

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 377 Session of 2007

INTRODUCED BY D. EVANS, BENNINGTON, BUXTON, CALTAGIRONE, CURRY, FREEMAN, GALLOWAY, LEVDANSKY, MARKOSEK, MYERS, PARKER, PRESTON, WALKO, WHEATLEY, PETRONE, WAGNER, KORTZ, FRANKEL AND M. O'BRIEN, FEBRUARY 13, 2007

AS AMENDED ON SECOND CONSIDERATION, HOUSE OF REPRESENTATIVES, JANUARY 16, 2008

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," IN SALES AND USE TAX, FURTHER PROVIDING FOR <—
 11 DEFINITIONS AND FOR EXCLUSIONS; IN PERSONAL INCOME TAX,
 12 FURTHER PROVIDING FOR IMPOSITION, providing an alternative
 13 special tax provision for poverty; FURTHER PROVIDING FOR <—
 14 REQUIREMENT OF WITHHOLDING TAX; IN CORPORATE NET INCOME TAX,
 15 FURTHER PROVIDING FOR DEFINITIONS AND FOR IMPOSITION; IN
 16 CAPITAL STOCK-FRANCHISE TAX, FURTHER PROVIDING FOR
 17 DEFINITIONS AND REPORTS; IN GROSS RECEIPTS TAX, FURTHER
 18 PROVIDING FOR IMPOSITION; IN RESEARCH AND DEVELOPMENT TAX
 19 CREDITS, FURTHER PROVIDING FOR CARRYOVER, CARRYBACK, REFUND
 20 AND ASSIGNMENT OF CREDIT, FOR TIME LIMITATIONS, FOR
 21 LIMITATION ON CREDITS AND FOR TERMINATION; PROVIDING FOR A
 22 SMALL BUSINESS HEALTH SAVINGS ACCOUNT TAX CREDIT AND FOR A
 23 NEW DIESEL TECHNOLOGY TAX CREDIT; IN INHERITANCE TAX, FURTHER
 24 PROVIDING FOR IMPOSITION, FOR INHERITANCE TAX RATES AND FOR
 25 ESTATE TAX; AND MAKING A RELATED REPEAL.

26 The General Assembly of the Commonwealth of Pennsylvania
 27 hereby enacts as follows:

28 ~~Section 1. The act of March 4, 1971 (P.L.6, No.2), known as <—~~

1 ~~the Tax Reform Code of 1971, is amended by adding a section to~~
2 ~~read:~~

3 SECTION 1. SECTION 201(M) OF THE ACT OF MARCH 4, 1971 ←—
4 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, AMENDED MAY
5 24, 2000 (P.L.106, NO.23), IS AMENDED TO READ:

6 SECTION 201. DEFINITIONS.--THE FOLLOWING WORDS, TERMS AND
7 PHRASES WHEN USED IN THIS ARTICLE II SHALL HAVE THE MEANING
8 ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT
9 CLEARLY INDICATES A DIFFERENT MEANING:

10 * * *

11 (M) "TANGIBLE PERSONAL PROPERTY."

12 (1) CORPOREAL PERSONAL PROPERTY INCLUDING, BUT NOT LIMITED
13 TO, GOODS, WARES, MERCHANDISE, STEAM AND NATURAL AND
14 MANUFACTURED AND BOTTLED GAS FOR NON-RESIDENTIAL USE,
15 ELECTRICITY FOR NON-RESIDENTIAL USE, PREPAID TELECOMMUNICATIONS,
16 PREMIUM CABLE OR PREMIUM VIDEO PROGRAMMING SERVICE, SPIRITUOUS
17 OR VINOUS LIQUOR AND MALT OR BREWED BEVERAGES AND SOFT DRINKS,
18 INTERSTATE TELECOMMUNICATIONS SERVICE ORIGINATING OR TERMINATING
19 IN THE COMMONWEALTH AND CHARGED TO A SERVICE ADDRESS IN THIS
20 COMMONWEALTH, INTRASTATE TELECOMMUNICATIONS SERVICE WITH THE
21 EXCEPTION OF (I) SUBSCRIBER LINE CHARGES AND BASIC LOCAL
22 TELEPHONE SERVICE FOR RESIDENTIAL USE AND (II) CHARGES FOR
23 TELEPHONE CALLS PAID FOR BY INSERTING MONEY INTO A TELEPHONE
24 ACCEPTING DIRECT DEPOSITS OF MONEY TO OPERATE, PROVIDED FURTHER,
25 THE SERVICE ADDRESS OF ANY INTRASTATE TELECOMMUNICATIONS SERVICE
26 IS DEEMED TO BE WITHIN THIS COMMONWEALTH OR WITHIN A POLITICAL
27 SUBDIVISION, REGARDLESS OF HOW OR WHERE BILLED OR PAID. IN THE
28 CASE OF ANY SUCH INTERSTATE OR INTRASTATE TELECOMMUNICATIONS
29 SERVICE, ANY CHARGE PAID THROUGH A CREDIT OR PAYMENT MECHANISM
30 WHICH DOES NOT RELATE TO A SERVICE ADDRESS, SUCH AS A BANK,

1 TRAVEL, CREDIT OR DEBIT CARD, BUT NOT INCLUDING PREPAID
2 TELECOMMUNICATIONS, IS DEEMED ATTRIBUTABLE TO THE ADDRESS OF
3 ORIGINATION OF THE TELECOMMUNICATIONS SERVICE. THE TERM SHALL
4 NOT INCLUDE COMPUTER SOFTWARE, OTHER THAN PREWRITTEN COMPUTER
5 SOFTWARE DELIVERED TO THE PURCHASER BY TANGIBLE STORAGE MEDIA.

6 (2) FOR THE PURPOSES OF THIS CLAUSE, THE FOLLOWING WORDS AND
7 PHRASES SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SUBCLAUSE:

8 "COMPUTER SOFTWARE." A SET OF CODED INSTRUCTIONS DESIGNED TO
9 CAUSE A COMPUTER OR AUTOMATIC DATA PROCESSING EQUIPMENT TO
10 PERFORM A TASK.

11 "PREWRITTEN COMPUTER SOFTWARE." THE TERM SHALL HAVE THE SAME
12 MEANING AS "COMPUTER SOFTWARE," INCLUDING PREWRITTEN UPGRADES,
13 WHICH IS NOT DESIGNED AND DEVELOPED BY THE AUTHOR OR OTHER
14 CREATOR TO THE SPECIFICATIONS OF A SPECIFIC PURCHASER. THE
15 COMBINING OF TWO OR MORE PREWRITTEN COMPUTER SOFTWARE PROGRAMS
16 OR PREWRITTEN PORTIONS OF THE PROGRAM DOES NOT CAUSE THE
17 COMBINATION TO BE OTHER THAN PREWRITTEN COMPUTER SOFTWARE. THE
18 TERM INCLUDES SOFTWARE DESIGNED AND DEVELOPED BY THE AUTHOR OR
19 OTHER CREATOR TO THE SPECIFICATIONS OF A SPECIFIC PURCHASER WHEN
20 IT IS SOLD TO A PERSON OTHER THAN THE SPECIFIC PURCHASER. WHERE
21 A PERSON MODIFIES OR ENHANCES COMPUTER SOFTWARE OF WHICH THE
22 PERSON IS NOT THE AUTHOR OR CREATOR, THE PERSON SHALL BE DEEMED
23 TO BE THE AUTHOR OR CREATOR ONLY OF THE PERSON'S MODIFICATIONS
24 OR ENHANCEMENTS. PREWRITTEN COMPUTER SOFTWARE OR A PREWRITTEN
25 PORTION OF PREWRITTEN COMPUTER SOFTWARE THAT IS MODIFIED OR
26 ENHANCED TO ANY DEGREE, WHERE THE MODIFICATION OR ENHANCEMENT IS
27 DESIGNED AND DEVELOPED TO THE SPECIFICATIONS OF A SPECIFIC
28 PURCHASER, REMAINS PREWRITTEN COMPUTER SOFTWARE EXCEPT THAT
29 WHERE THERE IS A REASONABLE, SEPARATELY STATED CHARGE, INVOICE
30 OR OTHER STATEMENT OF THE PRICE GIVEN TO THE PURCHASER FOR THE

1 MODIFICATION OR ENHANCEMENT, THE MODIFICATION OR ENHANCEMENT
2 SHALL NOT CONSTITUTE PREWRITTEN COMPUTER SOFTWARE.

3 * * *

4 SECTION 2. SECTION 204(10) OF THE ACT, AMENDED APRIL 23,
5 1998 (P.L.239, NO.45), IS AMENDED AND THE SECTION IS AMENDED BY
6 ADDING CLAUSES TO READ:

7 SECTION 204. EXCLUSIONS FROM TAX.--THE TAX IMPOSED BY
8 SECTION 202 SHALL NOT BE IMPOSED UPON ANY OF THE FOLLOWING:

9 * * *

10 (10) THE SALE AT RETAIL TO OR USE BY (I) ANY CHARITABLE
11 ORGANIZATION, VOLUNTEER FIREMEN'S ORGANIZATION OR NONPROFIT
12 EDUCATIONAL INSTITUTION, OR (II) A RELIGIOUS ORGANIZATION FOR
13 RELIGIOUS PURPOSES OF TANGIBLE PERSONAL PROPERTY OR SERVICES
14 OTHER THAN PURSUANT TO A CONSTRUCTION CONTRACT: PROVIDED,
15 HOWEVER, THAT THE EXCLUSION OF THIS CLAUSE SHALL NOT APPLY WITH
16 RESPECT TO ANY TANGIBLE PERSONAL PROPERTY OR SERVICES USED IN
17 ANY UNRELATED TRADE OR BUSINESS CARRIED ON BY SUCH ORGANIZATION
18 OR INSTITUTION OR WITH RESPECT TO ANY MATERIALS, SUPPLIES AND
19 EQUIPMENT USED AND TRANSFERRED TO SUCH ORGANIZATION OR
20 INSTITUTION IN THE CONSTRUCTION, RECONSTRUCTION, REMODELING,
21 RENOVATION, REPAIRS AND MAINTENANCE OF ANY REAL ESTATE
22 STRUCTURE, OTHER THAN BUILDING MACHINERY AND EQUIPMENT, EXCEPT
23 MATERIALS AND SUPPLIES WHEN PURCHASED BY SUCH ORGANIZATIONS OR
24 INSTITUTIONS FOR ROUTINE MAINTENANCE AND REPAIRS[.], UNLESS THE
25 ORGANIZATION OR INSTITUTION IS A CHARITABLE ORGANIZATION IN THE
26 TRADE OR BUSINESS OF CONSTRUCTION, RECONSTRUCTION, REMODELING OR
27 RENOVATION OF ANY REAL ESTATE STRUCTURE.

