 the gain, if any, to the recipient shall be recognized, but in
10 an amount not in excess of the sum of such money and the fair
11 market value of such other property.

12 (G) If an exchange would be within the provisions of
13 subsections A, B or C of this section, if it were not for the
14 fact that the property received in exchange consists not only of
15 property permitted by such subsection to be received without the
16 recognition of gain or loss but also of other property or money,
17 then no loss from the exchange shall be recognized.

18 (H) As used in this section the term "reorganization"
19 means--(1) a merger or consolidation (including the acquisition
20 by one corporation of at least a majority of the total number of
21 shares of all other classes of stock of another corporation or
22 substantially all the properties of another corporation), or (2)
23 a transfer by a corporation of all or a part of its assets to
24 another corporation if, immediately after the transfer, the
25 transferor or its stockholders, or both, are in control of the
26 corporation to which the assets are transferred, or (3)
27 recapitalization, or (4) a mere change in identity, form or
28 place of organization, however effected.

29 The term "a party to a reorganization" includes a corporation
30 resulting from a reorganization and includes both corporations

1 in the case of an acquisition by one corporation of at least a
2 majority of the voting stock and at least a majority of the
3 total number of shares of all other classes of stock of another
4 corporation.

5 As used in this section, "control" means the ownership of at
6 least eighty per centum of the voting stock and at least eighty
7 per centum of the total number of shares of all other classes of
8 stock of the corporation.

9 Section 306. Inventory.--Whenever, in the opinion of the
10 department, the use of inventories is necessary in order clearly
11 to determine the income of any taxpayer, inventories shall be
12 taken by such taxpayer upon such basis as the department may
13 prescribe, conforming as nearly as may be to the best accounting
14 practice in trade or business of such taxpayer.

15 Section 307. General Deductions.--In computing net income
16 there shall be allowed as deductions--

17 A. All the ordinary and necessary expenses paid or incurred
18 during the tax year in carrying on any trade or business, or in
19 the production of income required to be included in gross income
20 under this article, including a reasonable allowance for
21 salaries or other compensation for personal service actually
22 rendered, and including rentals or other payments required to be
23 made as a condition to the continued use or possession for
24 purposes of the trade or business of property to which the
25 taxpayer has not taken, or is not taking title, or in which he
26 has no equity.

27 B. All interest paid or accrued during the taxable year on
28 indebtedness.

29 C. Taxes paid or accrued within the tax year imposed by--(1)
30 the authority of the United States or of any of its possessions,

1 (2) by the Commonwealth of Pennsylvania (except the net income
2 tax imposed by this act and taxes on liquid fuels), (3) by any
3 city, borough, town, township, school district or poor district
4 of this Commonwealth (except those assessed as local benefits
5 tending to increase the value of the property assessed), or (4)
6 by the authority of any other state, country or territory.

7 D. Losses sustained during the tax year and not compensated
8 for by insurance, or otherwise, if incurred in trade or
9 business.

10 E. Losses sustained during the tax year and not compensated
11 for by insurance or otherwise, if incurred in any transaction
12 entered into for profit, though not connected with the trade or
13 business. No deduction shall be allowed under this clause for
14 any loss claimed to have been sustained in any sale or other
15 disposition of shares been sustained in any sale or other
16 disposition of shares of stock or security where it appears
17 that, within thirty days before or after the date of such sale
18 or other disposition, the taxpayer has acquired (otherwise than
19 by bequest or inheritance), or has entered into a contract or
20 option to acquire, substantially identical property, and the
21 property so acquired is held by the taxpayer for any period
22 after such sale or disposition. If such acquisition or the
23 contract or option to acquire is to the extent of part only of
24 substantially identical property, then only a proportionate part
25 of the loss shall be disallowed.

26 F. Losses sustained during the tax year of property not
27 connected with the trade or business (but in case of a taxpayer
28 other than a resident only of real property or tangible personal
29 property having an actual situs within the State) if arising
30 from fires, storms, shipwrecks or other casualty, or from theft,

1 and not compensated for by insurance or otherwise.

