

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 743

Session of
1983

INTRODUCED BY TRELLO, COY, RYBAK, MANMILLER, BOYES, WOGAN,
HALUSKA, GREENWOOD, D. R. WRIGHT, HASAY, DAWIDA, BATTISTO,
WILSON, GRUPPO, BOWSER, BLAUM, SEVENTY, DeLUCA, ALDERETTE,
B. SMITH, BURD, MERRY, CIVERA, RICHARDSON, PETRARCA,
PETERSON, DURHAM, PISTELLA, CAWLEY AND McINTYRE, APRIL 11,
1983

AS AMENDED ON SECOND CONSIDERATION, IN SENATE, NOVEMBER 16, 1983

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 exclusions from sales tax, <—
11 FOR A MINIMUM TAX FOR CAPITAL STOCK AND FOREIGN FRANCHISE TAX
12 PURPOSES, FOR AN ELECTION IN COMPUTING FRANCHISE TAX AND FOR
13 THE CALCULATION OF TAX WHEN TAX RATES ARE CHANGED DURING A
14 TAX YEAR; PROVIDING FOR THE TAX TREATMENT OF PENNSYLVANIA S
15 CORPORATIONS AND THEIR SHAREHOLDERS; DEFINING THE PHRASE
16 "INSTALLMENT SALES METHOD OF REPORTING"; AND FURTHER DEFINING
17 "SALES" FOR THE PURPOSE OF APPORTIONMENT OF INCOME AND, IN
18 CERTAIN CASES, APPORTIONMENT OF CAPITAL STOCK VALUE.

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

21 Section 1. Section 204 of the act of March 4, 1971 (P.L.6,
22 No.2), known as the Tax Reform Code of 1971, is amended by
23 adding a clause to read:

1 Section 204. Exclusions from Tax.--The tax imposed by
2 section 202 shall not be imposed upon

3 * * *

4 (44) The sale at retail or use of firewood. For the purpose
5 of this clause, firewood shall mean the product of trees when
6 severed from the land and cut into proper lengths for burning
7 and used for fuel for cooking, hot water production or to heat
8 residential dwellings.

9 ~~Section 2. This act shall take effect in 60 days.~~ <—

10 SECTION 2. SECTION 301(A), (C), (K), (L) AND (W) OF THE ACT, <—
11 ADDED AUGUST 31, 1971 (P.L.362, NO.93) AND CLAUSE (K) AMENDED
12 NOVEMBER 23, 1976 (P.L.1158, NO.256), ARE AMENDED AND CLAUSES
13 ARE ADDED TO READ:

14 SECTION 301. DEFINITIONS.--THE FOLLOWING WORDS, TERMS AND
15 PHRASES WHEN USED IN THIS ARTICLE SHALL HAVE THE MEANING
16 ASCRIBED TO THEM IN THIS SECTION EXCEPT WHERE THE CONTEXT
17 CLEARLY INDICATES A DIFFERENT MEANING. ANY REFERENCE IN THIS
18 ARTICLE TO THE INTERNAL REVENUE CODE SHALL INCLUDE THE INTERNAL
19 REVENUE CODE OF 1954, AS AMENDED TO THE DATE ON WHICH THIS
20 ARTICLE IS EFFECTIVE:

21 (A) "ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES" MEANS <—
22 THOSE ACCOUNTING PRINCIPLES, SYSTEMS OR PRACTICES, INCLUDING THE
23 INSTALLMENT SALES METHOD OF REPORTING, WHICH ARE ACCEPTABLE BY
24 STANDARDS OF THE ACCOUNTING PROFESSION AND WHICH ARE NOT
25 INCONSISTENT WITH THE REGULATIONS OF THE DEPARTMENT SETTING
26 FORTH SUCH PRINCIPLES AND PRACTICES.

27 * * *

28 (C) "BUSINESS" MEANS AN ENTERPRISE, ACTIVITY, PROFESSION,
29 VOCATION, TRADE, JOINT VENTURE, COMMERCE OR ANY OTHER
30 UNDERTAKING OF ANY NATURE WHEN ENGAGED IN AS COMMERCIAL

ENTERPRISE AND CONDUCTED FOR PROFIT OR ORDINARILY CONDUCTED FOR
PROFIT, WHETHER BY AN INDIVIDUAL, PARTNERSHIP, PENNSYLVANIA S
CORPORATION, ASSOCIATION OR OTHER UNINCORPORATED ENTITY.

* * *

(K) "INCOME FROM SOURCES WITHIN THIS COMMONWEALTH" FOR A
NONRESIDENT INDIVIDUAL, ESTATE OR TRUST MEANS THE SAME AS
COMPENSATION, NET PROFITS, GAINS, DIVIDENDS, INTEREST OR INCOME
ENUMERATED AND CLASSIFIED UNDER SECTION 303 OF THIS ARTICLE TO
THE EXTENT THAT IT IS EARNED, RECEIVED OR ACQUIRED FROM SOURCES
WITHIN THIS COMMONWEALTH:

(1) BY REASON OR OWNERSHIP OR DISPOSITION OF ANY INTEREST IN
REAL OR TANGIBLE PERSONAL PROPERTY IN THIS COMMONWEALTH; OR

(2) IN CONNECTION WITH A TRADE, PROFESSION, OCCUPATION
CARRIED ON IN THIS COMMONWEALTH OR FOR THE RENDITION OF PERSONAL
SERVICES PERFORMED IN THIS COMMONWEALTH; OR

(3) AS A DISTRIBUTIVE SHARE OF THE INCOME OF AN
UNINCORPORATED BUSINESS, PENNSYLVANIA S CORPORATION, PROFESSION,
ENTERPRISE, UNDERTAKING OR OTHER ACTIVITY AS THE RESULT OF WORK
DONE, SERVICES RENDERED OR OTHER BUSINESS ACTIVITIES CONDUCTED
IN THIS COMMONWEALTH, EXCEPT AS ALLOCATED TO ANOTHER STATE
PURSUANT TO REGULATIONS PROMULGATED BY THE DEPARTMENT UNDER THIS
ARTICLE; OR

(4) FROM INTANGIBLE PERSONAL PROPERTY EMPLOYED IN A TRADE,
PROFESSION, OCCUPATION OR BUSINESS CARRIED ON IN THIS
COMMONWEALTH.

PROVIDED, HOWEVER, THAT "INCOME FROM SOURCES WITHIN THIS
COMMONWEALTH" FOR A NONRESIDENT INDIVIDUAL, ESTATE OR TRUST
SHALL NOT INCLUDE ANY ITEMS OF INCOME ENUMERATED ABOVE RECEIVED
OR ACQUIRED FROM AN INVESTMENT COMPANY REGISTERED WITH THE
FEDERAL SECURITIES AND EXCHANGE COMMISSION UNDER THE INVESTMENT

COMPANY ACT OF 1940.

(L) "INDIVIDUAL" MEANS A NATURAL PERSON AND SHALL INCLUDE THE MEMBERS OF A PARTNERSHIP OR ASSOCIATION AND THE SHAREHOLDERS OF A PENNSYLVANIA S CORPORATION.

(L.1) "INSTALLMENT SALES METHOD OF REPORTING" MEANS THE METHOD BY WHICH A TAXPAYER REPORTS THE GAIN UPON THE SALE OF TANGIBLE PERSONAL PROPERTY OR REAL PROPERTY WHEN AT LEAST ONE PAYMENT IS TO BE RECEIVED IN ANY TAXABLE YEAR FOLLOWING THE TAXABLE YEAR OF SALE, WHETHER SUCH PROPERTY IS SOLD OR OTHERWISE DISPOSED OF IN AN ISOLATED TRANSACTION OR FROM THE INVENTORY OF A DEALER OR BROKER. TAXPAYERS MAY ELECT TO ALLOCATE THE GAIN UPON SUCH TRANSACTIONS IN EQUAL PROPORTION TO EACH PAYMENT TO BE RECEIVED. TAXPAYERS WHO DO NOT ELECT TO ALLOCATE THE GAIN UPON SUCH TRANSACTIONS IN EQUAL PROPORTION TO EACH PAYMENT RECEIVED SHALL REPORT ALL GAINS UPON THE SALE IN THE TAXABLE YEAR IN WHICH THE TRANSACTION OCCURRED. FOR THE PURPOSES OF THIS DEFINITION: (I) THE GAIN UPON THE TRANSACTION SHALL BE THE DIFFERENCE BETWEEN THE SALES PRICE AND THE SELLER'S BASIS IN THE PROPERTY; AND (II) THE SALES PRICE SHALL BE THE FACE AMOUNT OF THE EVIDENCE OF INDEBTEDNESS GIVEN IN EXCHANGE FOR THE PROPERTY SOLD OR OTHERWISE DISPOSED OF TOGETHER WITH THE VALUE OF ANY OTHER CONSIDERATION RECEIVED BY THE SELLER. WHERE THE EVIDENCE OF INDEBTEDNESS FAILS TO STATE A PRICE, THE EVIDENCE OF INDEBTEDNESS WILL BE VALUED AT THE FAIR MARKET VALUE OF THE PROPERTY SOLD, LESS THE VALUE OF OTHER PROPERTY OR CASH RECEIVED IN THE SAME TRANSACTION. THE INSTALLMENT SALES METHOD OF REPORTING SHALL NOT BE USED FOR TRANSACTIONS THE OBJECT OF WHICH IS THE LENDING OF MONEY OR THE RENDERING OF SERVICES.