28 * * *

29 (67) FEES CHARGED BY NONPROFIT HUMANE ORGANIZATIONS TO
30 TRANSFER CUSTODY AND POSSESSION OF ANIMALS THAT ARE USED AS

1 HOUSEHOLD PETS.

2 (68) THE SALE AT RETAIL OR USE OF BUILDING MATERIALS AND
3 SUPPLIES USED FOR THE CONSTRUCTION OR REPAIR OF ANIMAL
4 PRODUCTION BUILDINGS REGARDLESS IF THE SALE IS MADE TO THE
5 PURCHASER DIRECTLY OR PURSUANT TO A CONSTRUCTION CONTRACT.

6 SECTION 3. SECTION 302 OF THE ACT, AMENDED DECEMBER 23, 2003
7 (P.L.250, NO.46), IS AMENDED TO READ:

8 SECTION 302. IMPOSITION OF TAX.--(A) EVERY RESIDENT
9 INDIVIDUAL, ESTATE OR TRUST SHALL BE SUBJECT TO, AND SHALL PAY
10 FOR THE PRIVILEGE OF RECEIVING EACH OF THE CLASSES OF INCOME
11 HEREINAFTER ENUMERATED IN SECTION 303, A TAX UPON EACH DOLLAR OF
12 INCOME RECEIVED BY THAT RESIDENT DURING THAT RESIDENT'S TAXABLE
13 YEAR AT THE [RATE OF THREE AND SEVEN HUNDREDTHS PER CENT.]

14 FOLLOWING RATES:

15 (1) THREE AND SEVEN HUNDREDTHS PER CENT FOR THE FIRST HALF
16 OF THE TAXABLE YEAR COMMENCING WITH OR WITHIN CALENDAR YEAR
17 2008.

18 (2) TWO AND NINETY-THREE HUNDREDTHS PER CENT FOR THE SECOND
19 HALF OF THE TAXABLE YEAR COMMENCING WITH OR WITHIN CALENDAR YEAR
20 2008.

21 (3) TWO AND EIGHT-TENTHS PER CENT FOR THE TAXABLE YEAR
22 COMMENCING WITH OR WITHIN CALENDAR YEAR 2009 AND EACH TAXABLE
23 YEAR THEREAFTER.

24 (B) EVERY NONRESIDENT INDIVIDUAL, ESTATE OR TRUST SHALL BE
25 SUBJECT TO, AND SHALL PAY FOR THE PRIVILEGE OF RECEIVING EACH OF
26 THE CLASSES OF INCOME HEREINAFTER ENUMERATED IN SECTION 303 FROM
27 SOURCES WITHIN THIS COMMONWEALTH, A TAX UPON EACH DOLLAR OF
28 INCOME RECEIVED BY THAT NONRESIDENT DURING THAT NONRESIDENT'S
29 TAXABLE YEAR AT THE [RATE OF THREE AND SEVEN HUNDREDTHS PER
30 CENT.] FOLLOWING RATES:

1 (1) THREE AND SEVEN HUNDREDTHS PER CENT FOR THE FIRST HALF
2 OF THE TAXABLE YEAR COMMENCING WITH OR WITHIN CALENDAR YEAR
3 2008.

4 (2) TWO AND NINETY-THREE HUNDREDTHS PER CENT FOR THE SECOND
5 HALF OF THE TAXABLE YEAR COMMENCING WITH OR WITHIN CALENDAR YEAR
6 2008.

7 (3) TWO AND EIGHT-TENTHS PER CENT FOR THE TAXABLE YEAR
8 COMMENCING WITH OR WITHIN CALENDAR YEAR 2009 AND EACH TAXABLE
9 YEAR THEREAFTER.

10 SECTION 4. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

11 Section 304.1. Alternative Special Tax Provision for
12 Poverty.--(a) Pursuant to section 2(b)(ii) of Article VIII of
13 the Constitution of the Commonwealth of Pennsylvania, which
14 provides for establishing as a class or classes of subjects of
15 taxation the property or privileges of persons who, because of
16 poverty, are determined to be in need of special tax provisions,
17 the General Assembly hereby declares its intent and purpose to
18 exercise its power pursuant to that section by enacting the
19 alternative tax provisions of this section.

20 (b) Having determined that there are certain persons in this
21 Commonwealth whose incomes are such that imposition of an income
22 tax would deprive them and their dependents of bare necessities
23 of life, and having determined that poverty is a relative
24 concept inextricably joined with actual income and the number of
25 people dependent upon such income, the General Assembly deems it
26 to be a matter of public policy to provide special tax
27 provisions for that class of persons to relieve their economic
28 burden.

29 (c) For the taxable year beginning after December 31, 2007,
30 an individual having one or more dependents may, in lieu of

1 utilizing the special tax provisions for poverty in section 304,
2 claim a refund equal to fifteen per cent of the earned income
3 credit allowable under section 32 of the Internal Revenue Code
4 of 1986 (Public Law 99-514, 26 U.S.C. § 32), as amended.

5 (d) For taxable years beginning after December 31, 2008, an
6 individual having one or more dependents may, in lieu of
7 utilizing the special tax provisions for poverty in section 304,
8 claim a refund equal to thirty per cent of the earned income
9 credit allowable under section 32 of the Internal Revenue Code
10 of 1986, as amended.

11 ~~Section 2. This act shall take effect immediately.~~ <—

12 SECTION 5. SECTION 316 OF THE ACT, ADDED AUGUST 31, 1971 <—
13 (P.L.362, NO.93), IS AMENDED TO READ:

14 SECTION 316. REQUIREMENT OF WITHHOLDING TAX.--[EVERY] (A)
15 EXCEPT AS PROVIDED UNDER SUBSECTION (B), EVERY EMPLOYER
16 MAINTAINING AN OFFICE OR TRANSACTING BUSINESS WITHIN THIS
17 COMMONWEALTH AND MAKING PAYMENT OF COMPENSATION [(I)] (1) TO A
18 RESIDENT INDIVIDUAL, OR [(II)] (2) TO A NONRESIDENT INDIVIDUAL
19 TAXPAYER PERFORMING SERVICES ON BEHALF OF SUCH EMPLOYER WITHIN
20 THIS COMMONWEALTH, SHALL DEDUCT AND WITHHOLD FROM SUCH
21 COMPENSATION FOR EACH PAYROLL PERIOD A TAX COMPUTED IN SUCH
22 MANNER AS TO RESULT, SO FAR AS PRACTICABLE, IN WITHHOLDING FROM
23 THE EMPLOYEE'S COMPENSATION DURING EACH CALENDAR YEAR AN AMOUNT
24 SUBSTANTIALLY EQUIVALENT TO THE TAX REASONABLY ESTIMATED TO BE
25 DUE FOR SUCH YEAR WITH RESPECT TO SUCH COMPENSATION. THE METHOD
26 OF DETERMINING THE AMOUNT TO BE WITHHELD SHALL BE PRESCRIBED BY
27 REGULATIONS OF THE DEPARTMENT.

28 (B) SUBSECTION (A) SHALL NOT APPLY TO THE WITHHOLDING OF TAX
29 FROM COMPENSATION OF ANY RESIDENT OR NONRESIDENT INDIVIDUAL
30 SERVING IN THE ARMED FORCES OF THE UNITED STATES IN AN AREA

1 DESIGNATED BY THE PRESIDENT OF THE UNITED STATES BY EXECUTIVE
2 ORDER AS A COMBAT ZONE AS DESCRIBED UNDER SECTION 7508 OF THE
3 INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. §
4 7508), AS AMENDED, AT ANY TIME DURING THE PERIOD DESIGNATED BY
5 THE PRESIDENT BY EXECUTIVE ORDER AS THE PERIOD OF COMBATANT
6 ACTIVITIES IN THE COMBAT ZONE OR HOSPITALIZED AS A RESULT OF
7 INJURY RECEIVED WHILE SERVING IN THE COMBAT ZONE DURING SUCH
8 TIME.

9 SECTION 6. SECTION 401(3)2(A)(9) AND 4(C) OF THE ACT,
10 AMENDED JULY 12, 2006 (P.L.1137, NO.116), ARE AMENDED TO READ:

11 SECTION 401. DEFINITIONS.--THE FOLLOWING WORDS, TERMS, AND
12 PHRASES, WHEN USED IN THIS ARTICLE, SHALL HAVE THE MEANING
13 ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT
14 CLEARLY INDICATES A DIFFERENT MEANING:

15 * * *

16 (3) "TAXABLE INCOME." * * *

17 2. IN CASE THE ENTIRE BUSINESS OF ANY CORPORATION, OTHER
18 THAN A CORPORATION ENGAGED IN DOING BUSINESS AS A REGULATED
19 INVESTMENT COMPANY AS DEFINED BY THE INTERNAL REVENUE CODE OF
20 1986, IS NOT TRANSACTED WITHIN THIS COMMONWEALTH, THE TAX
21 IMPOSED BY THIS ARTICLE SHALL BE BASED UPON SUCH PORTION OF THE
22 TAXABLE INCOME OF SUCH CORPORATION FOR THE FISCAL OR CALENDAR
23 YEAR, AS DEFINED IN SUBCLAUSE 1 HEREOF, AND MAY BE DETERMINED AS
24 FOLLOWS:

25 (A) DIVISION OF INCOME.

26 * * *

27 (9) (A) EXCEPT AS PROVIDED IN SUBPARAGRAPH (B):

28 (I) FOR TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 2007, ALL
29 BUSINESS INCOME SHALL BE APPORTIONED TO THIS STATE BY
30 MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS

1 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS THREE TIMES THE
2 SALES FACTOR AND THE DENOMINATOR OF WHICH IS FIVE.

3 (II) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006,
4 AND ENDING BEFORE JANUARY 1, 2008, ALL BUSINESS INCOME SHALL BE
5 APPORTIONED TO THIS STATE BY MULTIPLYING THE INCOME BY A
6 FRACTION, THE NUMERATOR OF WHICH IS THE SUM OF FIFTEEN TIMES THE
7 PROPERTY FACTOR, FIFTEEN TIMES THE PAYROLL FACTOR AND SEVENTY
8 TIMES THE SALES FACTOR AND THE DENOMINATOR OF WHICH IS ONE
9 HUNDRED.

10 (III) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2007,
11 ALL BUSINESS INCOME SHALL BE APPORTIONED TO THIS STATE BY
12 MULTIPLYING THE INCOME BY THE SALES FACTOR.

