

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, ZUG, MARKOSEK, EGOLF, ALLEN, SCHRODER, SEMMEL, R. STEVENSON, ROHRER, FRANKEL, HUTCHINSON, MARSICO, HENNESSEY, L. I. COHEN, BENNINGHOFF, THOMAS, BROWNE AND WANSACZ, APRIL 18, 2002

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,
AS AMENDED, JUNE 4, 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

1 ascribed to them in this section, except where the context
2 clearly indicates a different meaning:

3 * * *

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

5 4. * * *

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

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

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

1	1994	1 taxable year
2	[1995 and thereafter	10 taxable years]
3	<u>1995-1997</u>	<u>10 taxable years</u>
4	<u>1998 and thereafter</u>	<u>20 taxable years</u>

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

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

16 * * *

17 ~~Section 2. This act shall apply to taxable years beginning~~
18 ~~after December 31, 2001.~~

19 ~~(3) THE TWO MILLION DOLLAR (\$2,000,000) LIMIT ON THE NET~~ <—
20 ~~OPERATING LOSS DEDUCTION IN A TAXABLE YEAR UNDER PARAGRAPHS (1)~~
21 ~~AND (2) SHALL NOT APPLY TO THE DEDUCTION OF START-UP PERIOD~~
22 ~~LOSSES. FOR THE PURPOSES OF THIS PARAGRAPH, START-UP PERIOD~~
23 ~~LOSSES ARE THE SUM OF THE NET LOSS OR LOSSES INCURRED IN THE~~
24 ~~CORPORATION'S FIRST TAXABLE YEAR PLUS ITS NINE SUCCEEDING~~
25 ~~TAXABLE YEARS. A REORGANIZATION, AS THE TERM IS DEFINED UNDER~~
26 ~~SECTION 303(A)(3)(IV)(B) OF THIS ACT, SHALL BE DISREGARDED FOR~~
27 ~~THE PURPOSES OF APPLYING THIS PARAGRAPH.~~

28 * * *

29 SECTION 2. THIS ACT SHALL APPLY TO NET OPERATING LOSS
30 DEDUCTIONS FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2002.

1 Section 3. This act shall take effect immediately.