

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2479 Session of  
1986

INTRODUCED BY WILSON AND TRELLO, MAY 6, 1986

REFERRED TO COMMITTEE ON FINANCE, MAY 6, 1986

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," reducing the rate of taxation imposed on personal  
11 income and on corporate net income; further defining "capital  
12 stock value" in relation to the capital stock franchise tax;  
13 and further providing for the phaseout of the prepayment  
14 schedule for capital stock taxes to a quarterly payment  
15 schedule.

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

18 Section 1. Section 302 of the act of March 4, 1971 (P.L.6,  
19 No.2), known as the Tax Reform Code of 1971, amended July 1,  
20 1985 (P.L.78, No.29), is amended to read:

21 Section 302. Imposition of Tax.--(a) There is hereby  
22 imposed a tax to be paid by resident individuals, estates or  
23 trusts at the annual rate of two and two-tenths per cent for  
24 taxable years up to and including the taxable year commencing on

1 or after January 1, 1982, and at the annual rate of two and  
2 forty-five hundredths per cent for the taxable year commencing  
3 on or after January 1, 1983, and for the first six months of the  
4 taxable year commencing on or after January 1, 1984, and at the  
5 annual rate of two and thirty-five hundredths per cent for the  
6 second six months of the taxable year commencing on or after  
7 January 1, 1984, and for the taxable year commencing on or after  
8 January 1, 1985, and at the annual rate of two and two-tenths  
9 per cent for the first six months of the taxable year commencing  
10 on or after January 1, 1986, and at the annual rate of two and  
11 one tenth per cent for the second six months of the taxable year  
12 commencing on or after January 1, 1986, and for each taxable  
13 year thereafter on the privilege of receiving each of the  
14 classes of income hereinafter enumerated in section 303.

15 (b) There is hereby imposed a tax to be paid by nonresident  
16 individuals, estates or trusts at the annual rate of two and  
17 two-tenths per cent for taxable years up to and including the  
18 taxable year commencing on or after January 1, 1982, and at the  
19 annual rate of two and forty-five hundredths per cent for the  
20 taxable year commencing on or after January 1, 1983, and for the  
21 first six months of the taxable year commencing on or after  
22 January 1, 1984, and at the annual rate of two and thirty-five  
23 hundredths per cent for the second six months of the taxable  
24 year commencing on or after January 1, 1984, and for the taxable  
25 year commencing on or after January 1, 1985, and at the annual  
26 rate of two and two-tenths per cent for the first six months of  
27 the taxable year commencing on or after January 1, 1986, and at  
28 the annual rate of two and one tenth per cent for the second six  
29 months of the taxable year commencing on or after January 1,  
30 1986, and for each taxable year thereafter on the privilege of

1 receiving each of the classes of income enumerated in section  
2 303 from sources within this Commonwealth.

3 Section 2. Section 402 of the act, amended June 29, 1984  
4 (P.L.445, No.94), is amended to read:

5 Section 402. Imposition of Tax.--Every corporation shall be  
6 subject to, and shall pay for the privilege of (i) doing  
7 business in this Commonwealth; or (ii) carrying on activities in  
8 this Commonwealth; (iii) having capital or property employed or  
9 used in this Commonwealth; or (iv) owning property in this  
10 Commonwealth, by or in the name of itself, or any person,  
11 partnership, association, limited partnership, joint-stock  
12 association, or corporation, a State excise tax at the rate of  
13 twelve per cent per annum upon each dollar of taxable income of  
14 such corporation received by, and accruing to, such corporation  
15 during the calendar year 1971 and the first six months of 1972  
16 and at the rate of eleven per cent per annum upon each dollar of  
17 taxable income of such corporation received by, and accruing to,  
18 such corporation during the second six months of calendar year  
19 1972 through the calendar year 1973 and at the rate of nine and  
20 one-half per cent per annum upon each dollar of taxable income  
21 of such corporation received by, and accruing to, such  
22 corporation during the calendar years 1974, 1975 and 1976 and at  
23 the rate of ten and one-half per cent per annum upon each dollar  
24 of taxable income of such corporation received by, and accruing  
25 to, such corporation during the calendar year 1977 through the  
26 calendar year 1984 and at the rate of nine and one-half per cent  
27 per annum upon each dollar of taxable income of such corporation  
28 received by and accruing to such corporation during the calendar  
29 year 1985 and the first six months of the calendar year 1986 and  
30 at the rate of eight and five-tenths per cent per annum upon

1 each dollar of taxable income of such corporation received by,  
2 and accruing to, such corporation during the second six months  
3 of the calendar year 1986 and each calendar year thereafter,  
4 except where a corporation reports to the Federal Government on  
5 the basis of a fiscal year, and has certified such fact to the  
6 department as required by section 403 of this article, in which  
7 case, such tax, at the rate of twelve per cent, shall be levied,  
8 collected, and paid upon all taxable income received by, and  
9 accruing to, such corporation during the first six months of the  
10 fiscal year commencing in the calendar year 1972 and at the rate  
11 of eleven per cent, shall be levied, collected, and paid upon  
12 all taxable income received by, and accruing to, such  
13 corporation during the second six months of the fiscal year  
14 commencing in the calendar year 1972 and during the fiscal year  
15 commencing in the calendar year 1973 and at the rate of nine and  
16 one-half per cent, shall be levied, collected, and paid upon all  
17 taxable income received by, and accruing to, such corporation  
18 during the fiscal year commencing in the calendar years 1974,  
19 1975 and 1976 and at the rate of ten and one-half per cent,  
20 shall be levied, collected, and paid upon all taxable income  
21 received by, and accruing to, such corporation during the fiscal  
22 year commencing in the calendar year 1977 through the fiscal  
23 year commencing in 1984 and at the rate of nine and one-half per  
24 cent, shall be levied, collected, and paid upon all taxable  
25 income received by and accruing to such corporation during the  
26 fiscal year commencing in 1985 and the first six months of the  
27 fiscal year commencing in the calendar year 1986 and at the rate  
28 of eight and five-tenths per cent, shall be levied, collected,  
29 and paid upon all taxable income received by, and accruing to,  
30 such corporation during the second six months of the fiscal year