13 (B) FOR PURPOSES OF APPORTIONMENT OF THE CAPITAL STOCK -
14 FRANCHISE TAX AS PROVIDED IN SECTION 602 OF ARTICLE VI OF THIS
15 ACT, THE APPORTIONMENT FRACTION SHALL BE THE PROPERTY FACTOR
16 PLUS THE PAYROLL FACTOR PLUS THE SALES FACTOR AS THE NUMERATOR,
17 AND THE DENOMINATOR SHALL BE THREE.

18 * * *

19 4. * * *

20 (C) (1) THE NET LOSS DEDUCTION SHALL BE THE LESSER OF:

21 (A) (I) FOR TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 2007,
22 TWO MILLION DOLLARS (\$2,000,000);

23 (II) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006,
24 AND BEFORE JANUARY 1, 2008, THE GREATER OF TWELVE AND ONE-HALF
25 PER CENT OF TAXABLE INCOME AS DETERMINED UNDER SUBCLAUSE 1 OR,
26 IF APPLICABLE, SUBCLAUSE 2 OR THREE MILLION DOLLARS
27 (\$3,000,000); [OR]

28 (III) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2007,
29 ONE HUNDRED PER CENT OF TAXABLE INCOME AS DETERMINED UNDER
30 SUBCLAUSE 1 OR, IF APPLICABLE, SUBCLAUSE 2; OR

1 (B) THE AMOUNT OF THE NET LOSS OR LOSSES WHICH MAY BE
2 CARRIED OVER TO THE TAXABLE YEAR OR TAXABLE INCOME AS DETERMINED
3 UNDER SUBCLAUSE 1 OR, IF APPLICABLE, SUBCLAUSE 2.

4 [(1.1) IN NO EVENT SHALL THE NET LOSS DEDUCTION INCLUDE MORE
5 THAN FIVE HUNDRED THOUSAND DOLLARS (\$500,000), IN THE AGGREGATE,
6 OF NET LOSSES FROM TAXABLE YEARS 1988 THROUGH 1994.]

7 (2) (A) A NET LOSS FOR A TAXABLE YEAR MAY ONLY BE CARRIED
8 OVER PURSUANT TO THE FOLLOWING SCHEDULE:

9	TAXABLE YEAR	CARRYOVER
10	1981	1 TAXABLE YEAR
11	1982	2 TAXABLE YEARS
12	1983-1987	3 TAXABLE YEARS
13	1988	2 TAXABLE YEARS PLUS
14		1 TAXABLE YEAR
15		STARTING WITH THE
16		1995 TAXABLE YEAR
17	1989	1 TAXABLE YEAR PLUS
18		2 TAXABLE YEARS
19		STARTING WITH THE
20		1995 TAXABLE YEAR
21	1990-1993	3 TAXABLE YEARS
22		STARTING WITH THE
23		1995 TAXABLE YEAR
24	1994	1 TAXABLE YEAR
25	1995-1997	10 TAXABLE YEARS
26	1998 AND THEREAFTER	20 TAXABLE YEARS

27 (B) THE EARLIEST NET LOSS SHALL BE CARRIED OVER TO THE
28 EARLIEST TAXABLE YEAR TO WHICH IT MAY BE CARRIED UNDER THIS
29 SCHEDULE. THE TOTAL NET LOSS DEDUCTION ALLOWED IN ANY TAXABLE
30 YEAR SHALL NOT EXCEED:

1 (I) TWO MILLION DOLLARS (\$2,000,000) FOR TAXABLE YEARS
2 BEGINNING BEFORE JANUARY 1, 2007.

3 (II) THE GREATER OF TWELVE AND ONE-HALF PER CENT OF THE
4 TAXABLE INCOME AS DETERMINED UNDER SUBCLAUSE 1 OR, IF
5 APPLICABLE, SUBCLAUSE 2 OR THREE MILLION DOLLARS (\$3,000,000)
6 FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006[.], AND
7 BEFORE JANUARY 1, 2008.

8 (III) ONE HUNDRED PER CENT OF TAXABLE INCOME AS DETERMINED
9 UNDER SUBCLAUSE 1 OR, IF APPLICABLE, SUBCLAUSE 2 FOR TAXABLE
10 YEARS BEGINNING AFTER DECEMBER 31, 2007.

11 * * *

12 SECTION 7. SECTION 402(B) OF THE ACT, AMENDED JUNE 29, 2002
13 (P.L.559, NO.89), IS AMENDED TO READ:

14 SECTION 402. IMPOSITION OF TAX.--* * *

15 (B) THE ANNUAL RATE OF TAX ON CORPORATE NET INCOME IMPOSED
16 BY SUBSECTION (A) FOR TAXABLE YEARS BEGINNING FOR THE CALENDAR
17 YEAR OR FISCAL YEAR ON OR AFTER THE DATES SET FORTH SHALL BE AS
18 FOLLOWS:

19 TAXABLE YEAR	TAX RATE
-----------------	----------

20 JANUARY 1, 1995, [AND	
--------------------------	--

21 EACH TAXABLE	
-----------------	--

22 YEAR THEREAFTER]	
---------------------	--

23 <u>THROUGH TAXABLE</u>	
---------------------------	--

24 <u>YEARS BEGINNING</u>	
---------------------------	--

25 <u>ON OR BEFORE</u>	
------------------------	--

26 <u>DECEMBER 31, 2008</u>	<u>9.99%</u>
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27 <u>JANUARY 1, 2009, AND</u>	
--------------------------------	--

28 <u>EACH TAXABLE</u>	
------------------------	--

29 <u>YEAR THROUGH</u>	
------------------------	--

30 <u>DECEMBER 31, 2009</u>	<u>7.90%</u>
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1 JANUARY 1, 2010, AND
2 EACH TAXABLE
3 YEAR THROUGH
4 DECEMBER 31, 2010 7.70%
5 JANUARY 1, 2011, AND
6 EACH TAXABLE
7 YEAR THROUGH
8 DECEMBER 31, 2011 7.50%
9 JANUARY 1, 2012, AND
10 EACH TAXABLE
11 YEAR THROUGH
12 DECEMBER 31, 2012 7.30%
13 JANUARY 1, 2013, AND
14 EACH TAXABLE
15 YEAR THROUGH
16 DECEMBER 31, 2013 7.10%
17 JANUARY 1, 2014, AND
18 EACH TAXABLE
19 YEAR THEREAFTER 6.90%

20 * * *

21 SECTION 8. THE DEFINITION OF "CAPITAL STOCK VALUE" IN
22 SECTION 601(A) OF THE ACT, AMENDED JULY 6, 2006 (P.L.319,
23 NO.67), IS AMENDED TO READ:

24 SECTION 601. DEFINITIONS AND REPORTS.--(A) THE FOLLOWING
25 WORDS, TERMS AND PHRASES WHEN USED IN THIS ARTICLE VI SHALL HAVE
26 THE MEANING ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE
27 CONTEXT CLEARLY INDICATES A DIFFERENT MEANING:

28 * * *

29 "CAPITAL STOCK VALUE." THE AMOUNT COMPUTED PURSUANT TO THE
30 FOLLOWING FORMULA: THE PRODUCT OF ONE-HALF TIMES THE SUM OF THE

1 AVERAGE NET INCOME CAPITALIZED AT THE RATE OF NINE AND ONE-HALF
2 PER CENT PLUS SEVENTY-FIVE PER CENT OF NET WORTH, FROM WHICH
3 PRODUCT SHALL BE SUBTRACTED [ONE HUNDRED FIFTY THOUSAND DOLLARS
4 (\$150,000)] THREE HUNDRED THOUSAND DOLLARS (\$300,000), THE
5 ALGEBRAIC EQUIVALENT OF WHICH IS

$$6 \quad \quad \quad (.5 \times (\text{AVERAGE NET INCOME} / .095 + (.75) \\ 7 \quad \quad \quad (\text{NET WORTH}))) - [\$150,000] \underline{\$300,000}$$

8 * * *

9 SECTION 9. SECTION 1101(A), (A.1) AND (J) OF THE ACT,
10 AMENDED OR ADDED DECEMBER 23, 2003 (P.L.250, NO.46), ARE AMENDED
11 TO READ:

12 SECTION 1101. IMPOSITION OF TAX.--(A) GENERAL RULE.--EVERY
13 PIPELINE COMPANY, CONDUIT COMPANY, STEAMBOAT COMPANY, CANAL
14 COMPANY, SLACK WATER NAVIGATION COMPANY, TRANSPORTATION COMPANY,
15 AND EVERY OTHER COMPANY, ASSOCIATION, JOINT-STOCK ASSOCIATION,
16 OR LIMITED PARTNERSHIP, NOW OR HEREAFTER INCORPORATED OR
17 ORGANIZED BY OR UNDER ANY LAW OF THIS COMMONWEALTH, OR NOW OR
18 HEREAFTER ORGANIZED OR INCORPORATED BY ANY OTHER STATE OR BY THE
19 UNITED STATES OR ANY FOREIGN GOVERNMENT, AND DOING BUSINESS IN
20 THIS COMMONWEALTH, AND EVERY COPARTNERSHIP, PERSON OR PERSONS
21 OWNING, OPERATING OR LEASING TO OR FROM ANOTHER CORPORATION,
22 COMPANY, ASSOCIATION, JOINT-STOCK ASSOCIATION, LIMITED
23 PARTNERSHIP, COPARTNERSHIP, PERSON OR PERSONS, ANY PIPELINE,
24 CONDUIT, STEAMBOAT, CANAL, SLACK WATER NAVIGATION, OR OTHER
25 DEVICE FOR THE TRANSPORTATION OF FREIGHT, PASSENGERS, BAGGAGE,
26 OR OIL, EXCEPT MOTOR VEHICLES AND RAILROADS, AND EVERY LIMITED
27 PARTNERSHIP, ASSOCIATION, JOINT-STOCK ASSOCIATION, CORPORATION
28 OR COMPANY ENGAGED IN, OR HEREAFTER ENGAGED IN, THE
29 TRANSPORTATION OF FREIGHT OR OIL WITHIN THIS STATE, AND EVERY
30 TELEPHONE COMPANY, TELEGRAPH COMPANY OR PROVIDER OF MOBILE

