

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 209 Session of
1993

INTRODUCED BY CESSAR, PETRONE, HALUSKA, FLEAGLE, PHILLIPS,
TRELLO, HECKLER, MARKOSEK, DEMPSEY, HARLEY, FARGO, MAYERNIK,
FAIRCHILD, NICKOL, STAIRS, LaGROTTA, E. Z. TAYLOR, TULLI,
BARLEY, BROWN, FARMER, CLYMER, HENNESSEY, GLADECK, VAN HORNE,
GANNON, ULIANA, WOGAN, MASLAND, KENNEY, COY, SCHULER, LYNCH,
OLASZ, GERLACH, L. I. COHEN, FLICK, DALEY, BUSH, FAJT,
BATTISTO, PRESTON, ADOLPH, STEIL, NYCE, D. W. SNYDER,
ARMSTRONG, FICHTER, TOMLINSON, STETLER AND MERRY,
FEBRUARY 3, 1993

REFERRED TO COMMITTEE ON RULES, FEBRUARY 3, 1993

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 the definition of "small
11 corporation" for purposes of personal income tax.

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

14 Section 1. Section 301(s.2) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, added
16 December 23, 1983 (P.L.370, No.90), is amended to read:

17 Section 301. Definitions.--The following words, terms and
18 phrases when used in this article shall have the meaning
19 ascribed to them in this section except where the context

1 clearly indicates a different meaning. Any reference in this
2 article to the Internal Revenue Code shall include the Internal
3 Revenue Code of 1954, as amended to the date on which this
4 article is effective:

5 * * *

6 (s.2) "Small corporation" means any corporation which has a
7 valid election in effect under subchapter S of Chapter 1 of the
8 Internal Revenue Code of 1954, as amended as of January 1, 1983,
9 and which does not have passive investment income in excess of
10 twenty-five per cent of its gross receipts for each of three
11 consecutive tax years. For purposes of this clause, "passive
12 investment income" means gross receipts derived from royalties,
13 rents, dividends, interest, annuities and sales or exchanges of
14 stock or securities (gross receipts from such sales or exchanges
15 being taken into account only to the extent of gains therefrom).

16 * * *

17 Section 2. This act shall apply to the tax year beginning
18 January 1, 1993.

19 Section 3. This act shall take effect immediately.