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(N.1) "PENNSYLVANIA S CORPORATION" MEANS ANY SMALL

1 CORPORATION AS DEFINED IN SECTION 301(S.2) WHICH HAS A VALID
2 ELECTION UNDER SECTION 307 IN EFFECT.

3 * * *

4 (S.2) "SMALL CORPORATION" MEANS ANY CORPORATION WHICH HAS A
5 VALID ELECTION IN EFFECT UNDER SUBCHAPTER S OF CHAPTER 1 OF THE
6 INTERNAL REVENUE CODE OF 1954, AS AMENDED AS OF JANUARY 1, 1983,
7 AND WHICH DOES NOT HAVE PASSIVE INVESTMENT INCOME IN EXCESS OF
8 TWENTY-FIVE PERCENT OF ITS GROSS RECEIPTS. FOR PURPOSES OF THIS
9 CLAUSE, PASSIVE INVESTMENT INCOME MEANS GROSS RECEIPTS DERIVED
10 FROM ROYALTIES, RENTS, DIVIDENDS, INTEREST, ANNUITIES AND SALES
11 OR EXCHANGES OF STOCK OR SECURITIES (GROSS RECEIPTS FROM SUCH
12 SALES OR EXCHANGES BEING TAKEN INTO ACCOUNT ONLY TO THE EXTENT
13 OF GAINS THEREFROM).

14 * * *

15 (W) "TAXPAYER" MEANS ANY INDIVIDUAL, ESTATE OR TRUST SUBJECT
16 TO THE TAX IMPOSED BY THIS ARTICLE, ANY PARTNERSHIP HAVING A
17 PARTNER WHO IS A TAXPAYER UNDER THIS ACT, ANY PENNSYLVANIA S
18 CORPORATION HAVING A SHAREHOLDER WHO IS A TAXPAYER UNDER THIS
19 ACT AND ANY EMPLOYER REQUIRED TO WITHHOLD TAX ON COMPENSATION
20 PAID.

21 SECTION 3. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

22 SECTION 302.1. RATE CHANGES OCCURRING DURING THE TAXABLE
23 YEAR.--NOTWITHSTANDING THE PROVISIONS OF SECTION 302, THE TAX
24 RATE TO BE USED FOR THE COMPUTATION OF TAX FOR ANY TAXABLE YEAR
25 WHERE THE RATE CHANGES DURING THE TAXABLE YEAR SHALL BE THE
26 MONTHLY WEIGHTED AVERAGE OF THE RATES APPLICABLE DURING THE
27 TAXABLE YEAR, REGARDLESS OF WHEN DURING THE TAXABLE YEAR THE
28 INCOME IS RECEIVED. THE RATE IMPOSED BY SECTION 302 WILL BE USED
29 TO DETERMINE WITHHOLDING AND ESTIMATED TAX LIABILITY UNDER
30 SECTIONS 316 AND 325. SECTION 316.

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SECTION 4. ARTICLE III OF THE ACT IS AMENDED BY ADDING A
PART TO READ:

ARTICLE III

PERSONAL INCOME TAX

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PART IV-A

PENNSYLVANIA S CORPORATIONS

SECTION 307. ELECTION BY SMALL CORPORATION.--EXCEPT AS
PROVIDED IN SECTION 307.6, ANY SMALL CORPORATION MAY ELECT NOT
TO BE SUBJECT TO THE TAX IMPOSED UNDER ARTICLE IV. SUCH ELECTION
SHALL BE VALID ONLY IF ALL THE SHAREHOLDERS OF THE CORPORATION
ON THE DAY ON WHICH THE ELECTION IS MADE CONSENT TO THE
ELECTION.

SECTION 307.1. MANNER OF MAKING ELECTION.--(A) AN ELECTION
MADE PURSUANT TO SECTION 307 SHALL BE MADE IN SUCH MANNER AS
PRESCRIBED BY THE DEPARTMENT.

(B) AN ELECTION UNDER SECTION 307 MAY BE MADE FOR ANY
TAXABLE YEAR AT ANY TIME DURING THE PRECEDING TAXABLE YEAR OR AT
ANY TIME ON OR BEFORE THE FIFTEENTH DAY OF THE THIRD MONTH OF
THE CURRENT TAXABLE YEAR.

SECTION 307.2. EFFECTIVE YEARS OF ELECTION.--AN ELECTION
MADE PURSUANT TO SECTION 307 SHALL BE EFFECTIVE FOR THE TAXABLE
YEAR FOR WHICH THE ELECTION IS MADE AND FOR EACH SUCCEEDING
TAXABLE YEAR UNLESS REVOKED OR TERMINATED.

SECTION 307.3. REVOCATION OF ELECTION.--(A) AN ELECTION
UNDER SECTION 307 MAY BE REVOKED IF SHAREHOLDERS HOLDING MORE
THAN ONE-HALF OF THE SHARES OF STOCK OF THE CORPORATION ON THE
DAY ON WHICH THE REVOCATION IS MADE CONSENT TO THE REVOCATION.

(B) EXCEPT AS PROVIDED IN SUBSECTION (C), A REVOCATION UNDER
SUBSECTION (A) SHALL BE EFFECTIVE ON THE FIRST DAY OF THE

1 TAXABLE YEAR IF MADE ON OR BEFORE THE FIFTEENTH DAY OF THE THIRD
2 MONTH THEREOF; IF THE REVOCATION IS MADE AFTER SUCH DATE, IT
3 SHALL BE EFFECTIVE FOR THE FOLLOWING TAXABLE YEAR.

4 (C) IF THE REVOCATION SPECIFIES A DATE FOR REVOCATION WHICH
5 IS ON OR AFTER THE DAY ON WHICH THE REVOCATION IS MADE, THE
6 REVOCATION SHALL BE EFFECTIVE ON AND AFTER THE DATE SO
7 SPECIFIED.

8 SECTION 307.4. TERMINATION BY CORPORATION CEASING TO BE A
9 SMALL CORPORATION.--(A) IF A CORPORATION CEASES TO BE A SMALL
10 CORPORATION, AS DEFINED IN SECTION 301(S.2), THE ELECTION UNDER
11 SECTION 307 SHALL TERMINATE.

12 (B) SUCH TERMINATION SHALL BE EFFECTIVE ON THE DATE ON WHICH
13 THE CORPORATION CEASES TO BE A SMALL CORPORATION, AS DEFINED IN
14 SECTION 301(S.2).

15 SECTION 307.5. REVOCATION OR TERMINATION YEAR.--(A) THE
16 PORTION OF THE REVOCATION OR TERMINATION YEAR OF A PENNSYLVANIA
17 S CORPORATION ENDING BEFORE THE FIRST DAY FOR WHICH THE
18 REVOCATION OR TERMINATION IS EFFECTIVE SHALL BE TREATED AS A
19 SHORT TAXABLE YEAR FOR WHICH THE CORPORATION IS A PENNSYLVANIA S
20 CORPORATION.

21 (B) THE PORTION OF SUCH YEAR BEGINNING ON THE FIRST DAY FOR
22 WHICH THE REVOCATION OR TERMINATION IS EFFECTIVE SHALL BE
23 TREATED AS A SHORT TAXABLE YEAR FOR WHICH THE CORPORATION IS
24 SUBJECT TO THE TAX IMPOSED BY ARTICLE IV.

25 (C) THE ALLOCATION OF INCOME AND EXPENSE ITEMS TO BE TAKEN
26 INTO CONSIDERATION IN EACH SHORT YEAR SHALL BE MADE IN
27 ACCORDANCE WITH SUCH REGULATIONS AS MAY BE ISSUED BY THE
28 DEPARTMENT.

29 SECTION 307.6. ELECTION AFTER REVOCATION OR TERMINATION.--IF
30 A CORPORATION HAS MADE AN ELECTION UNDER SECTION 307 AND IF SUCH

1 ELECTION HAS BEEN REVOKED OR TERMINATED, SUCH CORPORATION, AND
2 ANY SUCCESSOR CORPORATION, SHALL NOT BE ELIGIBLE TO MAKE AN
3 ELECTION UNDER SECTION 307 FOR ANY TAXABLE YEAR PRIOR TO ITS
4 FIFTH TAXABLE YEAR WHICH BEGINS AFTER THE FIRST TAXABLE YEAR FOR
5 WHICH SUCH REVOCATION OR TERMINATION IS EFFECTIVE.

6 SECTION 307.7. TAXABLE YEAR OF A PENNSYLVANIA S
7 CORPORATION.--THE TAXABLE YEAR OF A PENNSYLVANIA S CORPORATION
8 SHALL BE THE SAME TAXABLE YEAR WHICH THE CORPORATION USES FOR
9 FEDERAL INCOME TAX PURPOSES.

10 SECTION 307.8. INCOME OF A PENNSYLVANIA S CORPORATION.--(A)
11 A PENNSYLVANIA S CORPORATION AS SUCH SHALL NOT BE SUBJECT TO THE
12 TAX IMPOSED BY THIS ARTICLE, BUT THE SHAREHOLDERS OF THE
13 PENNSYLVANIA S CORPORATION SHALL BE SUBJECT TO THE TAX IMPOSED
14 UNDER THIS ARTICLE AS PROVIDED IN THIS ARTICLE.

15 (B) NO DEDUCTION SHALL BE ALLOWED FOR TAXES BASED ON INCOME
16 OR TAXES PAID BY THE PENNSYLVANIA S CORPORATION PURSUANT TO
17 SUBCHAPTER S OF CHAPTER 1 OR SECTION 58(D) OF THE INTERNAL
18 REVENUE CODE OF 1954, AS AMENDED AS OF JANUARY 1, 1983.

19 (C) IF A PENNSYLVANIA S CORPORATION MAKES A DISTRIBUTION OF
20 PROPERTY, OTHER THAN AN OBLIGATION OF SUCH CORPORATION, WITH
21 RESPECT TO ITS STOCK AND THE FAIR MARKET VALUE OF SUCH PROPERTY
22 EXCEEDS ITS ADJUSTED BASIS IN THE HANDS OF THE CORPORATION, THEN
23 GAIN SHALL BE RECOGNIZED ON THE DISTRIBUTION AS IF THE PROPERTY
24 HAD BEEN SOLD TO THE DISTRIBUTE AT ITS FAIR MARKET VALUE.