2 G. Debts ascertained to be worthless and charged off within
3 the tax year, and, when satisfied that a debt is recoverable
4 only in part, the department may allow such debt to be charged
5 off in part. In the case of a debt existing on January first,
6 one thousand nine hundred thirty-five, no more than its fair
7 market value on that date shall be deducted. A worthless debt
8 arising since January first, one thousand nine hundred thirty-
9 five from unpaid wages, salary, rent or any similar item of
10 taxable income is not an allowable deduction, unless the income
11 which such item represents has been included as income by the
12 taxpayer in a return rendered under this act.

13 H. A reasonable allowance for the exhaustion, wear and tear
14 of property, the income from which is required to be included in
15 gross income under this article, used in the trade or business,
16 including a reasonable allowance for obsolescence. In case of
17 property held by one person for life with remainder to another
18 person, the deduction shall be computed as if the life tenant
19 were the absolute owner of the property, and shall be allowed to
20 the life tenant. In the case of property held in trust, the
21 allowable deduction shall be apportioned between the income
22 beneficiaries and the trustee in accordance with the pertinent
23 provisions of the instrument creating the trust, or in the
24 absence of such provisions, on the basis of the trust income
25 allocable to each.

26 I. In the case of mines, oil and gas wells, other natural
27 deposits and timber, a reasonable allowance for depletion and
28 for depreciation or improvement, according to the peculiar
29 conditions in each case, such reasonable allowance in all cases
30 to be made under rules and regulations to be made by the

1 department. The department may apportion such deductions
2 equitably between the lessor and lessee.

3 J. In the case of a taxpayer other than a resident of the
4 State, the deduction allowed in this section shall be allowed
5 only if and to the extent that they are connected with income
6 arising from sources within the State and taxable under this act
7 to a nonresident taxpayer, and the proper apportionment and
8 allocation of the deductions with respect to sources of income
9 within and without the State shall be determined under rules and
10 regulations to be prescribed by the department.

11 Section 308. Deductions for Living Expenses.--The following
12 fixed sums, and no others, shall also be allowed to all
13 taxpayers in computing net income as personal deductions on
14 account of living expenses:

15 A. In the case of a single person, a personal exemption of
16 one thousand dollars (\$1,000.00), or in the case of the head of
17 a family, or a married person living with husband or wife, a
18 personal deduction of one thousand five hundred dollars
19 (\$1,500.00). A husband and wife living together shall receive
20 but one personal deduction. If such husband and wife make
21 separate returns, the personal deduction may be taken by either
22 or divided between them.

23 B. Four hundred dollars (\$400.00) for each person (other
24 than husband or wife) dependent upon and receiving his chief
25 support from the taxpayer, if such dependant person is under
26 eighteen years of age or is incapable of self-support because
27 mentally or physically defective.

28 C. If the status of the taxpayer, in so far as it affects
29 the deductions allowed by this section, changes during his tax
30 year, such deduction shall be apportioned under rules and

1 regulations prescribed by the department in accordance with the
2 number of months before and after such change. For the purposes
3 of this subsection, a fractional part of a month shall be
4 disregarded unless it amounts to more than half a month, in
5 which case it shall be considered as a month.

6 Section 309. Items Not Deductible.--In computing net income
7 no deduction shall in any case be allowed in respect of--

8 A. Personal living or family expenses, except as otherwise
9 herein expressly provided.

10 B. Any amount paid out for new buildings or for permanent
11 improvements or betterments made to increase the value of any
12 property or estate.

13 C. Any amount expended in restoring property or in making
14 good the exhaustion thereof for which an allowance is or has
15 been made, or

16 D. Premiums paid on any life insurance policy covering the
17 life of any officer or employe or of any person financially
18 interested in any trade or business carried on by the taxpayer
19 when the taxpayer is directly or indirectly a beneficiary under
20 such policy.