1 TELECOMMUNICATIONS SERVICES NOW OR HEREAFTER INCORPORATED OR
2 ORGANIZED BY OR UNDER ANY LAW OF THIS COMMONWEALTH, OR NOW OR
3 HEREAFTER ORGANIZED OR INCORPORATED BY ANY OTHER STATE OR BY THE
4 UNITED STATES OR ANY FOREIGN GOVERNMENT AND DOING BUSINESS IN
5 THIS COMMONWEALTH, AND EVERY LIMITED PARTNERSHIP, ASSOCIATION,
6 JOINT-STOCK ASSOCIATION, COPARTNERSHIP, PERSON OR PERSONS,
7 ENGAGED IN TELEPHONE OR TELEGRAPH BUSINESS OR PROVIDING MOBILE
8 TELECOMMUNICATIONS SERVICES IN THIS COMMONWEALTH, SHALL PAY TO
9 THE STATE TREASURER, THROUGH THE DEPARTMENT OF REVENUE, A TAX OF
10 FORTY-FIVE MILLS WITH A SURTAX EQUAL TO FIVE MILLS UPON EACH
11 DOLLAR OF THE GROSS RECEIPTS OF THE CORPORATION, COMPANY OR
12 ASSOCIATION, LIMITED PARTNERSHIP, JOINT-STOCK ASSOCIATION,
13 COPARTNERSHIP, PERSON OR PERSONS, RECEIVED FROM:

14 (1) PASSENGERS, BAGGAGE, OIL AND FREIGHT TRANSPORTED WHOLLY
15 WITHIN THIS STATE;

16 (2) TELEGRAPH OR TELEPHONE MESSAGES TRANSMITTED WHOLLY
17 WITHIN THIS STATE AND TELEGRAPH OR TELEPHONE MESSAGES
18 TRANSMITTED IN INTERSTATE COMMERCE AFTER DECEMBER 31, 2003, AND
19 BEFORE JANUARY 1, 2008, WHERE SUCH MESSAGES ORIGINATE OR
20 TERMINATE IN THIS STATE AND THE CHARGES FOR SUCH MESSAGES ARE
21 BILLED TO A SERVICE ADDRESS IN THIS STATE, EXCEPT GROSS RECEIPTS
22 DERIVED FROM:

23 (I) THE SALES OF ACCESS TO THE INTERNET, AS SET FORTH IN
24 ARTICLE II, MADE TO THE ULTIMATE CONSUMER; AND

25 (II) THE SALES FOR RESALE TO PERSONS, PARTNERSHIPS,
26 ASSOCIATIONS, CORPORATIONS OR POLITICAL SUBDIVISIONS SUBJECT TO
27 THE TAX IMPOSED BY THIS ARTICLE UPON GROSS RECEIPTS DERIVED FROM
28 SUCH RESALE OF TELECOMMUNICATIONS SERVICES, INCLUDING:

29 (A) TELECOMMUNICATIONS EXCHANGE ACCESS TO INTERCONNECT WITH
30 A LOCAL EXCHANGE CARRIER'S NETWORK;

1 (B) NETWORK ELEMENTS ON AN UNBUNDLED BASIS; AND

2 (C) SALES OF TELECOMMUNICATIONS SERVICES TO INTERCONNECT
3 WITH PROVIDERS OF MOBILE TELECOMMUNICATIONS SERVICES; AND

4 (3) MOBILE TELECOMMUNICATIONS SERVICES MESSAGES SOURCED TO
5 THIS COMMONWEALTH AFTER DECEMBER 31, 2003, AND BEFORE JANUARY 1,
6 2008, BASED ON THE PLACE OF PRIMARY USE STANDARD SET FORTH IN
7 THE MOBILE TELECOMMUNICATIONS SOURCING ACT (4 U.S.C. § 117),
8 EXCEPT GROSS RECEIPTS DERIVED FROM:

9 (I) THE SALES OF ACCESS TO THE INTERNET, AS SET FORTH IN
10 ARTICLE II, MADE TO THE ULTIMATE CONSUMER; AND

11 (II) THE SALES FOR RESALE TO PERSONS, PARTNERSHIPS,
12 ASSOCIATIONS, CORPORATIONS OR POLITICAL SUBDIVISIONS SUBJECT TO
13 THE TAX IMPOSED BY THIS ARTICLE UPON GROSS RECEIPTS DERIVED FROM
14 SUCH RESALE OF MOBILE TELECOMMUNICATIONS SERVICES, INCLUDING
15 SALES OF MOBILE TELECOMMUNICATIONS SERVICES TO INTERCONNECT WITH
16 PROVIDERS OF TELECOMMUNICATIONS SERVICES.

17 (A.1) CREDIT.--TELEGRAPH OR TELEPHONE COMPANIES OR PROVIDERS
18 OF MOBILE TELECOMMUNICATIONS SERVICES THAT PAY A GROSS RECEIPTS
19 TAX TO ANOTHER STATE ON MESSAGES OR SERVICES AFTER DECEMBER 31,
20 2003, AND BEFORE JANUARY 1, 2008, WHICH ARE TAXABLE UNDER THIS
21 ARTICLE ARE ENTITLED TO A CREDIT AGAINST THE TAX DUE UNDER THIS
22 ARTICLE. THE CREDIT ALLOWED WITH RESPECT TO THE MESSAGES OR
23 SERVICES SHALL NOT EXCEED THE TAX UNDER THIS ARTICLE WITH
24 RESPECT TO THE MESSAGES OR SERVICES.

25 * * *

26 (J) SCHEDULE FOR ESTIMATED PAYMENTS.--

27 (1) FOR CALENDAR YEAR 2004, THE FOLLOWING SCHEDULE APPLIES
28 TO THE PAYMENT OF THE TAX UNDER SUBSECTION(A)(3):

29 (I) FORTY PER CENT OF THE ESTIMATED TAX SHALL BE DUE ON
30 MARCH 15, 2004.

1 (II) FORTY PER CENT OF THE ESTIMATED TAX SHALL BE DUE ON
2 JUNE 15, 2004.

3 (III) TWENTY PER CENT OF THE ESTIMATED TAX SHALL BE DUE ON
4 SEPTEMBER 15, 2004.

5 (2) FOR CALENDAR [YEARS AFTER 2004] YEAR 2007, THE PAYMENT
6 OF THE ESTIMATED TAX UNDER SUBSECTION (A)(3) SHALL BE DUE IN
7 ACCORDANCE WITH SECTION 3003.2.

8 (3) THIS SUBSECTION SHALL EXPIRE JANUARY 1, 2008.

9 * * *

10 SECTION 10. SECTION 1704-B OF THE ACT, AMENDED DECEMBER 23,
11 2003 (P.L.250, NO.46), IS AMENDED TO READ:

12 SECTION 1704-B. CARRYOVER, CARRYBACK, REFUND AND ASSIGNMENT
13 OF CREDIT.--(A) IF THE TAXPAYER, PURCHASER OR ASSIGNEE CANNOT
14 USE THE ENTIRE AMOUNT OF THE RESEARCH AND DEVELOPMENT TAX CREDIT
15 FOR THE TAXABLE YEAR IN WHICH THE RESEARCH AND DEVELOPMENT TAX
16 CREDIT IS FIRST APPROVED, PURCHASED OR ASSIGNED, THEN THE EXCESS
17 MAY BE CARRIED OVER TO SUCCEEDING TAXABLE YEARS AND USED AS A
18 CREDIT AGAINST THE QUALIFIED TAX LIABILITY OF THE TAXPAYER FOR
19 THOSE TAXABLE YEARS. EACH TIME THAT THE RESEARCH AND DEVELOPMENT
20 TAX CREDIT IS CARRIED OVER TO A SUCCEEDING TAXABLE YEAR, IT IS
21 TO BE REDUCED BY THE AMOUNT THAT WAS USED AS A CREDIT DURING THE
22 IMMEDIATELY PRECEDING TAXABLE YEAR. THE RESEARCH AND DEVELOPMENT
23 TAX CREDIT PROVIDED BY THIS ARTICLE MAY BE CARRIED OVER AND
24 APPLIED TO SUCCEEDING TAXABLE YEARS FOR NO MORE THAN FIFTEEN
25 TAXABLE YEARS FOLLOWING THE FIRST TAXABLE YEAR FOR WHICH THE
26 TAXPAYER WAS ENTITLED TO CLAIM THE CREDIT.

27 (B) A RESEARCH AND DEVELOPMENT TAX CREDIT APPROVED BY THE
28 DEPARTMENT FOR PENNSYLVANIA QUALIFIED RESEARCH AND DEVELOPMENT
29 EXPENSE IN A TAXABLE YEAR FIRST SHALL BE APPLIED AGAINST THE
30 TAXPAYER'S QUALIFIED TAX LIABILITY FOR THE CURRENT TAXABLE YEAR

1 AS OF THE DATE ON WHICH THE CREDIT WAS APPROVED BEFORE THE
2 RESEARCH AND DEVELOPMENT TAX CREDIT IS APPLIED AGAINST ANY TAX
3 LIABILITY UNDER SUBSECTION (A).

4 (C) A TAXPAYER, PURCHASER OR ASSIGNEE IS NOT ENTITLED TO
5 CARRY BACK OR OBTAIN A REFUND OF AN UNUSED RESEARCH AND
6 DEVELOPMENT TAX CREDIT.

7 (D) A TAXPAYER, UPON APPLICATION TO AND APPROVAL BY THE
8 DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, MAY SELL OR
9 ASSIGN, IN WHOLE OR IN PART, A RESEARCH AND DEVELOPMENT TAX
10 CREDIT GRANTED TO THE TAXPAYER UNDER THIS ARTICLE IF NO CLAIM
11 FOR ALLOWANCE OF THE CREDIT IS FILED [WITHIN ONE YEAR] FROM THE
12 DATE THE CREDIT IS APPROVED BY THE DEPARTMENT UNDER SECTION
13 1703-B. THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
14 SHALL ESTABLISH GUIDELINES FOR THE APPROVAL OF APPLICATIONS
15 UNDER THIS SUBSECTION.

16 (E) THE PURCHASER OR ASSIGNEE OF A PORTION OF A RESEARCH AND
17 DEVELOPMENT TAX CREDIT UNDER SUBSECTION (D) SHALL IMMEDIATELY
18 CLAIM THE CREDIT IN THE TAXABLE YEAR IN WHICH THE PURCHASE OR
19 ASSIGNMENT IS MADE. THE AMOUNT OF THE RESEARCH AND DEVELOPMENT
20 CREDIT THAT A PURCHASER OR ASSIGNEE MAY USE AGAINST ANY ONE
21 QUALIFIED TAX LIABILITY MAY NOT EXCEED SEVENTY-FIVE PER CENT OF
22 SUCH QUALIFIED TAX LIABILITY FOR THE TAXABLE YEAR. THE PURCHASER
23 OR ASSIGNEE MAY NOT [CARRY OVER,] CARRY BACK, OBTAIN A REFUND OF
24 OR ASSIGN THE RESEARCH AND DEVELOPMENT TAX CREDIT. THE PURCHASER
25 OR ASSIGNEE SHALL NOTIFY THE DEPARTMENT OF THE SELLER OR
26 ASSIGNOR OF THE RESEARCH AND DEVELOPMENT TAX CREDIT IN
27 COMPLIANCE WITH PROCEDURES SPECIFIED BY THE DEPARTMENT.

