

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1651 Session of  
1999

INTRODUCED BY JAMES, MYERS, STEELMAN, WASHINGTON, LAUGHLIN,  
TRICH, FRANKEL, LESCOVITZ, M. COHEN, RAMOS, KIRKLAND,  
STABACK, MELIO AND ARMSTRONG, JUNE 14, 1999

REFERRED TO COMMITTEE ON FINANCE, JUNE 14, 1999

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," imposing a tax on the seller or transferer of  
11 certain bonds, stocks, securities and various derivatives.

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

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

17 ARTICLE XI-E

18 SECURITIES TRANSFER TAX

19 Section 1101-E. Short Title.--This article shall be known  
20 and may be cited as the Pennsylvania Securities Transfer Tax  
21 Act.

22 Section 1102-E. Legislative Purpose.--It is hereby declared

1 to be the legislative intent to provide a disincentive to  
2 financial speculative activity destructive to the economic well-  
3 being of this Commonwealth and its citizens; to encourage stable  
4 investment and job creation; and to enhance Commonwealth  
5 revenues without harm to the lives or health of the people.

6 Section 1102-E. Definitions.--The following words when used  
7 in this article shall have the meanings ascribed to them in this  
8 section:

9 "Bond." A certificate or evidence of a debt on which the  
10 issuing company or governmental body promises to pay the holders  
11 of that bond a specified amount of interest for a specified  
12 length of time and to repay the face amount of the bond on the  
13 expiration date.

14 "Derivative." A financial security whose value is linked to  
15 an underlying asset.

16 "Future." A derivative involving an agreement to buy or sell  
17 a commodity or financial instrument sometime in the future.

18 "Option." A derivative involving an agreement that conveys  
19 the right, but not the obligation, to buy or sell a particular  
20 commodity or financial instrument at a certain price for a  
21 limited time.

22 "Security." A written instrument which meets all of the  
23 following criteria:

24 (1) Is issued in a bearer or registered form.

25 (2) Is of a type commonly dealt in upon securities exchanges  
26 or markets or commonly recognized in any area in which that  
27 security is issued or dealt in as a medium for investment.

28 (3) Is either one of a class or series or by its terms is  
29 divisible into a class or series of instruments.

30 (4) Evidences a share, participation or other interest in

1 property or in an enterprise or evidences an obligation of the  
2 issuer.

3 "Stock." A written certificate which evidences the right of  
4 the holder thereof to participate in the general management of  
5 the issuer and to share proportionally in the issuer's net  
6 profits or earnings and in the distribution of assets on  
7 dissolution.

8 "Swap." A derivative involving an exchange of payment  
9 obligations between two or more parties.

10 Section 1103-E. Imposition of Tax.--(a) Except as provided  
11 in section 1104-E, there is hereby imposed on the sale or  
12 transfer of any bond, stock, security, future, option, swap or  
13 derivative a tax payable by the seller or transferer.

14 (b) The rate of tax payable by the seller or transferer  
15 shall be as follows:

16 (1) Two-tenths of one per cent of the face value of any  
17 stock, bond or security.

18 (2) Two-tenths of one per cent of the value of the  
19 underlying asset supporting any derivative, future, option or  
20 swap.

21 Section 1104-E. Exemptions.--The provisions of this article  
22 shall not apply to any bonds or securities issued by the Federal  
23 Government or the Commonwealth.

24 Section 1105-E. Regulations.--The Department of Revenue  
25 shall promulgate all regulations necessary to implement,  
26 administer and enforce the provisions of this article.

27 Section 2. This act shall take effect January 1, 2000.