21 Section 310. Credit for Taxes in Case of Taxpayers, Other
22 than Residents of the Commonwealth.--Whenever a taxpayer, other
23 than a resident of the Commonwealth, has become liable to income
24 tax to the state, county or city where he resides, upon his net
25 income for the tax year, derived from sources within this
26 Commonwealth and subject to taxation under this act, the
27 department shall credit the amount of income tax payable by him
28 under this act with such proportion of the tax so payable by him
29 to the state, county or city where he resides as the income
30 subject to taxation under this act bears to his entire income

1 upon which the tax so payable to such other state, county or
2 city was imposed: Provided, That such credit shall be allowed
3 only if the laws of said state, county or city--(1) grant a
4 substantially similar credit to residents of this Commonwealth
5 subject to income tax under such laws, or (2) impose a tax upon
6 the personal incomes of its residents derived from sources in
7 this Commonwealth and exempt from taxation the personal income
8 of residents of this Commonwealth. No credit shall be allowed
9 against the amount of the tax on any income taxable under this
10 act, which is exempt from taxation under the laws of such other
11 state, county or city.

12 Section 311. Certain Gifts not Taxable.--In case any
13 taxpayer in any tax year, shall give or contribute, and has
14 given or contributed in each of the ten preceding calendar
15 years, ninety per centum or more of his net income in each year
16 to any corporation, or trust, or community chest, fund or
17 foundation, organized and operated exclusively for religious,
18 charitable, scientific, literary, or educational purposes, or
19 for the prevention of cruelty to children or animals, no part of
20 the net earnings of which inures to the benefit of any private
21 shareholder or individual, and no substantial part of the
22 activities of which is carrying on propaganda, or otherwise
23 attempting, to influence legislation, such net income so given
24 or contributed shall not be subject to any tax under the
25 provisions of this act.

26 ARTICLE IV

27 RETURNS AND PAYMENT

28 Section 401. Taxpayers' Returns; Time and Place of Filing;
29 Payment.--A. Every taxpayer, having a net income for the tax
30 year of one thousand dollars (\$1,000.00) or over, if single, or,

1 if married, and not living with husband or wife, or of one
2 thousand five hundred dollars (\$1,500.00) or over, if married
3 and living with husband or wife, or a gross income for the tax
4 year of five thousand dollars or over, regardless of the amount
5 of his net income, shall make, under oath or affirmation, a
6 return as hereinafter provided, stating specifically the items
7 of his gross income and the deductions and credits allowed by
8 this act. For the purposes of this section, any taxpayer, other
9 than a married person, shall be deemed to be a single person. If
10 a husband and wife living together have an aggregate net income
11 of one thousand five hundred dollars (\$1,500.00) or over, or an
12 aggregate gross income for such year of five thousand dollars
13 (\$5,000.00) or over, each shall make such a return, or the
14 income of each shall be included in a single joint return, in
15 which case the tax shall be computed on the aggregate income. If
16 the taxpayer is unable to make his own return, the return shall
17 be made by a duly authorized agent or by the guardian or other
18 person charged with the care of the person or property of such
19 taxpayer. A taxpayer other than a resident shall not be entitled
20 to the deductions authorized by section three hundred and seven
21 unless he shall make, under oath or affirmation, a complete
22 return of his gross income both within and without the State.

23 B. Returns shall be in such form, and shall contain such
24 information, as the department may from time to time prescribe,
25 and shall be filed with the department, at its main office, or
26 at any branch office which it may establish, on or before the
27 fifteenth day of May in the year one thousand nine hundred
28 thirty-six, and in each and every year thereafter for the
29 preceding calendar year. The department is authorized to prepare
30 and furnish such return forms, but the failure of any taxpayer

1 to receive or procure a return form shall not excuse him from
2 making a return.

3 C. The department may, upon application made to it, in such
4 form as it may prescribe, on or prior to the last day for filing
5 any report, and upon proper cause shown, grant a reasonable
6 extension of time for the filing of any return, within which
7 time such return may be filed without penalty except as herein
8 provided, and shall keep a record of every such extension and
9 the reason therefor. Except in the case of taxpayers who are
10 abroad, no such extension shall be granted for more than six
11 months.