28 SECTION 11. SECTION 1707-B OF THE ACT, AMENDED JULY 12, 2006
29 (P.L.1137, NO.116), IS REPEALED:

30 [SECTION 1707-B. TIME LIMITATIONS.--A TAXPAYER IS NOT

1 ENTITLED TO A RESEARCH AND DEVELOPMENT TAX CREDIT FOR
2 PENNSYLVANIA QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES
3 INCURRED IN TAXABLE YEARS ENDING AFTER DECEMBER 31, 2015. THE
4 TERMINATION DATE IN SECTION 41(H) OF THE INTERNAL REVENUE CODE
5 OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 41(H)) DOES NOT APPLY TO
6 A TAXPAYER WHO IS ELIGIBLE FOR THE RESEARCH AND DEVELOPMENT TAX
7 CREDIT UNDER THIS ARTICLE FOR THE TAXABLE YEAR IN WHICH THE
8 PENNSYLVANIA QUALIFIED RESEARCH AND DEVELOPMENT EXPENSE IS
9 INCURRED.]

10 SECTION 12. SECTION 1709-B OF THE ACT, AMENDED OR ADDED MAY
11 7, 1997 (P.L.85, NO.7) AND JULY 12, 2006 (P.L.1137, NO.116), IS
12 REPEALED:

13 [SECTION 1709-B. LIMITATION ON CREDITS.--(A) THE TOTAL
14 AMOUNT OF CREDITS APPROVED BY THE DEPARTMENT SHALL NOT EXCEED
15 FORTY MILLION DOLLARS (\$40,000,000) IN ANY FISCAL YEAR. OF THAT
16 AMOUNT, EIGHT MILLION DOLLARS (\$8,000,000) SHALL BE ALLOCATED
17 EXCLUSIVELY FOR SMALL BUSINESSES. HOWEVER, IF THE TOTAL AMOUNTS
18 ALLOCATED TO EITHER THE GROUP OF APPLICANTS EXCLUSIVE OF SMALL
19 BUSINESSES OR THE GROUP OF SMALL BUSINESS APPLICANTS IS NOT
20 APPROVED IN ANY FISCAL YEAR, THE UNUSED PORTION WILL BECOME
21 AVAILABLE FOR USE BY THE OTHER GROUP OF QUALIFYING TAXPAYERS.

22 (B) IF THE TOTAL AMOUNT OF RESEARCH AND DEVELOPMENT TAX
23 CREDITS APPLIED FOR BY ALL TAXPAYERS, EXCLUSIVE OF SMALL
24 BUSINESSES, EXCEEDS THE AMOUNT ALLOCATED FOR THOSE CREDITS, THEN
25 THE RESEARCH AND DEVELOPMENT TAX CREDIT TO BE RECEIVED BY EACH
26 APPLICANT SHALL BE THE PRODUCT OF THE ALLOCATED AMOUNT
27 MULTIPLIED BY THE QUOTIENT OF THE RESEARCH AND DEVELOPMENT TAX
28 CREDIT APPLIED FOR BY THE APPLICANT DIVIDED BY THE TOTAL OF ALL
29 RESEARCH AND DEVELOPMENT CREDITS APPLIED FOR BY ALL APPLICANTS,
30 THE ALGEBRAIC EQUIVALENT OF WHICH IS:

1 TAXPAYER'S RESEARCH AND DEVELOPMENT TAX CREDIT=AMOUNT
2 ALLOCATED FOR THOSE CREDITS X (RESEARCH AND DEVELOPMENT
3 TAX CREDIT APPLIED FOR BY THE APPLICANT/TOTAL OF ALL
4 RESEARCH AND DEVELOPMENT TAX CREDITS APPLIED FOR BY ALL
5 APPLICANTS).

6 (C) IF THE TOTAL AMOUNT OF RESEARCH AND DEVELOPMENT TAX
7 CREDITS APPLIED FOR BY ALL SMALL BUSINESS TAXPAYERS EXCEEDS THE
8 AMOUNT ALLOCATED FOR THOSE CREDITS, THEN THE RESEARCH AND
9 DEVELOPMENT TAX CREDIT TO BE RECEIVED BY EACH SMALL BUSINESS
10 APPLICANT SHALL BE THE PRODUCT OF THE ALLOCATED AMOUNT
11 MULTIPLIED BY THE QUOTIENT OF THE RESEARCH AND DEVELOPMENT TAX
12 CREDIT APPLIED FOR BY THE SMALL BUSINESS APPLICANT DIVIDED BY
13 THE TOTAL OF ALL RESEARCH AND DEVELOPMENT CREDITS APPLIED FOR BY
14 ALL SMALL BUSINESS APPLICANTS, THE ALGEBRAIC EQUIVALENT OF WHICH
15 IS:

16 TAXPAYER'S RESEARCH AND DEVELOPMENT TAX CREDIT=AMOUNT
17 ALLOCATED FOR THOSE CREDITS X (RESEARCH AND DEVELOPMENT
18 TAX CREDIT APPLIED FOR BY THE SMALL BUSINESS/TOTAL OF ALL
19 RESEARCH AND DEVELOPMENT TAX CREDITS APPLIED FOR BY ALL
20 SMALL BUSINESS APPLICANTS).]

21 SECTION 13. SECTION 1712-B OF THE ACT, AMENDED JULY 12, 2006
22 (P.L.1137, NO.116), IS REPEALED:

23 [SECTION 1712-B. TERMINATION.--THE DEPARTMENT SHALL NOT
24 APPROVE A RESEARCH AND DEVELOPMENT TAX CREDIT UNDER THIS ARTICLE
25 FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2015.]

26 SECTION 14. THE ACT IS AMENDED BY ADDING ARTICLES TO READ:

27 ARTICLE XVII-F

28 SMALL BUSINESS HEALTH SAVINGS ACCOUNT TAX CREDIT

29 SECTION 1701-F. SCOPE.

30 THIS ARTICLE RELATES TO SMALL BUSINESS HEALTH SAVINGS ACCOUNT

1 TAX CREDIT.

2 SECTION 1702-F. DEFINITIONS.

3 THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS ARTICLE
4 SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE
5 CONTEXT CLEARLY INDICATES OTHERWISE:

6 "DEPARTMENT." THE DEPARTMENT OF REVENUE OF THE COMMONWEALTH.

7 "EMPLOYEE" OR "EMPLOYEES." AN INDIVIDUAL OR GROUP OF
8 INDIVIDUALS EMPLOYED BY A SMALL BUSINESS. THE TERM SHALL ALSO
9 INCLUDE A SOLE PROPRIETOR.

10 "HEALTH INSURANCE POLICY." AN INDIVIDUAL OR GROUP HEALTH,
11 SICKNESS OR ACCIDENT POLICY OR SUBSCRIBER CONTRACT OR
12 CERTIFICATE ISSUED BY AN ENTITY SUBJECT TO ANY ONE OF THE
13 FOLLOWING:

14 (1) THE ACT OF MAY 17, 1921 (P.L.682, NO.284), KNOWN AS
15 THE INSURANCE COMPANY LAW OF 1921.

16 (2) THE ACT OF DECEMBER 29, 1972 (P.L.1701, NO.364),
17 KNOWN AS THE HEALTH MAINTENANCE ORGANIZATION ACT.

18 (3) THE ACT OF MAY 18, 1976 (P.L.123, NO.54), KNOWN AS
19 THE INDIVIDUAL ACCIDENT AND SICKNESS INSURANCE MINIMUM
20 STANDARDS ACT.

21 (4) 40 PA.C.S. CH. 61 (RELATING TO HOSPITAL PLAN
22 CORPORATIONS) OR 63 (RELATING TO PROFESSIONAL HEALTH SERVICES
23 PLAN CORPORATIONS).

24 "HEALTH SAVINGS ACCOUNT." AS DEFINED IN SECTION 223(D) OF
25 THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C.
26 § 223(D)).

27 "PASS-THROUGH ENTITY." ANY OF THE FOLLOWING:

28 (1) A PARTNERSHIP, LIMITED PARTNERSHIP, LIMITED
29 LIABILITY COMPANY, BUSINESS TRUST OR OTHER UNINCORPORATED
30 ENTITY THAT FOR FEDERAL INCOME TAX PURPOSES IS TAXABLE AS A

1 PARTNERSHIP.

2 (2) A PENNSYLVANIA S CORPORATION.

3 "QUALIFIED HIGH DEDUCTIBLE HEALTH PLAN." A HEALTH INSURANCE
4 POLICY THAT WOULD QUALIFY AS A HIGH DEDUCTIBLE HEALTH PLAN UNDER
5 SECTION 223(C)(2) OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC
6 LAW 99-514, 26 U.S.C. § 223(C)(2)).

7 "QUALIFIED TAX LIABILITY." THE LIABILITY FOR TAXES IMPOSED
8 UNDER ARTICLE III, IV OR VI. THE TERM SHALL INCLUDE THE
9 LIABILITY FOR TAXES IMPOSED UNDER ARTICLE III ON AN OWNER OF A
10 PASS-THROUGH ENTITY.

11 "SECRETARY." THE SECRETARY OF REVENUE OF THE COMMONWEALTH.

12 "SMALL BUSINESS." AN EMPLOYER WHO, ON AT LEAST 50% OF ITS
13 WORKING DAYS DURING THE TAXABLE YEAR, EMPLOYED FEWER THAN 100
14 EMPLOYEES.

15 "TAX CREDIT." THE SMALL BUSINESS HEALTH SAVINGS ACCOUNT TAX
16 CREDIT AUTHORIZED UNDER THIS ARTICLE.

17 "TAXPAYER." A SMALL BUSINESS SUBJECT TO TAX UNDER ARTICLE
18 III, IV OR VI. THE TERM INCLUDES:

19 (1) THE PARTNER, SHAREHOLDER, OWNER OR MEMBER OF A PASS-
20 THROUGH ENTITY; OR

21 (2) A SOLE PROPRIETOR.