1 commencing in the calendar year 1986 and during each fiscal year  
2 thereafter. No penalty prescribed by subsection (e) of section  
3 3003 shall be assessed against a corporation for the additional  
4 tax which may be due as a result of the increase in tax rate  
5 from nine and one-half per cent to ten and one-half per cent  
6 imposed retroactively by this section for the calendar year 1977  
7 or for the fiscal year commencing in 1977.

8 Section 3. The definition of "capital stock value" in  
9 section 601(a) of the act, amended December 23, 1983 (P.L.360,  
10 No.89), is amended to read:

11 Section 601. Definitions and Reports.--(a) The following  
12 words, terms and phrases when used in this Article VI shall have  
13 the meaning ascribed to them in this section, except where the  
14 context clearly indicates a different meaning:

15 \* \* \*

16 "Capital stock value." The amount computed pursuant to the  
17 following [formula:] formulas for the tax years indicated:

18 (1) For the tax year January 1 to December 31, 1987 one-half  
19 times the sum of the average net income capitalized at the rate  
20 of nine and one-half per cent plus seventy-five per cent of net  
21 worth, minus fifty thousand dollars (\$50,000), the algebraic  
22 equivalent of which is

23 .5 X (average net income/.095 + (.75) (net worth)) - \$50,000

24 (2) For the tax year January 1 to December 31, 1988 one-half  
25 times the sum of the average net income capitalized at the rate  
26 of nine and one-half per cent plus seventy-five per cent of net  
27 worth, minus seventy-five thousand dollars (\$75,000), the  
28 algebraic equivalent of which is

29 .5 X (average net income/.095 + (.75) (net worth)) - \$75,000

30 (3) For the tax year January 1 to December 31, 1989 one-half

1 times the sum of the average net income capitalized at the rate  
2 of nine and one-half per cent plus seventy-five per cent of net  
3 worth, minus one hundred thousand dollars (\$100,000), the  
4 algebraic equivalent of which is

5 .5 X (average net income/.095 + (.75) (net worth)) - \$100,000

6 \* \* \*

7 Section 4. Section 3003 of the act is amended by adding a  
8 subsection to read:

9 Section 3003. Prepayment of Tax.--\* \* \*

10 (d.1) A corporation with respect to the capital stock  
11 franchise tax imposed by Article VI of this act may, at its  
12 election, report and pay in installments on account of the tax  
13 due for the current taxable year an amount computed by applying  
14 the current tax rate to eighty-five per cent of the tax base as  
15 determined in either subsection (a) or (b) of this section. The  
16 installments shall be paid in accordance with the following  
17 schedules:

|                    | <u>First</u>                                       | <u>Second</u>    | <u>Third</u>     | <u>Fourth</u>     |
|--------------------|--|------------------|------------------|-------------------|
| <u>Year In</u>     | <u>Due on the 15th day of the following months</u> |                  |                  |                   |
| <u>Which Tax</u>   | <u>after close of the previous tax year:</u>       |                  |                  |                   |
| <u>Year Begins</u> | <u>4th Month</u>                                   | <u>6th Month</u> | <u>9th Month</u> | <u>12th Month</u> |
| <u>1987</u>        | <u>80%</u>   | <u>0%</u>        | <u>10%</u>       | <u>10%</u>        |
| <u>1988</u>        | <u>60%</u>   | <u>15%</u>       | <u>15%</u>       | <u>10%</u>        |
| <u>1989</u>        | <u>40%</u>   | <u>30%</u>       | <u>20%</u>       | <u>10%</u>        |
| <u>1990 and</u>    |  |                  |                  |                   |
| <u>thereafter</u>  | <u>25%</u>   | <u>25%</u>       | <u>25%</u>       | <u>25%</u>        |

27 Any taxpayer which has elected to compute its tentative tax  
28 liability on the aforesaid estimated basis and which has elected  
29 to report and pay the estimated tax in installments may, when  
30 reporting and paying its third or fourth installment, base the

1 installment on an amended tentative tax report reflecting the  
2 taxpayer's new estimate of its tax liability for the tax year:  
3 Provided, That the new estimate reflects a lower tax liability  
4 than was previously reported in its original or, if applicable,  
5 amended tentative tax report. If an amended tentative tax report  
6 is filed, each remaining installment payment due, if any, shall  
7 be such as to bring the total installment payments made on  
8 account of the tax due for the current taxable year up to an  
9 amount determined by multiplying the tentative tax due for the  
10 year as reported in the amended report by the sum of the  
11 percentages set forth in the above schedule for the applicable  
12 elapsed installments.

13 The remaining portion of the tax due, if any, shall be paid  
14 upon the date the taxpayer's annual report is required to be  
15 filed under the applicable tax statute, determined without  
16 reference to any extension of time for filing such report.

17 \* \* \*

18 Section 5. Section 4 of this act applies to the tax year  
19 beginning January 1, 1987, and each tax year thereafter.

20 Section 6. This act shall take effect immediately.