12 D. Any agent duly authorized by the department is hereby
13 authorized to administer the oath or affirmation to any person
14 or officer making any return or report required by this act for
15 the taking of which oath or affirmation no charge shall be made.
16 Any such agent who shall make any charge for administering such
17 oath or affirmation shall be deemed guilty of a misdemeanor,
18 and, upon conviction thereof, shall be sentenced to pay a fine
19 not exceeding five hundred dollars (\$500.00), or to undergo
20 imprisonment not exceeding one (1) year, either, or both, in the
21 discretion of the court.

22 E. Each taxpayer shall, or in cases where an agent,
23 guardian, committee, fiduciary or other person makes the return
24 for the taxpayer, then such agent, guardian, fiduciary,
25 committee or person shall, at the time of filing the return, pay
26 to the department the amount of tax payable under this act as
27 the same shall appear from a calculation made on the face of the
28 return. If the time for filing the return shall have been
29 extended by the department, the taxpayer shall pay, in addition,
30 interest thereon at the rate of six per centum per annum from

1 the time when the return was originally required to be filed to
2 the time of payment.

3 Section 402. Returns in Cases of Changed Residence.--If a
4 taxpayer, during the tax year, changes his status from that of
5 resident to that of nonresident, or from that of nonresident to
6 that of resident, he shall file two returns: One as a resident
7 covering the fraction of the year during which he was a
8 resident, and one as a taxpayer other than a resident covering
9 the fraction of the year during which he was a nonresident. In
10 case two returns for one year are filed as aforesaid, the taxes
11 due thereon shall not be less than would be payable if the total
12 net income shown by the two returns were included in a single
13 return. If the aggregate of the taxpayer's net income from all
14 sources during the fraction of the year in which he was a
15 resident, and his net income from sources within the State
16 during the fraction of the year in which he was a nonresident,
17 shall be less than one thousand dollars (\$1,000.00) in the case
18 of a taxpayer who is single or married and not living with
19 husband or wife, or under one thousand five hundred dollars
20 (\$1,500.00) in the case of a taxpayer who is married and living
21 with husband or wife, no return shall be required under this
22 section unless the aggregate of the taxpayer's gross income from
23 all sources during the fraction of the year in which he was a
24 resident, plus the aggregate of his gross income from sources
25 within the State during the fraction of the year in which he was
26 a nonresident, is five thousand dollars (\$5,000.00) or over, in
27 which event returns shall be required.

28 Section 403. Partnership Returns.--Every partnership shall
29 make a return for each tax year, stating specifically the items
30 of its gross income and the deductions allowed by this act, and

1 shall include in the return the names and addresses of the
2 persons who would be entitled to share in the net income if
3 distributed and the amount of the distributive share of each
4 person. The return shall be sworn to or affirmed by any one of
5 the partners.

6 Section 404. Fiduciary Returns.--Every fiduciary (except
7 receivers appointed by authority of law in possession of part
8 only of the property of a taxpayer) shall make, under oath or
9 affirmation, a return for the individual, estate, or trust for
10 whom he acts as follows:

11 A. If he acts for an individual whose entire income, from
12 whatever source derived, is in his charge and the net income of
13 such individual is one thousand dollars (\$1,000.00) or over, if
14 single, or, if married and not living with husband or wife, or
15 one thousand five hundred dollars (\$1,500.00) or over if married
16 and living with husband or wife, or whose gross income for the
17 tax year is five thousand dollars (\$5,000.00) or over,
18 regardless of the amount of his net income.

19 B. If he acts--(a) for an estate of a deceased person during
20 the period of administration or settlement whether or not the
21 income of such estate during such period of administration or
22 settlement is properly paid or credited to any legatee, heir or
23 other beneficiary, (b) for an estate or trust the income of
24 which is accumulated in trust for the benefit of unborn or
25 unascertained persons, or persons with contingent interests, or
26 (c) for an estate or trust the income of which is held for
27 future distribution, or is distributable, in the discretion of
28 the fiduciary, under the terms of the will or trust, and the net
29 income of such estate or trust is one thousand dollars
30 (\$1,000.00) or over, or the gross income for the tax year is

1 five thousand dollars (\$5,000.00) or over, regardless of the
2 amount of the net income.