25 (D) ANY ELECTION WHICH MAY AFFECT THE COMPUTATION OF ITEMS
26 DERIVED FROM A PENNSYLVANIA S CORPORATION SHALL BE MADE BY THE
27 CORPORATION.

28 (E) ANY DEDUCTION, EXCEPT A NET ~~OPERATING~~ LOSS DEDUCTION,
29 WHICH WAS DISALLOWED WHEN A CORPORATION WAS SUBJECT TO THE TAX
30 IMPOSED UNDER ARTICLE IV SHALL BE ALLOWED IN YEARS IN WHICH THE

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1 CORPORATION IS A PENNSYLVANIA S CORPORATION TO THE SAME EXTENT
2 AND IN THE SAME MANNER THAT THE DEDUCTION WOULD HAVE BEEN
3 ALLOWED IF THE CORPORATION HAD REMAINED SUBJECT TO THE TAX
4 IMPOSED UNDER ARTICLE IV.

5 SECTION 307.9. INCOME OF PENNSYLVANIA S CORPORATIONS TAXED
6 TO SHAREHOLDERS.--(A) EACH SHAREHOLDER OF A PENNSYLVANIA S
7 CORPORATION SHALL TAKE INTO INCOME SUCH SHAREHOLDER'S PRO RATA
8 SHARE OF THE INCOME OR LOSS IN EACH APPLICABLE CLASS OF INCOME
9 RECEIVED BY THE CORPORATION FOR ITS TAXABLE YEAR ENDING WITHIN
10 OR WITH THE SHAREHOLDER'S TAXABLE YEAR.

11 (B) EACH SHAREHOLDER'S PRO RATA SHARE OF ANY ITEM FOR ANY
12 TAXABLE YEAR SHALL BE THE SUM OF THE AMOUNTS DETERMINED WITH
13 RESPECT TO THE SHAREHOLDER BY ASSIGNING AN EQUAL PORTION OF ALL
14 ITEMS TO EACH DAY OF THE TAXABLE YEAR AND THEN BY DIVIDING THAT
15 PORTION PRO RATA AMONG THE SHARES OUTSTANDING ON SUCH DAY.

16 (C) THE CHARACTER OF ANY ITEM INCLUDED IN THE SHAREHOLDER'S
17 PRO RATA SHARE SHALL BE DETERMINED AS IF SUCH ITEM ~~WAS~~ WERE <—
18 REALIZED DIRECTLY BY THE SHAREHOLDER FROM THE SOURCE FROM WHICH
19 IT WAS REALIZED BY THE CORPORATION OR INCURRED IN THE SAME
20 MANNER AS INCURRED BY THE CORPORATION.

21 (D) WITH RESPECT TO ANY DEDUCTION ALLOWED PURSUANT TO
22 SECTION 307.8(E), ANY NONRESIDENT SHAREHOLDER SHALL BE ALLOWED
23 SUCH DEDUCTION ONLY TO THE EXTENT THAT THE PREVIOUSLY DISALLOWED
24 DEDUCTION WOULD HAVE BEEN CONSIDERED A DEDUCTION RELATED TO
25 INCOME FROM SOURCES WITHIN THIS COMMONWEALTH, WITHIN THE MEANING
26 OF SECTION 301(K), DURING THE TAXABLE YEAR WHEN THE DEDUCTION
27 WAS DISALLOWED.

28 SECTION 307.10. LIMITATION ON PASS-THRU OF LOSSES TO
29 SHAREHOLDERS.--(A) THE AGGREGATE AMOUNT OF LOSSES TAKEN INTO
30 ACCOUNT BY A SHAREHOLDER OF A PENNSYLVANIA S CORPORATION UNDER

1 SECTION 307.9 SHALL NOT EXCEED THE SUM OF THE ADJUSTED BASIS OF
2 THE SHAREHOLDER'S STOCK IN THE PENNSYLVANIA S CORPORATION,
3 DETERMINED AFTER APPLYING SECTION 307.11(A) FOR THE TAXABLE YEAR
4 AND THE SHAREHOLDER'S ADJUSTED BASIS OF ANY INDEBTEDNESS OF THE
5 PENNSYLVANIA S CORPORATION TO THE SHAREHOLDER, DETERMINED BEFORE
6 APPLYING SECTION 307.11(D) FOR THE TAXABLE YEAR.

7 (B) THERE SHALL BE NO CARRYOVER OF LOSSES BY THE
8 SHAREHOLDERS OF THE PENNSYLVANIA S CORPORATION.

9 SECTION 307.11. ADJUSTMENTS TO THE BASIS OF THE STOCK OF
10 SHAREHOLDERS.--(A) THE BASIS OF THE STOCK OF ANY SHAREHOLDER IN
11 A PENNSYLVANIA S CORPORATION SHALL BE INCREASED FOR ANY PERIOD <—
12 BY HIS SHARE OF THE CORPORATION'S INCOME, INCLUDING NONTAXABLE
13 INCOME, AS DETERMINED UNDER SECTION 307.9.

14 (B) THE BASIS OF ANY SHAREHOLDER'S STOCK IN A PENNSYLVANIA S
15 CORPORATION SHALL BE DECREASED FOR ANY PERIOD, BUT NOT BELOW <—
16 ZERO, BY ANY DISTRIBUTION BY THE CORPORATION TO THE SHAREHOLDER
17 WHICH WAS NOT INCLUDED IN THE INCOME OF THE SHAREHOLDER PURSUANT
18 TO SECTION 307.12 AND BY HIS SHARE OF THE CORPORATION'S LOSSES
19 AS DETERMINED UNDER SECTION 307.9 TO THE EXTENT THAT THE LOSS
20 REDUCED THE SHAREHOLDER'S INCOME SUBJECT TO THE TAX IMPOSED
21 UNDER THIS ARTICLE OR A TAX MEASURED BY NET INCOME, IMPOSED ON
22 THE SHAREHOLDER BY ANY OTHER STATE.

23 (C) IF FOR ANY TAXABLE YEAR ANY SHAREHOLDER'S BASIS IN THE
24 STOCK OF A PENNSYLVANIA S CORPORATION IS REDUCED TO ZERO, ANY
25 EXCESS LOSSES WILL REDUCE THE SHAREHOLDER'S BASIS, BUT NOT BELOW
26 ZERO, IN ANY INDEBTEDNESS OF THE PENNSYLVANIA S CORPORATION TO
27 THE SHAREHOLDER.

28 (D) IF A SHAREHOLDER'S BASIS IN ANY INDEBTEDNESS IS REDUCED
29 UNDER SUBSECTION (C) OF THIS SECTION, THEN SUCH REDUCTION SHALL
30 BE RESTORED BEFORE THE SHAREHOLDER'S BASIS IN THE PENNSYLVANIA S

1 CORPORATION'S STOCK IS INCREASED.

2 SECTION 307.12. DISTRIBUTIONS.--(A) A DISTRIBUTION OF
3 PROPERTY BY A PENNSYLVANIA S CORPORATION WHICH HAS NO
4 ACCUMULATED EARNINGS AND PROFITS TO A SHAREHOLDER OF THE
5 CORPORATION SHALL NOT BE INCLUDED IN THE SHAREHOLDER'S INCOME TO
6 THE EXTENT THAT IT DOES NOT EXCEED THE SHAREHOLDER'S ADJUSTED
7 BASIS IN THE STOCK. ANY AMOUNT OF THE DISTRIBUTION IN EXCESS OF
8 THE ADJUSTED BASIS IN THE STOCK SHALL BE TREATED AS A GAIN FROM
9 THE SALE, EXCHANGE OR OTHER DISPOSITION OF PROPERTY.

10 (B) A DISTRIBUTION OF PROPERTY BY A PENNSYLVANIA S
11 CORPORATION WHICH HAS ACCUMULATED EARNINGS AND PROFITS SHALL BE
12 TREATED IN THE SAME MANNER AS A DISTRIBUTION BY A PENNSYLVANIA S
13 CORPORATION WITHOUT EARNINGS AND PROFITS TO THE EXTENT OF THE
14 CORPORATION'S ACCUMULATED ADJUSTMENT ACCOUNT. THAT PORTION OF
15 THE DISTRIBUTION IN EXCESS OF THE ACCUMULATED ADJUSTMENT ACCOUNT
16 WILL BE TREATED AS A DIVIDEND TO THE EXTENT OF THE ACCUMULATED
17 EARNINGS AND PROFITS OF THE CORPORATION. ANY PORTION OF THE
18 DISTRIBUTION IN EXCESS OF THE ACCUMULATED EARNINGS AND PROFITS
19 OF THE CORPORATION SHALL BE TREATED IN THE SAME MANNER AS A
20 DISTRIBUTION FROM A PENNSYLVANIA S CORPORATION WITHOUT
21 ACCUMULATED EARNINGS AND PROFITS.

22 (C) ACCUMULATED ADJUSTMENT ACCOUNT MEANS AN ACCOUNT OF THE
23 PENNSYLVANIA S CORPORATION WHICH IS CUMULATIVELY ADJUSTED FOR
24 THE MOST RECENT CONTINUOUS PERIOD DURING WHICH THE CORPORATION
25 HAS BEEN A PENNSYLVANIA S CORPORATION BY INCREASING THE ACCOUNT
26 FOR CORPORATE INCOME AND DECREASING THE ACCOUNT FOR CORPORATE
27 LOSSES AND ALL DISTRIBUTIONS OF PROPERTY BY THE CORPORATION TO
28 THE SHAREHOLDERS WHICH WERE NOT INCLUDED IN THE INCOME OF THE
29 SHAREHOLDERS: PROVIDED, THAT NO ADJUSTMENT SHALL BE MADE FOR ANY
30 INCOME OR LOSS NOT IN ANY OF THE CLASSES OF INCOME ENUMERATED IN

1 SECTION 303 OR FOR ANY NON-DEDUCTIBLE EXPENSE.

2 (D) IN THE CASE OF A NON-PRO RATA DISTRIBUTION OF PROPERTY,
3 THE ADJUSTMENT SHALL BE LIMITED TO AN AMOUNT WHICH BEARS THE
4 SAME RATIO TO THE BALANCE IN SUCH ACCOUNT AS THE NUMBER OF
5 SHARES SOLD, EXCHANGED OR OTHERWISE DISPOSED OF BEARS TO THE
6 NUMBER OF SHARES IN THE CORPORATION OUTSTANDING IMMEDIATELY
7 BEFORE SUCH SALE, EXCHANGE OR DISPOSITION.