22 SECTION 1703-F. CREDIT FOR HEALTH SAVINGS ACCOUNT
23 CONTRIBUTIONS.

24 (A) APPLICATION.--A TAXPAYER WHO PURCHASES AND PROVIDES A
25 QUALIFIED HIGH DEDUCTIBLE HEALTH INSURANCE POLICY TO EMPLOYEES
26 AND MAKES A CONTRIBUTION TO A HEALTH SAVINGS ACCOUNT ON BEHALF
27 OF EMPLOYEES IN A TAXABLE YEAR MAY APPLY FOR A TAX CREDIT AS
28 PROVIDED IN THIS ARTICLE. BY SEPTEMBER 15, A TAXPAYER MUST
29 SUBMIT AN APPLICATION TO THE DEPARTMENT FOR THE AGGREGATE
30 CONTRIBUTION MADE BY THE TAXPAYER TO EMPLOYEE HEALTH SAVINGS

1 ACCOUNTS IN THE TAXABLE YEAR THAT ENDED IN THE PRIOR CALENDAR
2 YEAR.

3 (B) COMPUTATION.--A TAXPAYER WHO QUALIFIES UNDER SUBSECTION
4 (A) SHALL RECEIVE A TAX CREDIT FOR THE TAXABLE YEAR IN
5 ACCORDANCE WITH THE FOLLOWING:

6 (1) FIFTY PERCENT OF THE AGGREGATE CONTRIBUTION MADE BY
7 THE TAXPAYER TO EMPLOYEE HEALTH SAVINGS ACCOUNTS WHEN THE
8 CONTRIBUTION IS PROVIDED FOR THE BENEFIT OF EMPLOYEES,
9 SPOUSES AND DEPENDENTS FOR THE TAXABLE YEAR.

10 (2) TWENTY-FIVE PERCENT OF THE AGGREGATE CONTRIBUTION
11 MADE BY THE TAXPAYER TO EMPLOYEE HEALTH SAVINGS ACCOUNTS WHEN
12 THE CONTRIBUTION IS PROVIDED SOLELY FOR THE BENEFIT OF AN
13 EMPLOYEE.

14 (C) NOTIFICATION.--BY DECEMBER 15 OF THE CALENDAR YEAR
15 FOLLOWING THE CLOSE OF THE TAXABLE YEAR DURING WHICH THE
16 CONTRIBUTION TO EMPLOYEE HEALTH SAVINGS ACCOUNTS WAS MADE, THE
17 DEPARTMENT SHALL NOTIFY THE TAXPAYER OF THE AMOUNT OF THE
18 TAXPAYER'S TAX CREDIT APPROVED BY THE DEPARTMENT.

19 SECTION 1704-F. LIMITATION ON CREDITS.

20 (A) LIMIT.--THE TOTAL AMOUNT OF CREDITS APPROVED BY THE
21 DEPARTMENT SHALL NOT EXCEED \$30,000,000 IN ANY FISCAL YEAR.

22 (B) CALCULATION.--IF THE TOTAL AMOUNT OF SMALL BUSINESS
23 HEALTH SAVINGS ACCOUNT TAX CREDITS APPLIED FOR BY ALL TAXPAYERS
24 EXCEEDS THE AMOUNT ALLOCATED FOR THOSE CREDITS, THEN THE SMALL
25 BUSINESS HEALTH SAVINGS ACCOUNT TAX CREDIT TO BE RECEIVED BY
26 EACH APPLICANT SHALL BE THE PRODUCT OF THE ALLOCATED AMOUNT
27 MULTIPLIED BY THE QUOTIENT OF THE SMALL BUSINESS HEALTH SAVINGS
28 ACCOUNT TAX CREDIT APPLIED FOR BY THE APPLICANT DIVIDED BY THE
29 TOTAL OF ALL SMALL BUSINESS HEALTH SAVINGS ACCOUNT CREDITS
30 APPLIED FOR BY ALL APPLICANTS, THE ALGEBRAIC EQUIVALENT OF WHICH

1 IS:

2 TAXPAYER'S SMALL BUSINESS HEALTH SAVINGS ACCOUNT TAX
3 CREDIT=AMOUNT ALLOCATED FOR THOSE CREDITS X (SMALL
4 BUSINESS HEALTH SAVINGS ACCOUNT TAX CREDIT APPLIED FOR BY
5 THE APPLICANT/TOTAL OF ALL SMALL BUSINESS HEALTH SAVINGS
6 ACCOUNT TAX CREDITS APPLIED FOR BY ALL APPLICANTS).
7 SECTION 1705-F. CARRYOVER, CARRYBACK, REFUND AND ASSIGNMENT OF
8 CREDIT.

9 (A) CARRYOVER.--IF THE TAXPAYER CANNOT USE THE ENTIRE AMOUNT
10 OF THE TAX CREDIT FOR THE TAXABLE YEAR IN WHICH THE TAX CREDIT
11 IS FIRST APPROVED, THEN THE EXCESS MAY BE CARRIED OVER TO
12 SUCCEEDING TAXABLE YEARS AND USED AS A CREDIT AGAINST THE
13 QUALIFIED TAX LIABILITY OF THE TAXPAYER FOR THOSE TAXABLE YEARS.
14 EACH TIME THAT THE TAX CREDIT IS CARRIED OVER TO A SUCCEEDING
15 TAXABLE YEAR, IT IS TO BE REDUCED BY THE AMOUNT THAT WAS USED AS
16 A CREDIT DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR. THE TAX
17 CREDIT MAY BE CARRIED OVER AND APPLIED TO SUCCEEDING TAXABLE
18 YEARS FOR NO MORE THAN 15 TAXABLE YEARS FOLLOWING THE FIRST
19 TAXABLE YEAR FOR WHICH THE TAXPAYER WAS ENTITLED TO CLAIM THE
20 CREDIT.

21 (B) APPLICATION OF CREDIT.--A TAX CREDIT APPROVED BY THE
22 DEPARTMENT FOR MONETARY CONTRIBUTIONS MADE TO EMPLOYEE HEALTH
23 SAVINGS ACCOUNTS IN A TAXABLE YEAR FIRST SHALL BE APPLIED
24 AGAINST THE TAXPAYER'S QUALIFIED TAX LIABILITY FOR THE CURRENT
25 TAXABLE YEAR AS OF THE DATE ON WHICH THE CREDIT WAS APPROVED
26 BEFORE THE TAX CREDIT IS APPLIED AGAINST ANY TAX LIABILITY UNDER
27 SUBSECTION (A).

28 (C) PROHIBITION.--A TAXPAYER IS NOT ENTITLED TO ASSIGN,
29 CARRY BACK OR OBTAIN A REFUND OF AN UNUSED TAX CREDIT.
30 SECTION 1706-F. SHAREHOLDER, OWNER OR MEMBER PASS-THROUGH.

1 (A) SHAREHOLDER'S CALCULATION.--IF A PENNSYLVANIA S
2 CORPORATION DOES NOT HAVE AN ELIGIBLE TAX LIABILITY AGAINST
3 WHICH THE TAX CREDIT MAY BE APPLIED, A SHAREHOLDER OF THE
4 PENNSYLVANIA S CORPORATION IS ENTITLED TO A TAX CREDIT EQUAL TO
5 THE TAX CREDIT DETERMINED FOR THE PENNSYLVANIA S CORPORATION FOR
6 THE TAXABLE YEAR MULTIPLIED BY THE PERCENTAGE OF THE
7 PENNSYLVANIA S CORPORATION'S DISTRIBUTIVE INCOME TO WHICH THE
8 SHAREHOLDER IS ENTITLED.

9 (B) OWNER OR MEMBER CALCULATION.--IF A PASS-THROUGH ENTITY
10 OTHER THAN A PENNSYLVANIA S CORPORATION DOES NOT HAVE AN
11 ELIGIBLE TAX LIABILITY AGAINST WHICH THE TAX CREDIT MAY BE
12 APPLIED, AN OWNER OR MEMBER OF THE PASS-THROUGH ENTITY IS
13 ENTITLED TO A TAX CREDIT EQUAL TO THE TAX CREDIT DETERMINED FOR
14 THE PASS-THROUGH ENTITY FOR THE TAXABLE YEAR MULTIPLIED BY THE
15 PERCENTAGE OF THE PASS-THROUGH ENTITY'S DISTRIBUTIVE INCOME TO
16 WHICH THE OWNER OR MEMBER IS ENTITLED.

17 (C) APPLICATION; RESTRICTIONS.--THE CREDIT PROVIDED UNDER
18 SUBSECTION (A) OR (B) IS IN ADDITION TO ANY TAX CREDIT TO WHICH
19 A SHAREHOLDER, OWNER OR MEMBER OF A PASS-THROUGH ENTITY IS
20 OTHERWISE ENTITLED UNDER THIS ARTICLE. HOWEVER, A PASS-THROUGH
21 ENTITY AND A SHAREHOLDER, OWNER OR MEMBER OF A PASS-THROUGH
22 ENTITY MAY NOT CLAIM A CREDIT UNDER THIS ARTICLE FOR THE SAME
23 CONTRIBUTIONS MADE TO EMPLOYEE HEALTH SAVINGS ACCOUNTS.
24 SECTION 1707-F. REPORT TO GENERAL ASSEMBLY.

25 THE SECRETARY SHALL SUBMIT AN ANNUAL REPORT TO THE GENERAL
26 ASSEMBLY INDICATING THE EFFECTIVENESS OF THE CREDIT PROVIDED BY
27 THIS ARTICLE NO LATER THAN MARCH 15 FOLLOWING THE YEAR IN WHICH
28 THE CREDITS WERE APPROVED. THE REPORT SHALL INCLUDE THE NAMES OF
29 ALL TAXPAYERS UTILIZING THE CREDIT AS OF THE DATE OF THE REPORT
30 AND THE AMOUNT OF CREDITS APPROVED AND UTILIZED BY EACH

1 TAXPAYER. NOTWITHSTANDING ANY LAW PROVIDING FOR THE
2 CONFIDENTIALITY OF TAX RECORDS, THE INFORMATION CONTAINED IN THE
3 REPORT SHALL BE PUBLIC INFORMATION. THE REPORT MAY ALSO INCLUDE
4 ANY RECOMMENDATIONS FOR CHANGES IN THE CALCULATION OR
5 ADMINISTRATION OF THE CREDIT.
6 SECTION 1708-F. REGULATIONS.