3 C. If he acts--(a) for an estate or trust the income of
4 which is to be distributed to the beneficiaries periodically, or
5 (b) as the guardian of an infant whose income is to be held or
6 distributed as the court may direct, and any beneficiary of such
7 estate or trust, or such infant, receives, or is entitled to a
8 distributive share of the income of one thousand dollars
9 (\$1,000.00) or more. The return made by a fiduciary shall state
10 specifically the items of the gross income and the deductions,
11 exemptions and credits allowed by this act. Under such
12 regulations as the department may prescribe, a return made by
13 one of two or more joint fiduciaries shall be sufficient
14 compliance with the above requirement.

15 D. The fiduciary shall make oath or affirmation that he has
16 sufficient knowledge of the affairs of the individual, estate or
17 trust for whom, or which, he acts to enable him to make the
18 return, and that the same is, to the best of his knowledge and
19 belief, true and correct. Fiduciaries required to make returns
20 under this act shall be subject to all the provisions of this
21 act which apply to taxpayers.

22 ARTICLE V

23 PROCEDURE

24 Section 501. Department of Revenue to Administer.--The
25 Department of Revenue shall administer and enforce the tax
26 herein imposed for which purpose it may divide the State into
27 districts, in each of which a branch office of the department
28 may be maintained.

29 Section 502. Examination of Returns; Assessment of Tax
30 Refunds.--A. As soon as practicable after the return is filed,

1 the department shall examine it and assess the tax.

2 B. If the amount of tax, as assessed, shall be greater than
3 the amount theretofore paid, the additional assessment shall be
4 paid by the taxpayer to the department within ten days after a
5 notice of the amount of such additional tax, as assessed, shall
6 be mailed to the taxpayer by the department. In such case, if
7 the return is made in good faith, and the understatement of the
8 amount in the return is made in good faith, there shall be no
9 interest or penalty because of such understatement, provided the
10 deficiency be paid, or notice of an intention to file a petition
11 for a reassessment, or to appear and be heard as herein
12 provided, shall be given within ten days after notice of the
13 amount is mailed to the taxpayer. If payment is not made within
14 ten days, and if no notice of an intention to file a petition
15 for a reassessment, or to appear and be heard is given to the
16 department within ten days as herein provided, there shall be
17 added to the amount of the deficiency five per centum thereof,
18 and, in addition, interest at the rate of one per centum per
19 month for each month or fraction thereof, from the date of such
20 notice to the date of payment. If the understatement is false or
21 fraudulent with intent to evade the tax, the tax, on the
22 additional income, discovered to be taxable and assessed by the
23 department shall be double, and an additional one per centum
24 shall be added to the amount so due for each month or fraction
25 of a month from the date the tax was originally due to the date
26 of payment.

27 C. If the amount of tax as assessed by the department shall
28 be less than the amount paid by the taxpayer, the excess shall
29 be refunded upon written application, by the department, with
30 the approval of the Board of Finance and Revenue, out of the

1 moneys in the State School Fund to the credit of the school
2 district income tax account.

3 As much of the moneys, from time to time, standing to the
4 credit of the school district income tax account of the State
5 School Fund, as may be necessary, is hereby appropriated to the
6 department for the purpose of making refunds as herein
7 authorized. Estimates of the amounts to be expended from this
8 account for refunds, form time to time, by the department shall
9 be submitted to the Governor for his approval or disapproval as
10 in the case of other appropriations to administrative
11 departments, boards, and commissions; and it shall be unlawful
12 for the Auditor General to honor any requisition of the
13 department for the expenditure of moneys hereunder in excess of
14 the estimates approved by the Governor.

