

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1447 Session of
1978

INTRODUCED BY ORLANDO, CORMAN, HAGER, ZEMPRELLI, KUSSE, HOPPER
AND FLEMING, APRIL 18, 1978

REFERRED TO FINANCE, APRIL 18, 1978

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 for taxable income for
11 corporate net income tax purposes.

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

14 Section 1. Subclause 1 of clause (3) of section 401, act of
15 March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of
16 1971," amended August 31, 1971 (P.L.362, No.93) and September 9,
17 1971 (P.L.437, No.105), is amended to read:

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

22 * * *

1 (3) "Taxable income." 1. In case the entire business of the
2 corporation is transacted within this Commonwealth, for any
3 taxable year which begins on or after January 1, 1971, taxable
4 income for the calendar year or fiscal year as returned to and
5 ascertained by the Federal Government, or in the case of a
6 corporation participating in the filing of consolidated returns
7 to the Federal Government, the taxable income which would have
8 been returned to and ascertained by the Federal Government if
9 separate returns had been made to the Federal Government for the
10 current and prior taxable years, subject, however, to any
11 correction thereof, for fraud, evasion, or error as finally
12 ascertained by the Federal Government: Provided, That additional
13 deductions shall be allowed from taxable income on account of
14 any dividends received from any other corporation but only to
15 the extent that such dividends are included in taxable income as
16 returned to and ascertained by the Federal Government: Provided
17 further, That additional deductions shall be allowed from
18 taxable income in an amount equal to the amount of any reduction
19 in an employer's deduction for wages and salaries as required by
20 section 280C of the Internal Revenue Code as a result of the
21 employer taking a credit for "new jobs" pursuant to section 44B
22 of the Internal Revenue Code: Provided further, That taxable
23 income will include the sum of the following tax preference
24 items as defined in section 57 of the Internal Revenue Code, as
25 amended, (i) excess investment interest; (ii) accelerated
26 depreciation on real property; (iii) accelerated depreciation on
27 personal property subject to a net lease; (iv) amortization of
28 certified pollution control facilities; (v) amortization of
29 railroad rolling stock; (vi) stock options; (vii) reserves for
30 losses on bad debts of financial institutions; (viii) and

1 capital gains but only to the extent that such preference items
2 are not included in "taxable income" as returned to and
3 ascertained by the Federal Government. No deduction shall be
4 allowed for net operating losses sustained by the corporation
5 during any other fiscal or calendar year. In the case of
6 regulated investment companies as defined by the Internal
7 Revenue Code of 1954, as amended, "taxable income" shall be
8 investment company taxable income as defined in the aforesaid
9 Internal Revenue Code of 1954, as amended. In arriving at
10 "taxable income" for Federal tax purposes for any taxable year
11 beginning on or after January 1, 1971, any corporate net income
12 tax due to the Commonwealth pursuant to the provisions of this
13 article shall not be allowed as a deduction and the amount of
14 corporate tax so due and excluded from Federal taxable income
15 under the Internal Revenue Code shall not be apportioned but
16 shall be subject to tax at the rate imposed under this article.

17 * * *

18 Section 2. This act shall take effect immediately and shall
19 be retroactive to tax years commencing on or after January 1,
20 1977.