

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 324

PRINTER NO. 298

AMOUNT

See Fiscal Impact

FUND

Local Funds

DATE INTRODUCED

January 28, 2021

PRIME SPONSOR

Representative White

DESCRIPTION

House Bill 324 amends the act of May 30, 1984 (P.L.345, No.69), known as the First Class City Business Tax Reform Act of 1984, to increase the authorized net operating loss (NOL) carryforward period for businesses with certain tax liabilities in the City of Philadelphia from three years to 20 years.

The legislation amends the definition of "net operating loss" in section 2 of the First Class City Business Tax Reform Act, extending the NOL deduction carryforward period against the local Business Income and Receipts Tax (BIRT) from three years under current law to twenty years.

The amendment of the definition of "net operating loss" shall apply to net operating losses incurred in the year of enactment of this act and each tax year thereafter.

This act shall take effect immediately.

FISCAL IMPACT:

House Bill 324 will have no fiscal impact on Commonwealth funds.

On December 13, 2018, Philadelphia City Council passed bill number 180909, which amended chapter 19-2600 of The Philadelphia Code, entitled "Business Income and Receipts Taxes," by extending the period that net operating losses can be carried forward. Statutory authorization must be granted by the Pennsylvania General Assembly in order to effectuate this measure taken by the Philadelphia City Council.

Philadelphia's Business Income and Receipts Tax is Philadelphia's third-largest source of tax revenue, generating \$534 million in fiscal year 2019-20. The city has not prepared an analysis of bill number 180909 showing the fiscal impact on tax revenues. However, the current three-year carryforward period and the applicability date of the legislation ensure that there will be no fiscal impact on city funds until the fourth year following the NOL carryforward change. House Bill 324 will align Philadelphia's BIRT NOL carryforward period with federal income tax and Pennsylvania Corporate Net Income Tax NOL carryforward periods.