15 Section 503. Estimated Assessments.--A. If any individual
16 or fiduciary believed by the department to be liable for a tax
17 under the provisions of this act shall have failed to file a
18 return in accordance with, and within the time prescribed by,
19 the provisions of this act, or any extension thereof granted by
20 the department, if the department should deem it more conducive
21 to the public interest because of the supposed smallness of the
22 tax, or for any other reason, not to proceed to compel the
23 exhibition of such individual's or fiduciary's accounts, it may
24 make an estimated assessment of the probable amount of the tax
25 owing by such individual or fiduciary; but, in every such case,
26 it shall add to every such estimated assessment a penalty of
27 fifty per centum, to include any losses which might otherwise
28 accrue to the Commonwealth from such neglect or refusal to file
29 a return or statement, and the department shall proceed to
30 recover money so due the Commonwealth as in other cases, if not

1 paid when due, as hereinafter provided.

2 B. The amount thus determined, together with penalties and
3 interest at the rate of one per centum per month or fractional
4 part thereof, shall be due and payable ten days after notice of
5 such settlement shall be mailed by the department.

6 Section 504. Assessments Made at any Time Within Five
7 Year.--An additional assessment or estimated assessment as
8 heretofore provided shall be made by the department at any time
9 within five (5) years after any net income of any taxpayer
10 should have been returned by him for taxation, any such
11 additional assessment or estimated assessment may be made at any
12 time during said period, notwithstanding he shall have paid a
13 tax assessed on the basis of returns previously made or filed,
14 and notwithstanding the department shall have made previous
15 additional or estimated assessments against such taxpayer. In
16 any such case no credit shall be given for any penalty formerly
17 assessed and paid.

18 Section 505. Petition for Reassessment; Appeal.--A. Any
19 taxpayer against whom any estimated or additional assessment is
20 made may petition the department for a reassessment. Notice of
21 an intention to file such a petition, or to appear and be hear,
22 shall be given to the department prior to the time the amount
23 becomes due and payable, to wit, within ten (10) days after
24 notice of such estimated of additional assessment is given, or
25 sent by the department, to the taxpayer as provided in this act.
26 The department shall hold such hearings in each county as may be
27 necessary to hear and determine petitions for reassessment, at
28 such places, and at such times, as may be determined by rules
29 and regulations of the department; and each petitioner who has
30 duly notified the department of an intention to file a petition

1 for reassessment, or to appear and be heard, shall be notified
2 by the department of the time when, and the place where, such
3 hearings shall be held. All such petitions shall set forth
4 specifically and in detail the grounds upon which it is claimed
5 the estimated or additional assessment is erroneous or unlawful
6 and shall be accompanied by an affidavit under oath or
7 affirmation certifying to the correctness of the facts stated
8 therein. If no petition for reassessment is filed with the
9 department, the petitioner may, in lieu thereof, appear at the
10 hearing and present his petition orally in which event all
11 testimony or statements of facts shall be made under oath or
12 affirmation.

13 B. If such petitioner is dissatisfied with the action of the
14 department on his petition for reassessment, he shall have the
15 right to appeal to the court of common pleas of the proper
16 county at any time within thirty (30) days after notice of such
17 action or refusal is given to him by the department. If any
18 resident shall fail to give due notice of an intention to
19 petition for a reassessment, and to file a petition for
20 reassessment, or to appear and be heard after due notice of his
21 intention to do so, or to appeal to the court of common pleas
22 within the time and in the manner herein set forth, the right to
23 do so shall be forever barred, and any such resident so failing
24 shall not thereafter be permitted in a suit for the recovery of
25 such tax to set up any ground of defense which might have been
26 determined either by the department or the court of common pleas
27 as aforesaid. In all cases of petitions for reassessment and
28 appeals, the burden of proof shall be on the petitioner or
29 appellant, as the case may be, and every appeal to the court of
30 common pleas under this section shall specify all the objections

1 to the assessment, and any objection not specified in the appeal
2 shall not be considered by the court.

3 Section 506. Enforcement, Rules and Regulations;

4 Inquisitorial Powers of the Department.--A. The department is
5 hereby charged with the enforcement of the provisions of this
6 act and is hereby authorized and empowered to prescribe, adopt,
7 promulgate, and enforce rules and regulations relating to any
8 matter or thing pertaining to the administration and enforcement
9 of the provisions of this act and the collection of taxes,
10 penalties and interest imposed by this act.

