

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 737 Session of
2005

INTRODUCED BY BOYD, TURZAI, FLICK, GEIST, DENLINGER, METCALFE,
GEORGE, CAPPELLI, WILT, HERSHEY, MUSTIO, CALTAGIRONE,
RAYMOND, SAINATO, TRUE, WALKO, NICKOL, GINGRICH, KILLION,
HERMAN, SCAVELLO, TIGUE, ROHRER, E. Z. TAYLOR, R. MILLER,
CRAHALLA, PICKETT, CLYMER, BALDWIN, HICKERNELL, ROSS,
O'NEILL, SAYLOR, ARMSTRONG, KAUFFMAN AND MAHER, MARCH 1, 2005

REFERRED TO COMMITTEE ON FINANCE, MARCH 1, 2005

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 "installment sales method of
11 reporting" for purposes of the personal income tax; and
12 providing for exclusion of fire departments from requirements
13 to pay realty transfer tax.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Section 301(1.1) of the act of March 4, 1971
17 (P.L.6, No.2), known as the Tax Reform Code of 1971, added
18 December 23, 1983 (P.L.370, No.90), is amended to read:

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

1 clearly indicates a different meaning, and, unless specifically
2 provided otherwise, any reference in this article to the
3 Internal Revenue Code of 1986 shall mean the Internal Revenue
4 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as
5 amended to January 1, 1997:

6 * * *

7 (1.1) "Installment sales method of reporting" means the
8 method by which a taxpayer reports the gain upon the sale of
9 [tangible personal property or real property when at least one
10 payment is to be received in any taxable year following the
11 taxable year of sale, whether such property is sold or otherwise
12 disposed of in an isolated transaction or from the inventory of
13 a dealer or broker.] property when the sale of such property
14 qualifies for treatment as an installment sale as defined under
15 section 453 of the Internal Revenue Code of 1986 (Public Law 99-
16 514, 26 U.S.C. § 453). Taxpayers may elect to allocate the gain
17 upon such transactions in equal proportion to each payment to be
18 received. Taxpayers who do not elect to allocate the gain upon
19 such transactions in equal proportion to each payment received
20 shall report all gains upon the sale in the taxable year in
21 which the transaction occurred. For the purposes of this
22 definition: (i) the gain upon the transaction shall be the
23 difference between the sales price and the seller's basis in the
24 property; and (ii) the sales price shall be the face amount of
25 the evidence of indebtedness given in exchange for the property
26 sold or otherwise disposed of together with the value of any
27 other consideration received by the seller. Where the evidence
28 of indebtedness fails to state a price, the evidence of
29 indebtedness will be valued at the fair market value of the
30 property sold, less the value of other property or cash received

1 in the same transaction. The installment sales method of
2 reporting shall not be used for transactions the object of which
3 is the lending of money or the rendering of services.

4 * * *

5 Section 2. Section 1102-C.3 of the act is amended by adding
6 a clause to read:

7 Section 1102-C.3. Excluded Transactions.--The tax imposed by
8 section 1102-C shall not be imposed upon:

9 * * *

10 (23) A transfer between a municipality and a volunteer fire
11 company as defined in the act of July 15, 1976 (P.L.1036,
12 No.208), known as the "Volunteer Fire Company, Ambulance Service
13 and Rescue Squad Assistance Act."

14 Section 3. This act shall apply to taxable years beginning
15 after December 31, 2005.

16 Section 4. This act shall take effect immediately.