7 THE SECRETARY SHALL PROMULGATE REGULATIONS NECESSARY FOR THE
8 IMPLEMENTATION AND ADMINISTRATION OF THIS ARTICLE.

9 ARTICLE XVII-G

10 NEW DIESEL TECHNOLOGY TAX CREDIT

11 SECTION 1701-G. SCOPE OF ARTICLE.

12 THIS ARTICLE RELATES TO NEW DIESEL TECHNOLOGY TAX CREDITS.

13 SECTION 1702-G. DEFINITIONS.

14 THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS ARTICLE
15 SHALL HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE
16 CONTEXT CLEARLY INDICATES OTHERWISE:

17 "DEPARTMENT." THE DEPARTMENT OF REVENUE OF THE COMMONWEALTH.

18 "PASS-THROUGH ENTITY." ANY OF THE FOLLOWING:

19 (1) A PARTNERSHIP, LIMITED PARTNERSHIP, LIMITED
20 LIABILITY COMPANY, BUSINESS TRUST OR OTHER UNINCORPORATED
21 ENTITY THAT FOR FEDERAL INCOME TAX PURPOSES IS TAXABLE AS A
22 PARTNERSHIP.

23 (2) A PENNSYLVANIA S CORPORATION.

24 "QUALIFIED NEW DIESEL TECHNOLOGY EXPENSES." THE COST
25 INCURRED FOR THE PURCHASE OF A CLASS 8 HIGHWAY VEHICLE WITH A
26 REGISTERED GROSS OR COMBINATION WEIGHT AS PROVIDED UNDER 75
27 PA.C.S. § 1916 (RELATING TO TRUCKS AND TRUCK TRACTORS) AND WITH
28 A DIESEL ENGINE IF THE VEHICLE PURCHASED HAS BEEN CERTIFIED AS
29 COMPLIANT WITH THE EMISSIONS LIMITS CONTAINED IN 40 CFR 86.007-
30 11 (RELATING TO EMISSION STANDARDS AND SUPPLEMENTAL REQUIREMENTS

1 FOR 2007 AND LATER MODEL YEAR DIESEL HEAVY-DUTY ENGINES AND
2 VEHICLES), EXCEPT THAT 40 CFR 86.007-15 (RELATING TO NOX AND
3 PARTICULATE AVERAGING, TRADING, AND BANKING FOR HEAVY-DUTY
4 ENGINES), SHALL NOT APPLY TO EXHAUST EMISSIONS ATTAINMENT LEVELS
5 FOR PARTICULATES.

6 "QUALIFIED TAX LIABILITY." THE LIABILITY FOR TAXES IMPOSED
7 UNDER ARTICLE III, IV OR VI. THE TERM SHALL INCLUDE THE
8 LIABILITY FOR TAXES IMPOSED UNDER ARTICLE III ON AN OWNER OF A
9 PASS-THROUGH ENTITY.

10 "SECRETARY." THE SECRETARY OF REVENUE OF THE COMMONWEALTH.

11 "TAX CREDIT." THE NEW DIESEL TECHNOLOGY TAX CREDIT
12 AUTHORIZED UNDER THIS ARTICLE.

13 "TAXPAYER." AN ENTITY SUBJECT TO TAX UNDER ARTICLE III, IV
14 OR VI. THE TERM SHALL INCLUDE THE SHAREHOLDER, OWNER OR MEMBER
15 OF A PASS-THROUGH ENTITY THAT RECEIVES A TAX CREDIT.

16 SECTION 1703-G. CREDIT FOR NEW DIESEL TECHNOLOGY.

17 (A) APPLICATION.--A TAXPAYER WHO INCURS A QUALIFIED NEW
18 DIESEL TECHNOLOGY EXPENSE IN A TAXABLE YEAR MAY APPLY FOR A TAX
19 CREDIT AS PROVIDED IN THIS ARTICLE. BY SEPTEMBER 15, A TAXPAYER
20 MUST SUBMIT AN APPLICATION TO THE DEPARTMENT FOR QUALIFIED NEW
21 DIESEL TECHNOLOGY EXPENSES INCURRED IN THE TAXABLE YEAR THAT
22 ENDED IN THE PRIOR CALENDAR YEAR.

23 (B) AMOUNT.--A TAXPAYER THAT IS QUALIFIED UNDER SUBSECTION
24 (A) SHALL RECEIVE A TAX CREDIT FOR THE TAXABLE YEAR IN THE
25 AMOUNT OF \$5,000 PER QUALIFIED NEW DIESEL TECHNOLOGY EXPENSE.

26 (C) NOTIFICATION.--BY DECEMBER 15 OF THE CALENDAR YEAR
27 FOLLOWING THE CLOSE OF THE TAXABLE YEAR DURING WHICH QUALIFIED
28 NEW DIESEL TECHNOLOGY EXPENSE WAS INCURRED, THE DEPARTMENT SHALL
29 NOTIFY THE TAXPAYER OF THE AMOUNT OF THE TAXPAYER'S TAX CREDIT
30 APPROVED BY THE DEPARTMENT.

1 SECTION 1704-G. CARRYOVER, CARRYBACK, REFUND AND ASSIGNMENT OF
2 CREDIT.

3 (A) CARRYOVER.--IF THE TAXPAYER CANNOT USE THE ENTIRE AMOUNT
4 OF THE TAX CREDIT FOR THE TAXABLE YEAR IN WHICH THE TAX CREDIT
5 IS FIRST APPROVED, THE EXCESS MAY BE CARRIED OVER TO SUCCEEDING
6 TAXABLE YEARS AND USED AS A CREDIT AGAINST THE QUALIFIED TAX
7 LIABILITY OF THE TAXPAYER FOR THOSE TAXABLE YEARS. EACH TIME
8 THAT THE TAX CREDIT IS CARRIED OVER TO A SUCCEEDING TAXABLE
9 YEAR, IT SHALL BE REDUCED BY THE AMOUNT THAT WAS USED AS A
10 CREDIT DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR. THE TAX
11 CREDIT MAY BE CARRIED OVER AND APPLIED TO SUCCEEDING TAXABLE
12 YEARS FOR NO MORE THAN 15 TAXABLE YEARS FOLLOWING THE FIRST
13 TAXABLE YEAR FOR WHICH THE TAXPAYER WAS ENTITLED TO CLAIM THE
14 CREDIT.

15 (B) APPLICATION.--A TAX CREDIT APPROVED BY THE DEPARTMENT
16 FOR QUALIFIED NEW DIESEL TECHNOLOGY EXPENSES IN A TAXABLE YEAR
17 FIRST SHALL BE APPLIED AGAINST THE TAXPAYER'S QUALIFIED TAX
18 LIABILITY FOR THE CURRENT TAXABLE YEAR AS OF THE DATE ON WHICH
19 THE CREDIT WAS APPROVED BEFORE THE TAX CREDIT IS APPLIED AGAINST
20 ANY TAX LIABILITY UNDER SUBSECTION (A).

21 (C) UNUSED CREDIT.--A TAXPAYER IS NOT ENTITLED TO ASSIGN,
22 CARRY BACK OR OBTAIN A REFUND OF AN UNUSED TAX CREDIT.

23 SECTION 1705-G. TIME LIMITATIONS.

24 A TAXPAYER IS NOT ENTITLED TO A TAX CREDIT FOR QUALIFIED NEW
25 DIESEL TECHNOLOGY EXPENSES INCURRED IN TAXABLE YEARS ENDING
26 AFTER DECEMBER 31, 2009.

27 SECTION 1706-G. SHAREHOLDER, OWNER OR MEMBER PASS-THROUGH.

28 (A) PENNSYLVANIA S CORPORATIONS.--IF A PENNSYLVANIA S
29 CORPORATION DOES NOT HAVE AN ELIGIBLE TAX LIABILITY AGAINST
30 WHICH THE TAX CREDIT MAY BE APPLIED, A SHAREHOLDER OF THE

1 PENNSYLVANIA S CORPORATION IS ENTITLED TO A TAX CREDIT EQUAL TO
2 THE TAX CREDIT DETERMINED FOR THE PENNSYLVANIA S CORPORATION FOR
3 THE TAXABLE YEAR MULTIPLIED BY THE PERCENTAGE OF THE
4 PENNSYLVANIA S CORPORATION'S DISTRIBUTIVE INCOME TO WHICH THE
5 SHAREHOLDER IS ENTITLED UNDER THIS ARTICLE.

6 (B) PASS-THROUGH ENTITIES.--IF A PASS-THROUGH ENTITY OTHER
7 THAN A PENNSYLVANIA S CORPORATION DOES NOT HAVE AN ELIGIBLE TAX
8 LIABILITY AGAINST WHICH THE TAX CREDIT MAY BE APPLIED, AN OWNER
9 OR MEMBER OF THE PASS-THROUGH ENTITY IS ENTITLED TO A TAX CREDIT
10 EQUAL TO THE TAX CREDIT DETERMINED FOR THE PASS-THROUGH ENTITY
11 FOR THE TAXABLE YEAR MULTIPLIED BY THE PERCENTAGE OF THE PASS-
12 THROUGH ENTITY'S DISTRIBUTIVE INCOME TO WHICH THE OWNER OR
13 MEMBER IS ENTITLED UNDER THIS ARTICLE.

14 (C) ADDITIONAL CREDITS.--THE CREDIT PROVIDED UNDER
15 SUBSECTION (A) OR (B) SHALL BE IN ADDITION TO ANY TAX CREDIT TO
16 WHICH A SHAREHOLDER, OWNER OR MEMBER OF A PASS-THROUGH ENTITY IS
17 OTHERWISE ENTITLED UNDER THIS ARTICLE. HOWEVER, A PASS-THROUGH
18 ENTITY AND A SHAREHOLDER, OWNER OR MEMBER OF A PASS-THROUGH
19 ENTITY MAY NOT CLAIM A CREDIT UNDER THIS ARTICLE FOR THE SAME
20 QUALIFIED NEW DIESEL TECHNOLOGY EXPENSE.

21 SECTION 1707-G. REPORT TO GENERAL ASSEMBLY.

22 THE SECRETARY SHALL SUBMIT AN ANNUAL REPORT TO THE GENERAL
23 ASSEMBLY INDICATING THE EFFECTIVENESS OF THE CREDIT PROVIDED BY
24 THIS ARTICLE NO LATER THAN MARCH 15 FOLLOWING THE YEAR IN WHICH
25 THE CREDITS WERE APPROVED. THE REPORT SHALL INCLUDE THE NAMES OF
26 ALL TAXPAYERS UTILIZING THE CREDIT AS OF THE DATE OF THE REPORT
27 AND THE AMOUNT OF CREDITS APPROVED AND UTILIZED BY EACH
28 TAXPAYER. NOTWITHSTANDING ANY LAW PROVIDING FOR THE
29 CONFIDENTIALITY OF TAX RECORDS, THE INFORMATION CONTAINED IN THE
30 REPORT SHALL BE PUBLIC INFORMATION. THE REPORT MAY ALSO INCLUDE

1 ANY RECOMMENDATIONS FOR CHANGES IN THE CALCULATION OR
2 ADMINISTRATION OF THE CREDIT.
3 SECTION 1708-G. TERMINATION.

4 THE DEPARTMENT SHALL NOT APPROVE A TAX CREDIT UNDER THIS
5 ARTICLE FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2009.
6 SECTION 1709-G. REGULATIONS.

