

**TAX REFORM CODE OF 1971 - AMEND CORPORATION INTERESTS IN
UNINCORPORATED ENTITIES FOR CORPORATE NET INCOME TAX, CAPITAL STOCK
AND FRANCHISE TAX**

Act of Dec. 30, 2002, P.L. 2080, No. 232

Cl. 72

Session of 2002

No. 2002-232

SB 958

AN ACT

Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An act relating to tax reform and State taxation by codifying and enumerating certain subjects of taxation and imposing taxes thereon; providing procedures for the payment, collection, administration and enforcement thereof; providing for tax credits in certain cases; conferring powers and imposing duties upon the Department of Revenue, certain employers, fiduciaries, individuals, persons, corporations and other entities; prescribing crimes, offenses and penalties," further providing for corporation interests in unincorporated entities for purposes of corporate net income tax and capital stock and franchise tax and for applicability.

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

Section 1. Sections 402.2 and 602.6 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, added June 29, 2002 (P.L.559, No.89), are amended to read:

Section 402.2. Interests in Unincorporated Entities.--[For]

(a) Except as set forth in subsection (b), for purposes of this article, a corporation's interest in an entity which is not a corporation shall be considered a direct ownership interest in the assets of the entity rather than an intangible interest.

(b) Subsection (a) does not apply to a corporation's interest in an entity described in section 401(1)1 or section 401(1)2.

Section 602.6. Interest in Unincorporated Entities.--[For] **(a)**

Except as set forth in subsection (b), for purposes of this article, a corporation's interest in an entity which is not a corporation shall be considered a direct ownership interest in the assets of the entity rather than an intangible interest.

(b) Subsection (a) does not apply to a corporation's interest in an entity described in section 601(a)(B)(1) or (2) of the definition of "corporation."

Section 2. The General Assembly finds and declares that the amendment of sections 402.2 and 602.6 of the act are intended to clarify existing law and shall not be construed to change that law.

Section 3. This act shall take effect immediately.

APPROVED--The 30th day of December, A. D. 2002.

MARK S. SCHWEIKER