

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. Senate Bill 627

PRINTER NO. 700

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

April 17, 2017

PRIME SPONSOR

Senator Killion

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 627 amends the Tax Reform Code of 1971 (TRC) by further defining taxable income as it relates to the corporate net income tax (CNIT) and with regard to the apportionment of income for corporations transacting business in more than one state.

Senate Bill 627 amends TRC § 401(3)2(b) with regard to the apportionment of business income for railroad, truck, bus or airline companies. Specifically, the legislation adds qualified air freight forwarding companies to the types of transportation companies that apportion their income to Pennsylvania by multiplying the income by a fraction, the numerator of which is a taxpayer's total revenue miles within Pennsylvania and the denominator of which is the total revenue miles of the taxpayer everywhere during the tax period. For comparison, the standard apportionment methodology for most companies is the sales factor, which is a fraction, the numerator of which is the total sales of the taxpayer in Pennsylvania, and the denominator of which is the total sales of the taxpayer everywhere during the tax period. The standard apportionment methodology is commonly referred to as the single sales factor.

Senate Bill 627 defines "qualified air freight forwarding company" as a company that does the following:

1. Is engaged in the air freight forwarding business;
2. Primarily uses an airline with which it has common ownership and control; and
3. Will use the revenue miles of the airline under paragraph (2) above.

The legislation also adds qualified air freight forwarding companies to the types of transportation companies that allocate nonbusiness income as provided under existing rules for railroad, truck, bus or airline companies.

Senate Bill 627 applies to tax years beginning after December 31, 2016 and shall take effect immediately.

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FISCAL IMPACT:

Senate Bill 627 will have no adverse fiscal impact to the Commonwealth.

The fiscal impact assessment measures the effects of Senate Bill 627 against corporate net income tax liabilities as finally determined after appeal proceedings, whereby an equitable apportionment method utilizing a revenue-miles fraction has been agreed to by the Commonwealth. Because the apportionment methodology prescribed in the legislation is the same methodology used to finally determine tax liabilities over several tax periods under appeal, the Commonwealth will continue to receive CNIT revenues equal to what it would have received prior to enactment of the legislation.