



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2408

PRINTERS NO. 3676

PRIME SPONSOR: Markosek

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	\$0	\$0

SUMMARY: House Bill 2408, Printer's Number 3676, amends the Fiscal Code providing for exemption from taxation in emergency finance and tax provisions and for nonprofit corporations and charitable trusts.

ANALYSIS: This legislation provides that recovery rebate payments received by an individual under Section 2201 of the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act shall not be included in the income, earned income or taxable income for the 2020 tax year for purposes of Article III of the Tax Reform Code (personal income tax), the Local Tax Enabling Act and the Taxpayer Relief Act.

Additionally, language is added providing that forgiveness of indebtedness granted under the CARES Act for a loan guaranteed under the Small Business Act issued to assist with maintaining payroll costs during the period beginning after February 29, 2020, and ending before July 1, 2020, shall not be included in income, taxable income or earned income for purposes of Article III of the Tax Reform Code (personal income tax), Article IV of the Tax Reform Code (corporate net income tax), the Local Tax Enabling Act and the Taxpayer Relief Act. The amount of forgiveness must not exceed the amount approved by the authorized lender that issued the loan.

Finally, this legislation increases the limit on the amount of funds allowed to be expended by a nonprofit corporation or charitable trust from an endowment from 7% to 10% for a calendar year. This section applies to each calendar year during which the proclamation of disaster emergency issued by the Governor on March 6, 2020, and any renewal of the state of disaster emergency, is in effect and the succeeding calendar year.

The act shall take effect immediately.

FISCAL IMPACT: Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds.

According to the Department of Revenue, the recovery rebates under the CARES Act, otherwise known as economic impact payments or stimulus checks, are not subject to Pennsylvania personal income tax. The payment is considered a rebate that is non-taxable in Pennsylvania.

Paycheck Protection Program (PPP) loans that are forgiven under the CARES Act are not included in taxable income for Federal tax purposes. Because the PA corporate net income tax base (CNIT) conforms to the Federal tax base as a starting point, PPP loans under the CARES Act that are forgiven are not taxable under the Pennsylvania CNIT. However, the Pennsylvania personal income tax (PIT) does not conform to the Federal individual income tax base and as a result, there is uncertainty as to whether such forgiveness would be considered taxable income for Pennsylvania PIT purposes. This legislation conforms and clarifies the treatment of PPP loan forgiveness under the Pennsylvania PIT.

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House Appropriations Committee (R)

DATE: May 4, 2020

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.