8 SECTION 5. SECTION 314 OF THE ACT, ADDED AUGUST 31, 1971
9 (P.L.362, NO.93), IS AMENDED TO READ:

10 SECTION 314. INCOME TAXES IMPOSED BY OTHER STATES.--(A) A
11 RESIDENT TAXPAYER BEFORE ALLOWANCE OF ANY CREDIT UNDER SECTION
12 312 SHALL BE ALLOWED A CREDIT AGAINST THE TAX OTHERWISE DUE
13 UNDER THIS ARTICLE FOR THE AMOUNT OF ANY INCOME TAX, WAGE TAX OR
14 TAX ON OR MEASURED BY GROSS OR NET EARNED OR UNEARNED INCOME
15 IMPOSED ON HIM OR ON A PENNSYLVANIA S CORPORATION IN WHICH HE IS
16 A SHAREHOLDER, TO THE EXTENT OF HIS PRO RATA SHARE THEREOF
17 DETERMINED IN ACCORDANCE WITH SECTION 307.9, BY ANOTHER STATE
18 WITH RESPECT TO INCOME WHICH IS ALSO SUBJECT TO TAX UNDER THIS
19 ARTICLE.

20 (B) THE CREDIT PROVIDED UNDER THIS SECTION SHALL NOT EXCEED
21 THE PROPORTION OF THE TAX OTHERWISE DUE UNDER THIS ARTICLE THAT
22 THE AMOUNT OF THE TAXPAYER'S INCOME SUBJECT TO TAX BY THE OTHER
23 JURISDICTION BEARS TO HIS ENTIRE TAXABLE INCOME.

24 SECTION 6. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

25 SECTION 330.1. RETURN OF PENNSYLVANIA S CORPORATION.--(A)
26 EVERY PENNSYLVANIA S CORPORATION SHALL MAKE A RETURN FOR EACH
27 TAXABLE YEAR, STATING SPECIFICALLY ALL ITEMS OF GROSS INCOME AND
28 DEDUCTIONS, THE NAMES AND ADDRESSES OF ALL PERSONS OWNING STOCK
29 IN THE CORPORATION AT ANY TIME DURING THE TAXABLE YEAR, THE
30 NUMBER OF SHARES OF STOCK OWNED BY EACH SHAREHOLDER AT ALL TIMES

1 DURING THE TAXABLE YEAR, THE AMOUNT OF MONEY AND OTHER PROPERTY
2 DISTRIBUTED BY THE CORPORATION DURING THE TAXABLE YEAR TO EACH
3 SHAREHOLDER, THE DATE OF EACH DISTRIBUTION, EACH SHAREHOLDER'S
4 PRO RATA SHARE OF EACH ITEM OF THE CORPORATION FOR THE TAXABLE
5 YEAR AND SUCH OTHER INFORMATION AS THE DEPARTMENT MAY REQUIRE.

6 (B) THE RETURN SHALL BE FILED ON OR BEFORE THE DATE WHEN THE
7 CORPORATION'S FEDERAL INCOME TAX RETURN IS DUE.

8 (C) EVERY PENNSYLVANIA S CORPORATION SHALL ALSO SUBMIT TO
9 THE DEPARTMENT A TRUE COPY OF THE INCOME TAX RETURN FILED WITH
10 THE FEDERAL GOVERNMENT AT THE TIME THE RETURN REQUIRED UNDER
11 SUBSECTION (A) IS FILED.

12 SECTION 7. SECTIONS 401(1), 401(3)1. AND 401(3)2.(A)(1)(E)
13 OF THE ACT, AMENDED DECEMBER 21, 1981 (P.L.482, NO.141), ARE
14 AMENDED AND A SUBCLAUSE IS ADDED TO READ:

15 SECTION 401. DEFINITIONS.--THE FOLLOWING WORDS, TERMS, AND
16 PHRASES, WHEN USED IN THIS ARTICLE, SHALL HAVE THE MEANING
17 ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT
18 CLEARLY INDICATES A DIFFERENT MEANING:

19 (1) "CORPORATION." A CORPORATION HAVING CAPITAL STOCK,
20 JOINT-STOCK ASSOCIATION, OR LIMITED PARTNERSHIP EITHER ORGANIZED
21 UNDER THE LAWS OF THIS COMMONWEALTH, THE UNITED STATES, OR ANY
22 OTHER STATE, TERRITORY, OR FOREIGN COUNTRY, OR DEPENDENCY, AND
23 (I) DOING BUSINESS IN THIS COMMONWEALTH; OR (II) CARRYING ON
24 ACTIVITIES IN THIS COMMONWEALTH; (III) HAVING CAPITAL OR
25 PROPERTY EMPLOYED OR USED IN THIS COMMONWEALTH; OR (IV) OWNING
26 PROPERTY IN THIS COMMONWEALTH, BY OR IN THE NAME OF ITSELF, OR
27 ANY PERSON, PARTNERSHIP, ASSOCIATION, LIMITED PARTNERSHIP,
28 JOINT-STOCK ASSOCIATION OR CORPORATION. THE WORD "CORPORATION"
29 SHALL NOT INCLUDE BUILDING AND LOAN ASSOCIATIONS, BANKS, BANK
30 AND TRUST COMPANIES, NATIONAL BANKS, SAVINGS INSTITUTIONS, TRUST

COMPANIES, INSURANCE AND SURETY COMPANIES AND PENNSYLVANIA S
CORPORATIONS.

* * *

(3) "TAXABLE INCOME." 1. (A) IN CASE THE ENTIRE BUSINESS
OF THE CORPORATION IS TRANSACTED WITHIN THIS COMMONWEALTH, FOR
ANY TAXABLE YEAR WHICH BEGINS ON OR AFTER JANUARY 1, 1971,
TAXABLE INCOME FOR THE CALENDAR YEAR OR FISCAL YEAR AS RETURNED
TO AND ASCERTAINED BY THE FEDERAL GOVERNMENT, OR IN THE CASE OF
A CORPORATION PARTICIPATING IN THE FILING OF CONSOLIDATED
RETURNS TO THE FEDERAL GOVERNMENT, THE TAXABLE INCOME WHICH
WOULD HAVE BEEN RETURNED TO AND ASCERTAINED BY THE FEDERAL
GOVERNMENT IF SEPARATE RETURNS HAD BEEN MADE TO THE FEDERAL
GOVERNMENT FOR THE CURRENT AND PRIOR TAXABLE YEARS, SUBJECT,
HOWEVER, TO ANY CORRECTION THEREOF, FOR FRAUD, EVASION, OR ERROR
AS FINALLY ASCERTAINED BY THE FEDERAL GOVERNMENT.

(B) ADDITIONAL DEDUCTIONS SHALL BE ALLOWED FROM TAXABLE
INCOME ON ACCOUNT OF ANY DIVIDENDS RECEIVED FROM ANY OTHER
CORPORATION BUT ONLY TO THE EXTENT THAT SUCH DIVIDENDS ARE
INCLUDED IN TAXABLE INCOME AS RETURNED TO AND ASCERTAINED BY THE
FEDERAL GOVERNMENT.

(C) FURTHER ADDITIONAL DEDUCTIONS SHALL BE ALLOWED FROM
TAXABLE INCOME IN AN AMOUNT EQUAL TO THE AMOUNT OF ANY REDUCTION
IN AN EMPLOYER'S DEDUCTION FOR WAGES AND SALARIES AS A RESULT OF
THE EMPLOYER TAKING A CREDIT FOR "NEW JOBS" OR "TARGETED JOBS"
PURSUANT TO SECTION 44B OR SECTION 51 OF THE INTERNAL REVENUE
CODE.

(D) TAXABLE INCOME WILL INCLUDE THE SUM OF THE FOLLOWING TAX
PREFERENCE ITEMS AS DEFINED IN SECTION 57 OF THE INTERNAL
REVENUE CODE, AS AMENDED, (I) EXCESS INVESTMENT INTEREST; (II)
ACCELERATED DEPRECIATION ON REAL PROPERTY; (III) ACCELERATED

1 DEPRECIATION ON PERSONAL PROPERTY SUBJECT TO A NET LEASE; (IV)
2 AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES; (V)
3 AMORTIZATION OF RAILROAD ROLLING STOCK; (VI) STOCK OPTIONS;
4 (VII) RESERVES FOR LOSSES ON BAD DEBTS OF FINANCIAL
5 INSTITUTIONS; (VIII) CAPITAL GAINS; AND (IX) ACCELERATED COST
6 RECOVERY DEDUCTION UNDER SECTION 57(A)(12)(B) OF THE INTERNAL
7 REVENUE CODE, BUT ONLY TO THE EXTENT THAT SUCH PREFERENCE ITEMS
8 ARE NOT INCLUDED IN "TAXABLE INCOME" AS RETURNED TO AND
9 ASCERTAINED BY THE FEDERAL GOVERNMENT.

10 (E) TAXABLE INCOME FOR TAX YEARS ENDING IN 1981, 1982 AND
11 1983 WILL ALSO INCLUDE THE AMOUNT OF THE DEDUCTION RELATED TO
12 DEPRECIATION CLAIMED AND ALLOWABLE UNDER SECTION 168,
13 ACCELERATED COST RECOVERY SYSTEM, INTERNAL REVENUE CODE OF 1954,
14 AS AMENDED BY THE ECONOMIC RECOVERY TAX ACT OF 1981, OTHER THAN
15 ITEMS OF TAX PREFERENCE UNDER SECTION 57 WHICH HAVE BEEN
16 INCLUDED IN TAXABLE INCOME.