11 B. The department, or any agent authorized in writing by it,
12 is hereby authorized to examine the books, papers, and records
13 of any taxpayer or supposed taxpayer in order to verify the
14 accuracy of any return made, or if no return was made, to
15 ascertain and assess the tax imposed by this act. Every such
16 taxpayer or supposed taxpayer is hereby directed and required to
17 give to the department, or its duly authorized agent, the means,
18 facilities, and opportunity for such examination and
19 investigations as are hereby provided and authorized. The
20 department is hereby authorized to examine any person under oath
21 concerning any property which was, or should have been, returned
22 for taxation, and to this end may compel the production of
23 books, papers, and records, and the attendance of all persons,
24 whether as parties or witnesses, whom it believes have knowledge
25 of such property. The procedure for such hearing or examination
26 shall be the same as that provided by The Fiscal Code relating
27 to inquisitorial powers of fiscal officers.

28 C. Any information gained by the department as a result of
29 any returns, investigations, hearings or verifications, required
30 or authorized by this act, shall be confidential except for

1 official purposes and except in accordance with proper judicial
2 order or as otherwise provided by law, and any person or agent
3 divulging such information shall be deemed guilty of a
4 misdemeanor, and, upon conviction thereof, shall be sentenced to
5 pay a fine not in excess of five hundred dollars (\$500.00) and
6 costs of prosecution, or to undergo imprisonment for not more
7 than three (3) years, or both, in the discretion of the court.

8 Notwithstanding the provisions of subsection C of this
9 section, the department may permit the Commissioner of Internal
10 Revenue of the United States, or the proper officer of any state
11 imposing an income tax upon the incomes of individuals, or the
12 authorized representative of either such officer, to inspect the
13 income tax returns of any individuals, or may furnish to such
14 officer, or his authorized representative, an abstract of the
15 return of income of any individual, or supply him with
16 information concerning any item of income contained in any
17 return, or disclosed by the report of any investigation of the
18 income or return of income of any individual; but such
19 permission shall be granted, or such information furnished, to
20 such officer or his representative only if the statutes of the
21 United States, or of such other state as the case may be, grant
22 substantially similar privileges to the proper officer of this
23 State charged with the administration of the personal income tax
24 law thereof.

25 Section 507. Information at the Source.--Every person, in
26 whatever capacity acting, including lessees or mortgagors of
27 real or personal property, fiduciaries, employers, and all
28 officers and employes of the Commonwealth, or of any municipal
29 corporation or political subdivision of the Commonwealth, having
30 the control, receipt, custody, disposal or payment of interest

1 (other than interest coupons payable to bearer), rent, salaries,
2 wages, premiums, annuities, compensations, remunerations,
3 emoluments or other fixed or determinable annual or periodical
4 gains, profits, and income amounting to one thousand dollars
5 (\$1,000.00) or over, shall, on or before the fifteenth day of
6 May, make a return under oath or affirmation to the department
7 containing complete information concerning the amount of all
8 such interest, rent, salaries, wages, premiums, annuities,
9 compensations, remunerations, emoluments or other fixed or
10 determinable annual or periodical gains, profits, and income of
11 any individual, partnership or fiduciary under such regulations,
12 and in such form and manner, and to such extent, as may be
13 prescribed by the department. The return shall be in such form
14 as the department shall prescribe, and shall contain a statement
15 that the individual, officer or employe of the Commonwealth,
16 political subdivision thereof, or corporation or member or
17 partner of the association making the return, verifies the
18 information contained in the return. Upon conviction of making a
19 false statement in such return, the person making the same shall
20 be subject to the penalties provided by the laws of the
21 Commonwealth for perjury.

22 Every person who fails, refuses or neglects to file a return,
23 in accordance with the provisions of this section, shall be
24 liable to a penalty of not more than five hundred dollars to be
25 imposed, assessed and collected in the same manner as is
26 provided in this act with regard to taxes.

27 Section 508. Lien of Taxes.--A. All taxes imposed by this
28 act, together with all penalties and interest, shall be
29 considered a public account, after being assessed in the manner
30 prescribed in this act, and as such shall be a lien upon the

1 franchises and property both real and personal of the taxpayer
2 against whom the same are assessed, after the same has been
3 entered and docketed of record by the prothonotary of the county
4 where the resident's franchises or property are situated.

