

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 349

**PRINTER NO.** 352

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

March 10, 2021

**PRIME SPONSOR**

Senator Hutchinson

**DESCRIPTION**

Senate Bill 349 amends Article III of the Tax Reform Code of 1971 (TRC) by further providing, in personal income tax, for classes of income. In effect, the legislation will increase the limit from \$25,000 to \$1,050,000 on Internal Revenue Code (IRC) § 179 property that may be treated as a deductible expense in calculating the personal income tax.

The legislation amends TRC § 303(a.3), which allows the cost of property to be treated as a deductible expense in accordance with IRC § 179. Under federal law, an election to recover all or part of the cost of certain qualifying property, up to a limit, can be made by deducting it in the year the property is placed in service instead of writing off the property's cost over its depreciable life.

Under current Pennsylvania law, the Tax Reform Code of 1971 limits the IRC § 179 expense deduction to the amount allowable under the version of IRC § 179 in effect at the time the property is placed in service or under § 179 of the Internal Revenue Code of 1986 (26 U.S.C. § 179), whichever is earlier. Therefore, the TRC essentially limits the § 179 expense deduction to \$25,000, which was the limit of the allowable amount under the IRC of 1986 as of 1997.

Senate Bill 349 strikes out the following language in TRC § 303(a.3): "...or under section 179 of the Internal Revenue Code of 1986 (26 U.S.C. § 179), whichever is earlier." Consequently, the IRC § 179 expense that is deductible for purposes of the Pennsylvania personal income tax (PIT) will be increased from \$25,000 to \$1,050,000, which is the current limit under federal law for tax year 2021. Going forward, the section 179 expense deduction allowable under Pennsylvania's PIT will conform to federal tax law.

This act shall take effect in 60 days.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **FISCAL IMPACT:**

Senate Bill 349 will reduce General Fund revenue of the Commonwealth. The Pennsylvania Department of Revenue prepared the following fiscal impact analysis with regard to personal income tax collections. The fiscal impact decreases in each full fiscal year because greater one-time expense write-offs up front cause smaller deductions to be taken in future years when depreciation expenses would otherwise occur:

- FY 2021-22 - (\$2.9 million)
- FY 2022-23 - (\$17.9 million)
- FY 2023-24 - (\$14.2 million)
- FY 2024-25 - (\$10.1 million)
- FY 2025-26 - (\$6.7 million)