

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2594 Session of
2002

INTRODUCED BY PIPPY, T. STEVENSON, TURZAI, BOYES, ADOLPH,
ARMSTRONG, M. BAKER, BELFANTI, CAPPELLI, COLEMAN, COY,
CREIGHTON, DALLY, FICHTER, GEIST, GEORGE, HERSHEY, LaGROTTA,
LEH, LYNCH, MANN, McNAUGHTON, METCALFE, PETRARCA, RAYMOND,
READSHAW, ROSS, RUBLEY, SAINATO, SATHER, B. SMITH, STEIL,
STERN, E. Z. TAYLOR, WATSON, WILT, YOUNGBLOOD AND ZUG,
APRIL 18, 2002

REFERRED TO COMMITTEE ON FINANCE, APRIL 18, 2002

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 defining "taxable income" for purposes of
11 corporate net income tax.

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

14 Section 1. Section 401(3)4(c) of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended May
16 12, 1999 (P.L.26, No.4), is amended to read:

17 Section 401. 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
20 clearly indicates a different meaning:

1 * * *

2 (3) "Taxable income." * * *

3 4. * * *

4 (c) (1) [The] Except as provided in subparagraph 3, the net
5 loss deduction shall be the lesser of two million dollars
6 (\$2,000,000) or the amount of the net loss or losses which may
7 be carried over to the taxable year or taxable income as
8 determined under subclause 1 or, if applicable, subclause 2. In
9 no event shall the net loss deduction include more than five
10 hundred thousand dollars (\$500,000), in the aggregate, of net
11 losses from taxable years 1988 through 1994.

12 (2) A net loss for a taxable year may only be carried over
13 pursuant to the following schedule:

14	Taxable Year	Carryover
15	1981	1 taxable year
16	1982	2 taxable years
17	1983-1987	3 taxable years
18	1988	2 taxable years plus
19		1 taxable year
20		starting with the
21		1995 taxable year
22	1989	1 taxable year plus
23		2 taxable years
24		starting with the
25		1995 taxable year
26	1990-1993	3 taxable years
27		starting with the
28		1995 taxable year
29	1994	1 taxable year
30	[1995 and thereafter	10 taxable years]

1	<u>1995-1997</u>	<u>10 taxable years</u>
2	<u>1998 and thereafter</u>	<u>20 taxable years</u>

3 The earliest net loss shall be carried over to the earliest
4 taxable year to which it may be carried under this schedule. The
5 total net loss deduction allowed in any taxable year shall not
6 exceed two million dollars (\$2,000,000).

7 (3) The amount of the net operating loss deduction allowable
8 under subparagraph (1) shall be increased by the amount of the
9 start-up period net loss or losses which may be carried over to
10 the taxable year, subject to the limitations imposed by
11 subparagraph (2). Start-up period net loss or losses are the sum
12 of the net loss or losses incurred in the corporation's first
13 tax year plus its nine succeeding tax years.

14 * * *

15 Section 2. This act shall apply to taxable years beginning
16 after December 31, 2001.

17 Section 3. This act shall take effect immediately.