17 (F) FOR THE TAX YEARS BEGINNING AND ENDING IN 1981 AND 1982
18 A DEDUCTION SHALL BE ALLOWED FROM TAXABLE INCOME TO THE EXTENT
19 OF THE DEDUCTION FOR DEPRECIATION WHICH WOULD HAVE BEEN
20 ALLOWABLE ON SUCH RECOVERY PROPERTY UNDER SECTION 167 OF THE
21 INTERNAL REVENUE CODE OF 1954, AS AMENDED, PRIOR TO AMENDMENT BY
22 THE ECONOMIC RECOVERY TAX ACT OF 1981.

23 (G) FOR THE TAX YEAR BEGINNING AND ENDING IN 1983 A
24 DEDUCTION SHALL BE ALLOWED FROM TAXABLE INCOME TO THE EXTENT OF
25 THE DEDUCTION FOR DEPRECIATION WHICH WOULD HAVE BEEN ALLOWABLE
26 ON SUCH RECOVERY PROPERTY UNDER SECTION 167 OF THE INTERNAL
27 REVENUE CODE OF 1954, AS AMENDED, PRIOR TO AMENDMENT BY THE
28 ECONOMIC RECOVERY TAX ACT OF 1981, PLUS AN ADDITIONAL DEDUCTION
29 TO THE EXTENT OF ONE-HALF OF THE DEDUCTION RELATED TO
30 DEPRECIATION CLAIMED AND ALLOWABLE ON SUCH RECOVERY PROPERTY

1 UNDER SECTION 168 OF THE INTERNAL REVENUE CODE OF 1954, AS
2 AMENDED, IN EXCESS OF THE DEDUCTION FOR DEPRECIATION WHICH WOULD
3 HAVE BEEN ALLOWABLE ON SUCH RECOVERY PROPERTY UNDER SECTION 167
4 OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED, PRIOR TO
5 AMENDMENT BY THE ECONOMIC RECOVERY TAX ACT OF 1981, IF ANY.

6 (H) FOR TAX YEARS BEGINNING IN 1984, AND FOR SUBSEQUENT
7 YEARS, THERE SHALL BE ALLOWED AS A DEDUCTION RELATED TO
8 DEPRECIATION THE AMOUNT ALLOWABLE UNDER SECTION 168 OF THE
9 INTERNAL REVENUE CODE, AS AMENDED, WITH RESPECT TO RECOVERY
10 PROPERTY.

11 (I) FOR ALL RECOVERY PROPERTY THE AMOUNTS DISALLOWED AS A
12 CONSEQUENCE OF THE AFORESAID ADJUSTMENTS SHALL BE RECOVERED BY
13 AN ADDITIONAL DEDUCTION FROM TAXABLE INCOME RETURNED TO AND
14 ASCERTAINED BY THE FEDERAL GOVERNMENT IN TAX YEARS COMMENCING IN
15 1984 OF ONE-FOURTH OF THE SUM PER YEAR OR TEN THOUSAND DOLLARS
16 (\$10,000) PER YEAR, WHICHEVER IS GREATER, UNTIL THE TOTAL AMOUNT
17 HAS BEEN RECOVERED.

18 (J) IN THE CASE OF FISCAL YEAR TAXPAYERS, THE DEDUCTION FROM
19 TAXABLE INCOME RELATED TO DEPRECIATION SHALL BE PRORATED SO AS
20 TO REFLECT THE RELATIVE PORTIONS OF EACH OF THE CALENDAR YEARS
21 1981, 1982 AND 1983 INCLUDED IN THE TAXPAYER'S FISCAL YEAR, IN A
22 MANNER PURSUANT TO REGULATIONS TO BE PROMULGATED BY THE
23 SECRETARY.

24 (K) A TAXPAYER REPORTING ON A 52-53 WEEK BASIS WHICH CLOSES
25 ITS FISCAL YEAR ON ANY OF THE LAST SEVEN DAYS IN DECEMBER OR THE
26 FIRST SEVEN DAYS OF JANUARY IS DEEMED A CALENDAR YEAR TAXPAYER
27 WITH A YEAR ENDING DATE OF DECEMBER 31.

28 (L) FOR THE PURPOSE OF COMPUTING THE DEPRECIATION DEDUCTION
29 WHICH WOULD HAVE BEEN ALLOWABLE UNDER SECTION 167 OF THE
30 INTERNAL REVENUE CODE OF 1954, AS AMENDED, PRIOR TO AMENDMENT BY

1 THE ECONOMIC RECOVERY TAX ACT OF 1981: (I) TAX PREFERENCE ITEMS
2 AS SET FORTH ABOVE SHALL NOT BE INCLUDED; (II) PROPERTY SHALL BE
3 DEPRECIATED FOR A PERIOD AND WITH A METHOD CONSISTENT WITH THAT
4 EMPLOYED FOR SIMILAR PROPERTY IN PRIOR YEARS; AND (III) FOR
5 TAXABLE YEARS 1982 AND 1983, NO DEDUCTION SHALL BE ALLOWED FOR
6 ADDITIONAL FIRST YEAR DEPRECIATION ON SECTION 179 PROPERTY.

7 (M) NO DEDUCTION SHALL BE ALLOWED FOR [NET OPERATING LOSSES
8 SUSTAINED BY THE CORPORATION DURING ANY OTHER FISCAL OR CALENDAR
9 YEAR: PROVIDED, THAT FOR THE CALENDAR YEAR 1981 AND FISCAL YEARS
10 BEGINNING IN 1981 AND THEREAFTER, A] THE AMOUNT OF THE NET
11 OPERATING LOSS[, AS PROVIDED BY] DEDUCTION TAKEN UNDER SECTION
12 172 OF THE INTERNAL REVENUE CODE[, SHALL BE ALLOWED AS A
13 DEDUCTION AND A CARRYOVER PURSUANT TO THE FOLLOWING SCHEDULE:

14	NET OPERATING LOSS FOR YEAR	CARRYOVER
15	1981	1 YEAR
16	1982	2 YEARS
17	1983 AND THEREAFTER	3 YEARS

18 THE NET OPERATING LOSS SHALL BE CARRIED TO THE EARLIEST OF THE
19 TAXABLE YEARS TO WHICH, UNDER THIS SCHEDULE, SUCH LOSS MAY FIRST
20 BE CARRIED].

21 (N) IN THE CASE OF REGULATED INVESTMENT COMPANIES AS DEFINED
22 BY THE INTERNAL REVENUE CODE OF 1954, AS AMENDED, "TAXABLE
23 INCOME" SHALL BE INVESTMENT COMPANY TAXABLE INCOME AS DEFINED IN
24 THE AFORESAID INTERNAL REVENUE CODE OF 1954, AS AMENDED.

25 (O) IN ARRIVING AT "TAXABLE INCOME" FOR FEDERAL TAX PURPOSES
26 FOR ANY TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 1981, NO
27 DEDUCTION SHALL BE ALLOWED FOR TAXES IMPOSED ON OR MEASURED BY
28 NET INCOME.

29 ~~(P) NO LOSS SHALL BE A CARRYOVER FROM A TAXABLE YEAR WHEN~~
30 ~~THE CORPORATION ELECTS TO BE TREATED AS A PENNSYLVANIA S~~

<—

~~CORPORATION PURSUANT TO SECTION 307 OF ARTICLE III OF THIS ACT
TO A TAXABLE YEAR WHEN THE CORPORATION IS SUBJECT TO THE TAX
IMPOSED UNDER THIS ARTICLE.~~

~~(Q) PARAGRAPH (P) SHALL NOT PREVENT A TAXABLE YEAR WHEN A
CORPORATION IS A PENNSYLVANIA S CORPORATION FROM BEING
CONSIDERED A TAXABLE YEAR FOR DETERMINING THE NUMBER OF YEARS TO
WHICH A NET OPERATING LOSS MAY BE A CARRYOVER.~~

~~(R) FOR PURPOSES OF THE NET OPERATING LOSS DEDUCTION, THE
SHORT TAXABLE YEAR OF A CORPORATION, AFTER THE REVOCATION OR
TERMINATION OF AN ELECTION TO BE TREATED AS A PENNSYLVANIA S
CORPORATION PURSUANT TO SECTIONS 307.3 AND 307.4 OF ARTICLE III
OF THIS ACT, SHALL BE TREATED AS A TAXABLE YEAR.~~

2. IN CASE THE ENTIRE BUSINESS OF ANY CORPORATION, OTHER
THAN A CORPORATION ENGAGED IN DOING BUSINESS AS A REGULATED
INVESTMENT COMPANY AS DEFINED BY THE INTERNAL REVENUE CODE OF
1954, AS AMENDED, IS NOT TRANSACTED WITHIN THIS COMMONWEALTH,
THE TAX IMPOSED BY THIS ARTICLE SHALL BE BASED UPON SUCH PORTION
OF THE TAXABLE INCOME OF SUCH CORPORATION FOR THE FISCAL OR
CALENDAR YEAR, AS DEFINED IN SUBCLAUSE 1 HEREOF, AND MAY BE
DETERMINED AS FOLLOWS:

(A) DIVISION OF INCOME.

(1) AS USED IN THIS DEFINITION, UNLESS THE CONTEXT OTHERWISE
REQUIRES:

* * *

(E) "SALES" MEANS ALL GROSS RECEIPTS OF THE TAXPAYER NOT
ALLOCATED UNDER THIS DEFINITION OTHER THAN DIVIDENDS RECEIVED,
INTEREST ON UNITED STATES, STATE OR POLITICAL SUBDIVISION
OBLIGATIONS AND GROSS RECEIPTS HERETOFORE OR HEREAFTER RECEIVED
FROM THE SALE, REDEMPTION, MATURITY OR EXCHANGE OF SECURITIES,
EXCEPT THOSE HELD BY THE TAXPAYER PRIMARILY FOR SALE TO

1 CUSTOMERS IN THE ORDINARY COURSE OF ITS TRADE OR BUSINESS.

2 * * *

3 4. (A) FOR TAXABLE YEARS BEGINNING IN 1982 AND THEREAFTER,
4 A NET LOSS DEDUCTION SHALL BE ALLOWED FROM TAXABLE INCOME AS
5 ARRIVED AT UNDER SUBCLAUSE 1, OR IF APPLICABLE, SUBCLAUSE 2.

