

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1819 Session of
1987

INTRODUCED BY HALUSKA, PETRARCA, TELEK, DALEY, JOHNSON, BARLEY,
BOOK, GEIST, S. H. SMITH, OLASZ, BELARDI, CARLSON, ANGSTADT,
CLARK, FARGO, BURD, PETRONE, BALDWIN AND HERMAN, OCTOBER 7,
1987

REFERRED TO COMMITTEE ON MINES AND ENERGY MANAGEMENT,
OCTOBER 7, 1987

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," providing for tax credits for certain coal
11 research and development.

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

14 Section 1. Section 1101 of the act of March 4, 1971 (P.L.6,
15 No.2), known as the Tax Reform Code of 1971, is amended by
16 adding a subsection to read:

17 Section 1101. Imposition of Tax.--* * *

18 (i) Coal Research and Development Tax Credit.--

19 (1) For the tax year beginning on January 1, 1987, and
20 thereafter, every legal entity in this Commonwealth subject to
21 this section shall be allowed a credit against the tax imposed

1 by this section equivalent to the amount spent by the entity for
2 research, development or demonstrations, as defined by the
3 Federal Energy Regulatory Commission (FERC), of equipment,
4 process or consumption methods which result in increased use of
5 coal mined in Pennsylvania or continue the consumption of coal
6 mined in Pennsylvania which would have been curtailed except for
7 the performance of such research, development or demonstration.
8 Such tax credit, in the year in which claimed, shall be in
9 addition to any other credits which result from increased coal
10 usage. Eligible legal entities may recover in tax year 1987 such
11 creditable expenditures from tax years 1985 and 1986 which meet
12 the requirements of this section. Taxpayers may receive such
13 research credits in the year in which the expenditure occurs.
14 However, credits for multi-year projects will be subject to
15 rescission if the completed project does not satisfy the
16 requirements of this section for increasing or maintaining use
17 of Pennsylvania coal.

18 (2) As used in paragraph (1), research and development means
19 expenditures incurred by public utilities and licensees either
20 directly or through another person or organization, including,
21 but not limited to, a research institute, industry association,
22 foundation, university, engineering company or similar
23 contractor, in pursuing research and development activities,
24 including experiment, design, installation, construction or
25 operation. Research and development costs shall be reasonably
26 related to the existing or future utility business, broadly
27 defined, of the public utility or licensee or in the environment
28 in which it operates or expects to operate. The term includes,
29 but is not limited to: all such costs incidental to the design,
30 development or implementation of an experimental facility, a

1 plant process, a product, a formula, an invention, a system or
2 similar items and the improvement of already existing items of a
3 like nature; amounts expended in connection with the proposed
4 delivery of alternate sources of electricity; and the costs of
5 obtaining its own patent, such as attorney fees expended in
6 making and perfecting a patent application. The term does not
7 include expenditures for efficiency surveys; studies of
8 management, management techniques and organization; consumer
9 surveys, advertising promotions or items of a like nature.

10 Section 2. This act shall take effect in 60 days.