

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 870 Session of
2007

INTRODUCED BY TURZAI, BOYD, CAPPELLI, CAUSER, CLYMER, COX,
CREIGHTON, DALLY, ELLIS, EVERETT, FAIRCHILD, GABIG, GEIST,
GIBBONS, GILLESPIE, GINGRICH, GRELL, HENNESSEY, HERSHEY,
HESS, HUTCHINSON, KAUFFMAN, KILLION, KOTIK, MARSHALL,
MARSICO, McILHATTAN, METCALFE, R. MILLER, MUSTIO, PHILLIPS,
PICKETT, RAPP, REED, REICHLEY, ROHRER, SCAVELLO, S. H. SMITH,
SONNEY, R. STEVENSON, WATSON AND YOUNGBLOOD, MARCH 19, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 19, 2007

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," further providing, in personal income tax, for
11 definitions and for classes of income and, in corporate net
12 income taxes, for definitions.

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

15 Section 1. Section 301(1.2) of the act of March 4, 1971
16 (P.L.6, No.2), known as the Tax Reform Code of 1971, added
17 December 3, 1993 (P.L.473, No.68), is amended and the section is
18 amended by adding a clause to read:

19 Section 301. Definitions.--Any reference in this article to
20 the Internal Revenue Code of 1986 shall mean the Internal

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
2 as amended to January 1, 1997, unless the reference contains the
3 phrase "as amended" and refers to no other date, in which case
4 the reference shall be to the Internal Revenue Code of 1986 as
5 it exists as of the time of application of this article. The
6 following words, terms and phrases when used in this article
7 shall have the meaning ascribed to them in this section except
8 where the context clearly indicates a different meaning:

9 * * *

10 (1.2) "Intellectual property" means property that derives
11 from the work of the mind or intellect that has commercial
12 value, including copyrighted property such as literary or
13 artistic works, and ideational property, including patents,
14 appellations of origin, business methods and industrial
15 processes.

16 (1.3) "Investment company" includes any incorporated or
17 unincorporated enterprise registered with the Federal Securities
18 and Exchange Commission under the Investment Company Act of 1940
19 (54 Stat. 789, 15 U.S.C. § 80a-1 et seq.).

20 * * *

21 Section 2. Section 303(a)(4) of the act, added August 31,
22 1971 (P.L.362, No.93), is amended to read:

23 Section 303. Classes of Income.--(a) The classes of income
24 referred to above are as follows:

25 * * *

26 (4) Net gains or income derived from or in the form of
27 rents, royalties, patents and copyrights[.] except net gains or
28 income derived from or in the form of rents, royalties, patents
29 and copyrights derived from intellectual property.

30 * * *

1 Section 3. Section 401(3)1 of the act is amended by adding a
2 paragraph to read:

3 Section 401. Definitions.--The following words, terms, and
4 phrases, when used in this article, shall have the meaning
5 ascribed to them in this section, except where the context
6 clearly indicates a different meaning:

7 * * *

8 (3) "Taxable Income." 1. * * *

9 (t) An additional deduction shall be allowed from taxable
10 income in the amount of any income derived from or in the form
11 of rents, royalties, patents and copyrights derived from
12 intellectual property. As used in this paragraph, "intellectual
13 property" shall be defined as provided in section 301.

14 Section 4. This act shall take effect immediately.