6 (B) A NET LOSS FOR A TAXABLE YEAR IS THE NEGATIVE AMOUNT FOR
7 SAID TAXABLE YEAR DETERMINED UNDER SUBCLAUSE 1, OR IF
8 APPLICABLE, SUBCLAUSE 2. FOR THE PURPOSE OF CALCULATING A NET <—
9 LOSS PURSUANT TO SUBCLAUSE 2, NEGATIVE NEGATIVE AMOUNTS UNDER <—
10 SUBCLAUSE 1 SHALL BE ALLOCATED AND APPORTIONED IN THE SAME
11 MANNER AS POSITIVE AMOUNTS.

12 (C) THE NET LOSS DEDUCTION SHALL BE THE LESSER OF THE AMOUNT
13 OF THE NET LOSS OR LOSSES WHICH MAY BE CARRIED OVER TO THE
14 TAXABLE YEAR OR TAXABLE INCOME AS DETERMINED UNDER SUBCLAUSE 1,
15 OR IF APPLICABLE, SUBCLAUSE 2. A NET LOSS FOR A TAXABLE YEAR MAY
16 ONLY BE CARRIED OVER PURSUANT TO THE FOLLOWING SCHEDULE:

<u>TAXABLE YEAR</u>	<u>CARRYOVER</u>
<u>1981</u>	<u>1 YEAR</u>
<u>1982</u>	<u>2 YEARS</u>
<u>1983 AND THEREAFTER</u>	<u>3 YEARS</u>

21 THE EARLIEST NET LOSS SHALL BE CARRIED OVER TO THE EARLIEST
22 TAXABLE YEAR TO WHICH IT MAY BE CARRIED UNDER THIS SCHEDULE.

23 (D) NO LOSS SHALL BE A CARRYOVER FROM A TAXABLE YEAR WHEN <—
24 THE CORPORATION ELECTS TO BE TREATED AS A PENNSYLVANIA S
25 CORPORATION PURSUANT TO SECTION 307 OF ARTICLE III OF THIS ACT
26 TO A TAXABLE YEAR WHEN THE CORPORATION IS SUBJECT TO THE TAX
27 IMPOSED UNDER THIS ARTICLE.

28 (E) PARAGRAPH (D) SHALL NOT PREVENT A TAXABLE YEAR WHEN A
29 CORPORATION IS A PENNSYLVANIA S CORPORATION FROM BEING
30 CONSIDERED A TAXABLE YEAR FOR DETERMINING THE NUMBER OF YEARS TO

1 WHICH A NET LOSS MAY BE A CARRYOVER.

2 (F) FOR PURPOSES OF THE NET LOSS DEDUCTION, THE SHORT
3 TAXABLE YEAR OF A CORPORATION, AFTER THE REVOCATION OR
4 TERMINATION OF AN ELECTION TO BE TREATED AS A PENNSYLVANIA S
5 CORPORATION PURSUANT TO SECTIONS 307.3 AND 307.4 OF ARTICLE III
6 OF THIS ACT, SHALL BE TREATED AS A TAXABLE YEAR.

7 SECTION 8. SECTION 602 OF THE ACT, AMENDED AUGUST 31, 1971
8 (P.L.362, NO.93), JULY 20, 1974 (P.L.542, NO.186) AND JULY 1,
9 1978 (P.L.594, NO.114), IS AMENDED TO READ:

10 SECTION 602. IMPOSITION OF TAX.--(A) THAT EVERY DOMESTIC
11 CORPORATION OTHER THAN CORPORATIONS OF THE FIRST CLASS,
12 NONPROFIT CORPORATIONS, AND COOPERATIVE AGRICULTURAL
13 ASSOCIATIONS NOT HAVING CAPITAL STOCK AND NOT CONDUCTED FOR
14 PROFIT, AND EVERY JOINT-STOCK ASSOCIATION, LIMITED PARTNERSHIP,
15 AND COMPANY WHATSOEVER, FROM WHICH A REPORT IS REQUIRED UNDER
16 SECTION 601 HEREOF, SHALL BE SUBJECT TO, AND PAY INTO THE
17 TREASURY OF THE COMMONWEALTH ANNUALLY, THROUGH THE DEPARTMENT OF
18 REVENUE, A TAX WHICH IS THE GREATER OF (I) SEVENTY-FIVE DOLLARS
19 (\$75) OR (II) THE AMOUNT COMPUTED AT THE RATE OF TEN MILLS, UPON
20 EACH DOLLAR OF THE ACTUAL VALUE OF ITS WHOLE CAPITAL STOCK OF
21 ALL KINDS, INCLUDING COMMON, SPECIAL, AND PREFERRED, AS
22 ASCERTAINED IN THE MANNER PRESCRIBED IN SECTION 601, FOR THE
23 CALENDAR YEAR 1971 AND THE FISCAL YEAR BEGINNING IN 1971 AND
24 EACH YEAR THEREAFTER, EXCEPT THAT ANY DOMESTIC CORPORATION,
25 LIMITED PARTNERSHIP, JOINT-STOCK ASSOCIATION OR COMPANY SUBJECT
26 TO THE TAX PRESCRIBED HEREIN MAY ELECT TO COMPUTE AND PAY ITS
27 TAX UNDER AND IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION
28 (B) OF THIS SECTION 602: PROVIDED, THAT EXCEPT FOR THE
29 IMPOSITION OF THE SEVENTY-FIVE DOLLAR (\$75) MINIMUM TAX, THE
30 PROVISIONS OF THIS SECTION SHALL NOT APPLY TO THE TAXATION OF

1 THE CAPITAL STOCK OF CORPORATIONS, LIMITED PARTNERSHIPS AND
2 JOINT-STOCK ASSOCIATIONS ORGANIZED FOR MANUFACTURING,
3 PROCESSING, RESEARCH OR DEVELOPMENT PURPOSES, WHICH IS INVESTED
4 IN AND ACTUALLY AND EXCLUSIVELY EMPLOYED IN CARRYING ON
5 MANUFACTURING, PROCESSING, RESEARCH OR DEVELOPMENT WITHIN THE
6 STATE, EXCEPT SUCH COMPANIES AS ENJOY AND EXERCISE THE RIGHT OF
7 EMINENT DOMAIN, BUT EVERY CORPORATION, LIMITED PARTNERSHIP OR
8 JOINT-STOCK ASSOCIATION ORGANIZED FOR THE PURPOSE OF
9 MANUFACTURING, PROCESSING, RESEARCH OR DEVELOPMENT EXCEPT SUCH
10 COMPANIES AS ENJOY AND EXERCISE THE RIGHT OF EMINENT DOMAIN
11 SHALL PAY THE STATE TAX OF THE GREATER OF (I) SEVENTY-FIVE
12 DOLLARS (\$75) OR (II) THE AMOUNT COMPUTED AT THE RATE OF TEN
13 MILLS [HEREIN PROVIDED], UPON SUCH PROPORTION OF ITS CAPITAL
14 STOCK, IF ANY, AS MAY BE INVESTED IN ANY PROPERTY OR BUSINESS
15 NOT STRICTLY INCIDENT OR APPURTENANT TO THE MANUFACTURING,
16 PROCESSING, RESEARCH OR DEVELOPMENT BUSINESS, IN ADDITION TO THE
17 LOCAL TAXES ASSESSED UPON ITS PROPERTY IN THE DISTRICT WHERE
18 LOCATED, IT BEING THE OBJECT OF THIS PROVISIO TO RELIEVE FROM
19 STATE TAXATION, EXCEPT FOR IMPOSITION OF THE SEVENTY-FIVE DOLLAR
20 (\$75) MINIMUM TAX UNDER THIS SECTION, ONLY SO MUCH OF THE
21 CAPITAL STOCK AS IS INVESTED PURELY IN THE MANUFACTURING,
22 PROCESSING, RESEARCH OR DEVELOPMENT PLANT AND BUSINESS.

23 (B) (1) EVERY FOREIGN CORPORATION, JOINT-STOCK ASSOCIATION,
24 LIMITED PARTNERSHIP, AND COMPANY WHATSOEVER, FROM WHICH A REPORT
25 IS REQUIRED UNDER SECTION 601 HEREOF, SHALL BE SUBJECT TO AND
26 PAY INTO THE TREASURY OF THE COMMONWEALTH ANNUALLY, THROUGH THE
27 DEPARTMENT OF REVENUE, A FRANCHISE TAX WHICH IS THE GREATER OF
28 (I) SEVENTY-FIVE DOLLARS (\$75) OR (II) THE AMOUNT COMPUTED AT
29 THE RATE OF TEN MILLS FOR THE CALENDAR YEAR 1971 AND THE FISCAL
30 YEAR BEGINNING IN 1971 AND EACH YEAR THEREAFTER, UPON A TAXABLE

