

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2289 Session of
1990

INTRODUCED BY McNALLY, JOHNSON, PISTELLA, KOSINSKI, CAPPABIANCA,
DOMBROWSKI, GIGLIOTTI, BATTISTO, HERMAN, PRESSMANN,
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JOSEPHS, SERAFINI, NAHILL, LAUGHLIN AND HAYDEN,
FEBRUARY 12, 1990

REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 12, 1990

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 tax exclusions for contributions by
11 taxpayers to qualified employee-owned export development
12 corporations and for dividends from these corporations.

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

15 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
16 the Tax Reform Code of 1971, is amended by adding an article to
17 read:

18 ARTICLE XXI

19 WORKERS' EXPORT PARTNERSHIP INCENTIVE EXCLUSIONS.

20 Section 2101. Short Title.--This article shall be known and
21 may be cited as the "Workers' Export Partnership Law."

Section 2102. Legislative Intent.--The General Assembly of the Commonwealth of Pennsylvania hereby finds that:

(a) Whereas, imports threaten the economic security of Pennsylvania and her citizens; and

(b) Whereas, Pennsylvania's history demonstrates that a partnership of labor, capital, management and government is the most effective response to foreign aggression of any kind; and

(c) Whereas, the policy of the Commonwealth of Pennsylvania is to promote cooperation among all partners in Pennsylvania; and

(d) Whereas, workers of Pennsylvania require the assistance of the Commonwealth of Pennsylvania to establish a meaningful role in a partnership to promote exports; and

(e) Whereas, the foreign threat to Pennsylvania's economic security requires the enlistment of all available resources to restore the State's economic power;

(f) Therefore, the public interest will be served by the exclusion from taxable income of contributions to qualified employe-owned export development corporations and dividends earned from qualified employe-owned export development corporations.

Section 2103. Definitions.--The following words, terms and phrases, when used in this Article XXI shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

"Qualified employe-owned export development corporation."

(1) A corporation organized under the laws of this Commonwealth; and

(2) certified by the Department of Commerce as a qualified employe-owned export development corporation.

1 Section 2104. Exclusion of Certain Contributions and
2 Dividends from Taxable Income.--Contributions made to a
3 qualified employee-owned export development corporation in the
4 amount of two thousand dollars (\$2,000) per year, limited to a
5 total amount of ten thousand dollars (\$10,000) per lifetime, and
6 dividends derived therefrom shall be excludable in computing
7 income which is subject to tax under Articles III and IV.

8 Section 2105. Certification of Qualified Employee-owned
9 Export Development Corporations.--It shall be the duty of the
10 Department of Commerce to receive applications from Pennsylvania
11 corporations for status as a qualified employee-owned export
12 development corporation. The department shall certify a
13 Pennsylvania corporation as a qualified employee-owned export
14 development corporation if it satisfies the following
15 conditions:

16 (1) All shareholders of the corporation are individuals and
17 the corporation is effectively under the control of the
18 individual shareholders.

19 (2) All of the shareholders are employees of the same
20 business.

21 (3) All classes of employees of the business are permitted to
22 participate as shareholders and each class of employees is
23 actually represented among the shareholders.

24 (4) Only one class of stock is issued by the corporation.

25 (5) The corporation submits as a part of its application a
26 business plan which demonstrates a viable business opportunity
27 to realize the sale of goods or services in a market outside the
28 United States of America, its territories and commonwealths.

29 (6) The investment activities of the corporation are
30 reasonably calculated to realize bona fide exports of goods

1 produced in this Commonwealth or, in the case of services, by
2 individuals who reside in or are employed in this Commonwealth
3 and are not speculative or intended merely to realize financial
4 gain by investment in securities, commodities or other
5 instruments issued by governments or other entities located in a
6 foreign country.

7 (7) The corporation satisfies any other requirements of
8 Federal or State Law required to do business in this
9 Commonwealth and any other regulations promulgated by the
10 Department of Commerce or the Department of Revenue under this
11 article.

12 Section 2106. Powers and Duties.--(a) Pursuant to and in
13 furtherance of this article, the Secretary of Revenue shall have
14 the power and duty to:

15 (1) Publish rules and regulations necessary to carry out the
16 provisions of this article.

17 (2) Publish as a notice in the Pennsylvania Bulletin, no
18 later than January 1 of each year, forms upon which taxpayers
19 may apply for the exclusions from taxable income provided for in
20 this article, and forms upon which corporations may apply for
21 certification as qualified employe-owned export development
22 corporations as authorized by this article.

23 (b) Pursuant to and in furtherances of this article, the
24 Secretary of Commerce shall have the power and duty to furnish
25 the members of the General Assembly, along with the submission
26 of the Governor's budget, the following information:

27 (1) The total amount of tax expenditures made under this
28 article.

29 (2) The amount of tax expenditures claimed by taxpayers
30 classified according to the classification of the business which

1 they are employees of, such classification of business to be
2 determined according to the standard industrial classification
3 code as determined by the Department of Labor and Industry.

4 (3) The amount of employment, State and local tax revenues,
5 profits, capital investment, increases in export sales and
6 economic growth which may be attributed to the use of exclusions
7 from taxable income for contributions to and dividends from
8 qualified employe-owned export development corporations.

9 (4) Publish rules and regulations necessary to carry out the
10 provisions of this article.

11 Section 2107. Sunset.--The Department of Commerce may not
12 certify any corporation as a qualified employe-owned export
13 development corporation more than seventy-two months after the
14 effective date of this act.

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