

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 871 Session of
1993

INTRODUCED BY HALUSKA, DALEY, FARGO, BELFANTI, YEWCIC, JAROLIN, COLAFELLA, ROBERTS, WOZNIAK, D. R. WRIGHT, S. H. SMITH, MELIO, GODSHALL, DeWEESE, STEELMAN, HARLEY, REBER, GEORGE, CESSAR, PETRONE, COLAIZZO, BROWN, PETRARCA, TRELLO, VEON, FEE, LAUGHLIN, STISH, KASUNIC, OLASZ, CORRIGAN, LUCYK, KING, ALLEN, PESCI, GEIST, MIHALICH, HERMAN, HANNA, STAIRS AND GIGLIOTTI, MARCH 23, 1993

REFERRED TO COMMITTEE ON FINANCE, MARCH 23, 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," providing for tax credits.

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

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

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

17 (i) Coal Use Tax Credit.--

18 (1) For the tax year beginning on January 1, 1994, and
19 thereafter, every legal entity in this Commonwealth subject to

this section shall be allowed a credit against the tax imposed by this section in the amount of one dollar per ton for each ton of coal purchased by such legal entity in excess of the number of tons of Pennsylvania coal purchased by such legal entity in 1992, provided such coal was mined in Pennsylvania. This credit shall be prorated equally against the taxpayer's estimated payments for the tax year in which the coal is purchased.

(2) For tax years beginning on and after January 1, 1995, every legal entity subject to this section shall be allowed an additional credit against the tax imposed by this section in the amount of one dollar per ton for each ton of coal purchased by the legal entity in excess of the number of tons of Pennsylvania coal purchased by such legal entity in 1992, provided such coal was mined and consumed in Pennsylvania. The credit shall be prorated equally against the taxpayer's estimated payments for the tax year in which the coal is purchased.

(j) Coal Research and Development Tax Credit.--

(1) For the tax year beginning on January 1, 1994, and thereafter, every legal entity in this Commonwealth subject to this section shall be allowed a credit against the tax imposed by this section equivalent to twenty per cent of the amount spent by the entity for research, development or demonstrations, as defined by the Federal Energy Regulatory Commission (FERC), of equipment, process or consumption methods which utilize clean coal technologies and result in increased use of coal mined in Pennsylvania or continue the consumption of coal mined in Pennsylvania which may have been curtailed except for the performance of such research, development or demonstration. Such tax credit, in the year in which claimed, shall be in addition to any other credits which result from increased coal usage.

Eligible legal entities may recover in tax year 1994 such creditable expenditures from tax years 1992 and 1993 which meet the requirements of this section. Taxpayers may receive such research credits in the year in which the expenditure occurs. However, credits for multi-year projects will be subject to rescission if the completed project does not satisfy the requirements of this section for increasing or maintaining use of Pennsylvania coal.

(2) As used in paragraph (1), research and development means expenditures incurred by public utilities and licensees either directly or through another person or organization, including, but not limited to, a research institute, industry association, foundation, university, engineering company or similar contractor, in pursuing research and development activities, including experiment, design, installation, construction or operation. Research and development costs shall be reasonably related to the existing or future utility business, broadly defined, of the public utility or licensee or in the environment in which it operates or expects to operate. The term includes, but is not limited to: all such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items and the improvement of already existing items of a like nature; amounts expended in connection with the proposed delivery of alternate sources of electricity which utilize Pennsylvania coal; and the costs of obtaining its own patent, such as attorney fees expended in making and perfecting a patent application. The term does not include expenditures for efficiency surveys; studies of management, management techniques and organization; consumer surveys, advertising promotions or

1 items of a like nature.

2 (3) The Pennsylvania Energy Office shall review research,
3 development and demonstration expenditures submitted to the
4 Department of Revenue pursuant to paragraph (1) to determine
5 eligibility for the tax credit. The office shall advise the
6 department of its determination and the reasons therefor within
7 sixty days of receipt of a request from the department to
8 conduct such a review.

9 Section 2. This act shall apply to tax years beginning on
10 and after January 1, 1994.

11 Section 3. This act shall take effect immediately.