1 VALUE TO BE DETERMINED IN THE FOLLOWING MANNER. THE ACTUAL VALUE
2 OF ITS WHOLE CAPITAL STOCK OF ALL KINDS, INCLUDING COMMON,
3 SPECIAL, AND PREFERRED, SHALL BE ASCERTAINED IN THE MANNER
4 PRESCRIBED IN SECTION 601 OF THIS ARTICLE. THE TAXABLE VALUE
5 SHALL THEN BE DETERMINED BY EMPLOYING THE RELEVANT APPORTIONMENT
6 FACTORS SET FORTH IN ARTICLE IV: PROVIDED, THAT THE
7 MANUFACTURING, PROCESSING, RESEARCH AND DEVELOPMENT EXEMPTIONS
8 AS CONTAINED UNDER SECTION 602 (A) SHALL ALSO APPLY TO FOREIGN
9 CORPORATIONS AND IN DETERMINING THE RELEVANT APPORTIONMENT
10 FACTORS THE NUMERATOR OF THE PROPERTY, PAYROLL, OR SALES FACTORS
11 SHALL NOT INCLUDE ANY PROPERTY PAYROLL OR SALES ATTRIBUTABLE TO
12 MANUFACTURING, PROCESSING, RESEARCH OR DEVELOPMENT ACTIVITIES IN
13 THE COMMONWEALTH. ANY FOREIGN CORPORATION, JOINT-STOCK
14 ASSOCIATION, LIMITED PARTNERSHIP OR COMPANY SUBJECT TO THE TAX
15 PRESCRIBED IN SECTION 602(A) HEREIN MAY ELECT TO COMPUTE AND PAY <—
16 ITS TAX UNDER SECTION 602(A): PROVIDED, THAT ANY FOREIGN
17 CORPORATION, JOINT-STOCK ASSOCIATION, LIMITED PARTNERSHIP OR
18 COMPANY ELECTING TO COMPUTE AND PAY ITS TAX UNDER SECTION 602(A)
19 SHALL BE TREATED AS IF IT WERE A DOMESTIC CORPORATION FOR THE
20 PURPOSE OF DETERMINING WHICH OF ITS ASSETS ARE EXEMPT FROM
21 TAXATION AND FOR THE PURPOSE OF DETERMINING THE PROPORTION OF
22 THE VALUE OF ITS CAPITAL STOCK WHICH IS SUBJECT TO TAXATION.

23 (2) THE PROVISIONS OF THIS ARTICLE SHALL APPLY TO THE
24 TAXATION OF CORPORATIONS, LIMITED PARTNERSHIPS AND JOINT-STOCK
25 ASSOCIATIONS ORGANIZED FOR MANUFACTURING, PROCESSING, RESEARCH
26 OR DEVELOPMENT PURPOSES, BUT SHALL NOT APPLY TO SUCH COMPANIES
27 AS ENJOY AND EXERCISE THE RIGHT OF EMINENT DOMAIN.

28 (C) THE TERM PROCESSING, AS USED IN THIS SECTION, SHALL MEAN
29 AND BE LIMITED TO THE FOLLOWING ACTIVITIES WHEN ENGAGED IN AS A
30 BUSINESS ENTERPRISE:

1 (1) THE COOKING OR FREEZING OF FRUITS, VEGETABLES,
2 MUSHROOMS, FISH, SEAFOOD, MEATS OR POULTRY, WHEN THE PERSON
3 ENGAGED IN SUCH BUSINESS PACKAGES SUCH PROPERTY IN SEALED
4 CONTAINERS FOR WHOLESALE DISTRIBUTION.

5 (2) THE SCOURING, CARBONIZING, CORDING, COMBING, THROWING,
6 TWISTING OR WINDING OF NATURAL OR SYNTHETIC FIBERS, OR THE
7 SPINNING, BLEACHING, DYEING, PRINTING OR FINISHING OF YARNS OR
8 FABRICS, WHEN SUCH ACTIVITIES ARE PERFORMED PRIOR TO SALE TO THE
9 ULTIMATE CONSUMER.

10 (3) THE ELECTROPLATING, GALVANIZING, ENAMELING, ANODIZING,
11 COLORING, FINISHING, IMPREGNATING OR HEAT TREATING OF METALS OR
12 PLASTICS FOR SALE OR IN THE PROCESS OF MANUFACTURING.

13 (4) THE ROLLING, DRAWING OR EXTRUDING OF FERROUS AND
14 NONFERROUS METALS.

15 (5) THE FABRICATION FOR SALE OF ORNAMENTAL OR STRUCTURAL
16 METAL OR METAL STAIRS, STAIRCASES, GRATINGS, FIRE ESCAPES OR
17 RAILINGS, (NOT INCLUDING FABRICATION WORK DONE AT THE
18 CONSTRUCTION SITE).

19 (6) THE PREPARATION OF ANIMAL FEED OR POULTRY FEED FOR SALE.

20 (7) THE PRODUCTION, PROCESSING AND BOTTLING OF NONALCOHOLIC
21 BEVERAGES FOR WHOLESALE DISTRIBUTION.

22 (8) THE SLAUGHTERING AND DRESSING OF ANIMALS FOR MEAT TO BE
23 SOLD OR TO BE USED IN PREPARING MEAT PRODUCTS FOR SALE, AND THE
24 PREPARATION OF MEAT PRODUCTS, INCLUDING LARD, TALLOW, GREASE,
25 COOKING AND INEDIBLE OILS FOR WHOLESALE DISTRIBUTION.

26 (9) THE OPERATION OF A SAW MILL OR PLANING MILL FOR THE
27 PRODUCTION OF LUMBER OR LUMBER PRODUCTS FOR SALE.

28 (10) THE MILLING FOR SALE OF FLOUR OR MEAL FROM GRAINS.

29 (11) THE PUBLISHING OF BOOKS, NEWSPAPERS, MAGAZINES OR OTHER
30 PERIODICALS, PRINTING AND BROADCASTING RADIO AND TELEVISION

1 PROGRAMS BY LICENSED COMMERCIAL OR EDUCATIONAL STATIONS.

2 (12) THE PROCESSING OF USED LUBRICATING OILS.

3 (13) THE BLENDING, RECTIFICATION OR PRODUCTION BY
4 DISTILLATION OR OTHERWISE OF ALCOHOL OR ALCOHOLIC LIQUORS,
5 EXCEPT THE DISTILLATION OF ALCOHOL FROM BY-PRODUCTS OF WINE-
6 MAKING FOR THE SOLE PURPOSE OF FORTIFYING WINE.

7 (14) THE SALVAGING, RECYCLING OR RECLAIMING USED MATERIALS
8 TO BE RECYCLED INTO A MANUFACTURING PROCESS.

9 (D) "RESEARCH AND DEVELOPMENT" SHALL MEAN ACTIVITIES
10 RELATING TO THE DISCOVERY OF NEW AND THE REFINEMENT OF KNOWN
11 SUBSTANCES, PRODUCTS, PROCESSES, THEORIES AND IDEAS, BUT SHALL
12 NOT INCLUDE ACTIVITIES DIRECTED PRIMARILY TO THE ACCUMULATION OR
13 ANALYSIS OF COMMERCIAL, FINANCIAL OR MERCANTILE DATA.

14 (E) IT SHALL BE THE DUTY OF THE TREASURER OR OTHER OFFICERS
15 HAVING CHARGE OF ANY SUCH CORPORATION, JOINT-STOCK ASSOCIATION,
16 OR LIMITED PARTNERSHIP, UPON WHICH A TAX IS IMPOSED BY THIS
17 SECTION, TO TRANSMIT THE AMOUNT OF SAID TAX TO THE DEPARTMENT OF
18 REVENUE WITHIN THE TIME PRESCRIBED BY LAW: PROVIDED, THAT FOR
19 THE PURPOSES OF THIS ACT INTEREST IN LIMITED PARTNERSHIPS OR
20 JOINT-STOCK ASSOCIATIONS SHALL BE DEEMED TO BE CAPITAL STOCK,
21 AND TAXABLE ACCORDINGLY: PROVIDED, FURTHER, THAT CORPORATIONS,
22 LIMITED PARTNERSHIPS, AND JOINT-STOCK ASSOCIATIONS, LIABLE TO A
23 TAX UNDER THIS SECTION, SHALL NOT BE REQUIRED TO PAY ANY FURTHER
24 TAX ON THE MORTGAGES, BONDS, AND OTHER SECURITIES OWNED BY THEM
25 AND IN WHICH THE WHOLE BODY OF STOCKHOLDERS OR MEMBERS, AS SUCH,
26 HAVE THE ENTIRE EQUITABLE INTEREST IN REMAINDER; BUT
27 CORPORATIONS, LIMITED PARTNERSHIPS, AND JOINT-STOCK
28 ASSOCIATIONS, OWNING OR HOLDING SUCH SECURITIES AS TRUSTEES,
29 EXECUTORS, ADMINISTRATORS, GUARDIANS, OR IN ANY OTHER MANNER
30 THAN FOR THE WHOLE BODY OF STOCKHOLDERS OR MEMBERS THEREOF AS

1 SOLE EQUITABLE OWNERS IN REMAINDER, SHALL RETURN AND PAY THE TAX
2 IMPOSED BY THIS ACT UPON ALL SECURITIES SO OWNED OR HELD BY
3 THEM, AS IN THE CASE OF INDIVIDUALS.

4 (F) (1) ANY HOLDING COMPANY SUBJECT TO THE CAPITAL STOCK
5 TAX OR THE FRANCHISE TAX IMPOSED BY THIS SECTION MAY ELECT TO
6 COMPUTE SAID TAX BY APPLYING THE RATE OF TAX OF TEN MILLS, UPON
7 EACH DOLLAR TO TEN PER CENT OF THE ACTUAL VALUE OF ITS WHOLE
8 CAPITAL STOCK, BUT IN NO CASE SHALL THE TAX SO COMPUTED BE LESS
9 THAN SEVENTY-FIVE DOLLARS (\$75). IF EXERCISED, THIS ELECTION
10 SHALL BE IN LIEU OF ANY OTHER APPORTIONMENT OR ALLOCATION TO
11 WHICH SUCH COMPANY WOULD OTHERWISE BE ENTITLED.