5 B. The department may at any time transmit to the
6 prothonotaries of the respective counties of the Commonwealth,
7 to be by them entered of record, certified copies of all liens
8 for taxes imposed by this act, and penalties and interest, upon
9 which record it shall be lawful for writs of scire facias to
10 issue and be prosecuted to judgment and execution in the same
11 manner as such writs are ordinarily employed.

12 Section 509. Collection of Unpaid Taxes.--Whenever the
13 taxes, penalties or interest imposed by this act are not paid,
14 and not petition for reassessment thereof has been filed, or if
15 such taxes, interest and penalties are not paid after all
16 appeals have finally been disposed of, the department shall call
17 upon the Department of Justice to collect the same in like
18 manner as is provided by law for the collection of other
19 Commonwealth taxes.

20 ARTICLE VI

21 VIOLATIONS

22 Section 601. Violations; Penalties.--Any person who shall
23 fail, neglect or refuse to make any report required by this act,
24 or any taxpayer who shall refuse to pay the tax, penalties and
25 interest imposed by this act, or any person who shall refuse to
26 permit the department or any agent appointed by it in writing,
27 to examine his or her books, records, and papers, or who shall
28 knowingly make any incomplete, false or fraudulent report, or
29 who shall attempt to do anything whatever to avoid the full
30 disclosure of the amount of net income to avoid the payment of

1 the whole or any part of the tax, shall be guilty of a
2 misdemeanor and shall be sentenced to pay a fine not exceeding
3 one thousand dollars (\$1,000.00) and costs of prosecution, or
4 undergo imprisonment not exceeding three (3) years, or both, in
5 the discretion of the court.

6 Such fine shall be in addition to any penalty imposed by any
7 other section or subsection of this act.

8 Section 602. Costs.--Whenever any person acting for or on
9 behalf of the department shall, in good faith, institute legal
10 proceedings for any violations of the provisions of this act,
11 and, for any reason, shall fail to recover costs of record, such
12 costs shall be a charge upon the proper county, as shall such
13 costs in the event defendant is imprisoned for failure to pay
14 fine or costs, or both, and shall be audited and paid as are
15 costs of like character in said county.

16 ARTICLE VII

17 DISPOSITION AND USE OF TAX

18 Section 701. Disposition and Use of Tax.--All taxes,
19 interest and penalties received, recovered, paid or collected
20 under the provisions of this act shall be paid by the department
21 into the State School Fund of the State Treasury. Two per centum
22 of such moneys shall be transferred, on or before the first day
23 of January and July of each year during which the tax imposed by
24 this act shall be collected, to the General Fund of the State
25 Treasury upon requisition of the Superintendent of Public
26 Instruction, and shall be added and credited to the current
27 biennial maintenance appropriation of the department, and shall
28 be available and is hereby appropriated for the same purposes
29 for which such current biennial appropriation is available. The
30 balance, less such sums as shall be reserved for the payment of

1 refunds as provided in this act, shall be available only for the
2 payment of any appropriations made at any time by the General
3 Assembly to the Department of Public Instruction for payment to
4 school districts for salaries of members of the teaching and
5 supervisory staffs of elementary schools and junior high
6 schools, in accordance with the provisions of law.

7 ARTICLE VIII

8 MISCELLANEOUS

9 Section 801. Saving Clause.--Nothing contained in this act
10 shall be construed to repeal any other law of this Commonwealth
11 imposing any tax for State or local purposes.

12 Section 802. Constitutional Construction.--If any section,
13 sentence, clause or part of this act is for any reason held to
14 be unconstitutional, the decision of the court shall not affect
15 or impair any of the remaining provisions of this act; it is
16 hereby declared as the legislative intent that this act would
17 have been adopted had such unconstitutional sentence, section,
18 clause, or part thereof, not been included herein.

19 Section 803. Effective Date.--This act shall become
20 effective immediately upon final enactment.]

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