12 (2) (I) THE TERM "HOLDING COMPANY" SHALL MEAN ANY
13 CORPORATION (I) AT LEAST NINETY PER CENT OF THE GROSS INCOME OF
14 WHICH FOR THE TAXABLE YEAR IS DERIVED FROM DIVIDENDS, INTEREST,
15 GAINS FROM THE SALE OR OTHER DISPOSITION OF STOCK OR SECURITIES
16 AND THE RENDITION OF MANAGEMENT AND ADMINISTRATIVE SERVICES TO
17 SUBSIDIARY CORPORATIONS, AND (II) AT LEAST SIXTY PER CENT OF THE
18 ACTUAL VALUE OF THE TOTAL ASSETS OF WHICH CONSISTS OF STOCK
19 SECURITIES OR INDEBTEDNESS OF SUBSIDIARY CORPORATIONS.

20 (II) THE TERM "SUBSIDIARY CORPORATION" SHALL MEAN ANY
21 CORPORATION, A MAJORITY OF THE TOTAL ISSUED AND OUTSTANDING
22 SHARES OF VOTING STOCK OF WHICH ARE OWNED BY THE TAXPAYER
23 CORPORATION DIRECTLY OR THROUGH ONE OR MORE INTERVENING
24 SUBSIDIARY CORPORATIONS.

25 (G) NOTWITHSTANDING ANY OTHER PROVISIONS CONTAINED IN THIS
26 SECTION 602, RELATING TO THE APPRAISAL, ALLOCATION OR
27 APPORTIONMENT OF THE VALUE OF THE CAPITAL STOCK OF A CORPORATION
28 SUBJECT TO TAX IN THE COMMONWEALTH OF PENNSYLVANIA, EVERY
29 DOMESTIC CORPORATION AND EVERY FOREIGN CORPORATION REGISTERED TO
30 DO BUSINESS IN PENNSYLVANIA AND (I) WHICH MAINTAINS AN OFFICE IN

1 PENNSYLVANIA AND (II) WHICH HAS FILED A TIMELY ELECTION TO BE
2 TAXED AS A REGULATED INVESTMENT COMPANY WITH THE FEDERAL
3 GOVERNMENT AND (III) WHICH DULY QUALIFIES TO BE TAXED AS A
4 REGULATED INVESTMENT COMPANY UNDER THE PROVISIONS OF THE
5 INTERNAL REVENUE CODE OF 1954 AS AMENDED, SHALL BE TAXED AS A
6 REGULATED INVESTMENT COMPANY AND SHALL BE SUBJECT TO THE CAPITAL
7 STOCK OR FRANCHISE TAX IMPOSED BY SECTION 602, WHICH TAX SHALL
8 BE THE GREATER OF (I) SEVENTY-FIVE DOLLARS (\$75) OR (II) THE
9 AMOUNT COMPUTED IN THE FOLLOWING MANNER:

10 (1) THE VALUE OF ITS CAPITAL STOCK SHALL BE DETERMINED BY
11 ADDING ITS NET ASSET VALUES AS OF THE LAST DAY OF EACH MONTH
12 DURING THE TAXABLE PERIOD OR YEAR AND DIVIDING THE TOTAL SUM BY
13 THE NUMBER OF MONTHS INVOLVED, FOR WHICH PURPOSE NET ASSET VALUE
14 MEANS THE ACTUAL MARKET VALUE OF ALL ASSETS OWNED BY SUCH
15 CORPORATION WITHOUT ANY EXEMPTIONS OR EXCLUSIONS LESS ALL OF ITS
16 LIABILITIES, DEBTS AND OTHER OBLIGATIONS.

17 (2) THE PROPORTION OF SUCH VALUE TAXABLE IN THIS
18 COMMONWEALTH AT THE RATE OF TEN MILLS, SHALL BE DETERMINED BY
19 APPLYING TO SUCH VALUE A FRACTION, THE NUMERATOR OF WHICH IS THE
20 SUM OF THE CORPORATION'S GROSS RECEIPTS FROM (I) SALES OF ITS
21 OWN SHARES TO PENNSYLVANIA INVESTORS AND (II) SALES OF ITS
22 PORTFOLIO SECURITIES WHERE THE ORDERS FOR SUCH SALES ARE PLACED
23 WITH OR CREDITED TO PENNSYLVANIA OFFICES OF REGISTERED
24 SECURITIES DEALERS AND THE DENOMINATOR OF WHICH FRACTION IS THE
25 CORPORATION'S TOTAL GROSS RECEIPTS FROM (I) SALES OF ITS OWN
26 SHARES AND (II) SALES OF ITS PORTFOLIO SECURITIES. PENNSYLVANIA
27 INVESTORS SHALL MEAN INDIVIDUALS RESIDING IN PENNSYLVANIA AT THE
28 TIME OF THE SALE OR CORPORATIONS OR OTHER ENTITIES HAVING THEIR
29 PRINCIPAL PLACE OF BUSINESS LOCATED IN PENNSYLVANIA AT SUCH
30 TIME.

1 (3) ANY REGULATED INVESTMENT COMPANY SHALL HAVE THE RIGHT
2 ANNUALLY, TO ELECT TO COMPUTE ITS CAPITAL STOCK OR FRANCHISE TAX
3 BY APPLYING THE RATE OF TAX OF TEN MILLS, UPON EACH DOLLAR TO
4 TEN PER CENT OF THE CAPITAL STOCK VALUE OF SUCH CORPORATION. IF
5 EXERCISED THIS ELECTION SHALL BE IN LIEU OF ANY OTHER
6 APPORTIONMENT OR ALLOCATION TO WHICH SUCH CORPORATION WOULD
7 OTHERWISE BE ENTITLED.

8 SECTION 9. SECTION 8 OF THIS ACT (SECTION 602) SHALL APPLY
9 TO THE CALENDAR YEAR 1983 AND FISCAL YEARS BEGINNING IN 1983 AND
10 EACH YEAR THEREAFTER.

11 SECTION 10. NOTHING CONTAINED IN SECTION 7 (SECTION
12 401(3)2.(A)(1)(E)) SHALL AFFECT OR IMPAIR LITIGATION RELATING TO
13 TAX YEARS PRIOR TO TAX YEARS TO WHICH THIS ACT APPLIES. THIS ACT
14 SHALL NOT BE CONSTRUED TO INDICATE THE INTENT OF THE GENERAL
15 ASSEMBLY WITH REGARD TO THE STATUS OF THE RELEVANT LAW OF THE
16 COMMONWEALTH PRIOR TO THIS ACT. PROVIDED, IT IS THE INTENT OF
17 THE GENERAL ASSEMBLY THAT FOR TAX YEARS PRIOR TO TAX YEARS TO
18 WHICH THIS ACT APPLIES FOR PURPOSES OF THE TAX IMPOSED BY
19 ARTICLE IV OF THE ACT OF MARCH 4, 1971 (P.L.6, NO.2), KNOWN AS
20 THE TAX REFORM CODE OF 1971, THE TERM "SALES" SHALL EXCLUDE
21 DIVIDENDS RECEIVED AND INTEREST ON UNITED STATES OBLIGATIONS,
22 AND FOR PURPOSES OF THE TAX IMPOSED BY ARTICLE VI OF THE TAX
23 REFORM CODE OF 1971, THE TERM "SALES" SHALL INCLUDE DIVIDENDS
24 RECEIVED AND INTEREST ON UNITED STATES OBLIGATIONS.

25 SECTION 11. FOR PURPOSES OF THE TAX IMPOSED UNDER ARTICLE IV
26 OF THE ACT OF MARCH 4, 1971 (P.L.6, NO.2), KNOWN AS THE TAX
27 REFORM CODE OF 1971, SECTION 7 (SECTION 401(3)2.(A)(1)(E)) SHALL
28 APPLY TO TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 1981; AND
29 FOR PURPOSES OF THE TAX IMPOSED BY ARTICLE VI OF THE TAX REFORM
30 CODE OF 1971, SECTION 7 (SECTION 401(3)2.(A)(1)(E)) SHALL APPLY

1 TO TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 1983.

2 SECTION 12. SECTION 7 (SECTION 401(3)1.(M), (N) AND (O) AND
3 401(3)4.) OF THIS ACT SHALL APPLY TO TAXABLE YEARS BEGINNING ON
4 OR AFTER JANUARY 1, 1982.

5 SECTION 13. THIS ACT AS IT RELATES TO S CORPORATIONS SHALL
6 BE APPLICABLE FOR CORPORATION TAX YEARS BEGINNING AFTER DECEMBER <—
7 31, 1983.

8 ~~SECTION 14. THE PROVISIONS OF THIS ACT RELATING TO S~~ <—
9 ~~CORPORATIONS ARE NONSEVERABLE. IF ANY PROVISION OF THIS ACT OR~~
10 ~~ITS APPLICATION TO ANY PERSON OR CIRCUMSTANCES IS HELD INVALID,~~
11 ~~THE REMAINING PROVISIONS OR APPLICATIONS OF THIS ACT ARE VOID.~~

12 SECTION 14. THE PROVISIONS OF THIS ACT RELATING TO THE <—
13 TAXATION OF PENNSYLVANIA S CORPORATIONS AND THE SHAREHOLDERS
14 THEREOF ARE NONSEVERABLE. IF ANY PROVISION OF THIS ACT RELATING
15 TO THE TAXATION OF PENNSYLVANIA S CORPORATIONS AND THE
16 SHAREHOLDERS THEREOF OR THE APPLICATION OF ANY SUCH PROVISION TO
17 ANY PERSON OR CIRCUMSTANCE IS HELD INVALID, THE REMAINING
18 PROVISIONS OR APPLICATIONS OF THIS ACT RELATING TO THE TAXATION
19 OF PENNSYLVANIA S CORPORATIONS AND THE SHAREHOLDERS THEREOF ARE
20 VOID.

21 SECTION 15. (A) SECTIONS 7 (SECTION 401(3)2.(A)(1)(E)) AND
22 8 (SECTION 602(B)(1) LAST SENTENCE) SHALL TAKE EFFECT
23 IMMEDIATELY.

24 (B) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT ~~IN 60 DAYS~~ <—
25 JANUARY 1, 1984. <—