7 THE SECRETARY SHALL PROMULGATE REGULATIONS NECESSARY FOR THE
8 IMPLEMENTATION AND ADMINISTRATION OF THIS ARTICLE.

9 SECTION 15. SECTION 2106 OF THE ACT, ADDED AUGUST 4, 1991
10 (P.L.97, NO.22), IS AMENDED TO READ:

11 SECTION 2106. IMPOSITION OF TAX.--(A) AN INHERITANCE TAX
12 FOR THE USE OF THE COMMONWEALTH IS IMPOSED UPON EVERY TRANSFER
13 SUBJECT TO TAX UNDER THIS ARTICLE AT THE RATES SPECIFIED IN
14 SECTION 2116.

15 (B) THIS SECTION SHALL NOT APPLY TO THE ESTATES OF DECEDENTS
16 DYING ON OR AFTER JANUARY 1, 2012.

17 SECTION 16. SECTION 2116(A) OF THE ACT, AMENDED MAY 24, 2000
18 (P.L.106, NO.23), IS AMENDED TO READ:

19 SECTION 2116. INHERITANCE TAX.--(A) (1) INHERITANCE TAX
20 UPON THE TRANSFER OF PROPERTY PASSING TO OR FOR THE USE OF [ANY
21 OF THE FOLLOWING SHALL BE AT THE RATE OF FOUR AND ONE-HALF PER
22 CENT:

23 (I) GRANDFATHER, GRANDMOTHER, FATHER, MOTHER, EXCEPT
24 TRANSFERS UNDER SUBCLAUSE (1.2), AND LINEAL DESCENDANTS; OR

25 (II) WIFE OR WIDOW AND HUSBAND OR WIDOWER OF A CHILD.] A
26 GRANDFATHER, GRANDMOTHER, FATHER, MOTHER, EXCEPT TRANSFERS UNDER
27 SUBCLAUSE (1.2), LINEAL DESCENDANTS, WIFE OR WIDOW AND HUSBAND
28 OR WIDOWER OF A CHILD SHALL BE AT THE RATE PROVIDED IN THE
29 FOLLOWING SCHEDULE:

30 (I) FOUR AND ONE-HALF PER CENT FOR THE ESTATE OF A DECEDENT

1 DYING BEFORE OR DURING CALENDAR YEAR 2009.

2 (II) TWO PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
3 CALENDAR YEAR 2010.

4 (III) ZERO PER CENT FOR THE ESTATE OF A DECEDENT DYING
5 DURING OR AFTER CALENDAR YEAR 2011.

6 (1.1) INHERITANCE TAX UPON THE TRANSFER OF PROPERTY PASSING
7 TO OR FOR THE USE OF A HUSBAND OR WIFE SHALL BE:

8 (I) AT THE RATE OF THREE PER CENT FOR ESTATES OF DECEDENTS
9 DYING ON OR AFTER JULY 1, 1994, AND BEFORE JANUARY 1, 1995.

10 (II) AT A RATE OF ZERO PER CENT FOR ESTATES OF DECEDENTS
11 DYING ON OR AFTER JANUARY 1, 1995.

12 (1.2) INHERITANCE TAX UPON THE TRANSFER OF PROPERTY FROM A
13 CHILD TWENTY-ONE YEARS OF AGE OR YOUNGER TO OR FOR THE USE OF A
14 NATURAL PARENT, AN ADOPTIVE PARENT OR A STEPPARENT OF THE CHILD
15 SHALL BE AT THE RATE OF ZERO PER CENT.

16 (1.3) INHERITANCE TAX UPON THE TRANSFER OF PROPERTY PASSING
17 TO OR FOR THE USE OF A SIBLING SHALL BE AT THE RATE [OF TWELVE
18 PER CENT.] PROVIDED IN THE FOLLOWING SCHEDULE:

19 (I) TWELVE PER CENT FOR THE ESTATE OF A DECEDENT DYING
20 BEFORE OR DURING CALENDAR YEAR 2007.

21 (II) NINE PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
22 CALENDAR YEAR 2008.

23 (III) SIX PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
24 CALENDAR YEAR 2009.

25 (IV) FOUR AND ONE-HALF PER CENT FOR THE ESTATE OF A DECEDENT
26 DYING DURING CALENDAR YEAR 2010.

27 (V) TWO PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
28 CALENDAR YEAR 2011.

29 (VI) ZERO PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
30 OR AFTER CALENDAR YEAR 2012.

1 (1.4) INHERITANCE TAX UPON THE TRANSFER OF PROPERTY THAT IS
2 JOINTLY HELD BETWEEN A CHILD AND A NATURAL PARENT, AN ADOPTIVE
3 PARENT OR A STEPPARENT OF THE CHILD TO THE NATURAL PARENT,
4 ADOPTIVE PARENT OR THE STEPPARENT SHALL BE AT THE RATE OF ZERO
5 PER CENT.

6 (2) INHERITANCE TAX UPON THE TRANSFER OF PROPERTY PASSING TO
7 OR FOR THE USE OF ALL PERSONS OTHER THAN THOSE DESIGNATED IN
8 SUBCLAUSE (1), (1.1), (1.2) OR (1.3) OR EXEMPT UNDER SECTION
9 2111(M) SHALL BE AT THE RATE [OF FIFTEEN PER CENT.] PROVIDED IN
10 THE FOLLOWING SCHEDULE:

11 (I) FIFTEEN PER CENT FOR THE ESTATE OF A DECEDENT DYING
12 BEFORE OR DURING CALENDAR YEAR 2007.

13 (II) TEN PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
14 CALENDAR YEAR 2008.

15 (III) SEVEN PER CENT FOR THE ESTATE OF A DECEDENT DYING
16 DURING CALENDAR YEAR 2009.

17 (IV) FOUR AND ONE-HALF PER CENT FOR THE ESTATE OF A DECEDENT
18 DYING DURING CALENDAR YEAR 2010.

19 (V) TWO PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
20 CALENDAR YEAR 2011.

21 (VI) ZERO PER CENT FOR THE ESTATE OF A DECEDENT DYING DURING
22 OR AFTER CALENDAR YEAR 2012.

23 (3) WHEN PROPERTY PASSES TO OR FOR THE USE OF A HUSBAND AND
24 WIFE WITH RIGHT OF SURVIVORSHIP, ONE OF WHOM IS TAXABLE AT A
25 RATE LOWER THAN THE OTHER, THE LOWER RATE OF TAX SHALL BE
26 APPLIED TO THE ENTIRE INTEREST.

27 * * *

28 SECTION 17. SECTION 2117 OF THE ACT IS AMENDED BY ADDING A
29 SUBSECTION TO READ:

30 SECTION 2117. ESTATE TAX.--* * *

1 (D) THIS SECTION SHALL NOT APPLY TO THE ESTATES OF DECEDENTS
2 DYING ON OR AFTER JANUARY 1, 2012.

3 SECTION 18. REPEALS ARE AS FOLLOWS:

4 (1) THE GENERAL ASSEMBLY DECLARES THAT THE REPEAL UNDER
5 PARAGRAPH (2) IS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS
6 ACT.

7 (2) SECTION 33(12) OF THE ACT OF DECEMBER 23, 2003
8 (P.L.250, NO.46), ENTITLED "AN ACT AMENDING THE ACT OF MARCH
9 4, 1971 (P.L.6, NO.2), ENTITLED 'AN ACT RELATING TO TAX
10 REFORM AND STATE TAXATION BY CODIFYING AND ENUMERATING
11 CERTAIN SUBJECTS OF TAXATION AND IMPOSING TAXES THEREON;
12 PROVIDING PROCEDURES FOR THE PAYMENT, COLLECTION,
13 ADMINISTRATION AND ENFORCEMENT THEREOF; PROVIDING FOR TAX
14 CREDITS IN CERTAIN CASES; CONFERRING POWERS AND IMPOSING
15 DUTIES UPON THE DEPARTMENT OF REVENUE, CERTAIN EMPLOYERS,
16 FIDUCIARIES, INDIVIDUALS, PERSONS, CORPORATIONS AND OTHER
17 ENTITIES; PRESCRIBING CRIMES, OFFENSES AND PENALTIES,'
18 FURTHER PROVIDING, IN SALES AND USE TAX, FOR DEFINITIONS, FOR
19 EXCLUSIONS, FOR CREDITS, FOR LICENSES AND FOR TRANSFERS TO
20 PUBLIC TRANSPORTATION ASSISTANCE FUND; FURTHER PROVIDING, IN
21 PERSONAL INCOME TAX, FOR DEFINITIONS, FOR IMPOSITION, FOR
22 SPECIAL TAX PROVISIONS FOR POVERTY, FOR RETURNS AND LIABILITY
23 AND FOR RETURNS AND RECORDS; FURTHER PROVIDING, IN CORPORATE
24 NET INCOME TAX, FOR DEFINITIONS AND FOR INTERESTS IN
25 UNINCORPORATED ENTITIES; PROVIDING, IN CORPORATE NET INCOME
26 TAX, FOR ADDITIONAL WITHHOLDING REQUIREMENTS; FURTHER
27 PROVIDING, IN CAPITAL STOCK FRANCHISE TAX, FOR DEFINITIONS
28 AND REPORTS, FOR IMPOSITION AND FOR EXPIRATION; FURTHER
29 PROVIDING, IN UTILITIES GROSS RECEIPTS TAX, FOR IMPOSITION;
30 FURTHER PROVIDING, IN PUBLIC UTILITY REALTY TAX, FOR

1 SURCHARGES; PROVIDING, IN PUBLIC UTILITY REALTY TAX, FOR
2 ADDITIONAL TAX; FURTHER PROVIDING, IN CIGARETTE TAX, FOR
3 INCIDENCE AND RATE OF TAX, FOR FLOOR TAX, FOR STAMP TO
4 EVIDENCE THE TAX AND FOR COMMISSIONS ON SALES; ESTABLISHING,
5 IN RELATION TO CIGARETTE TAX, THE HEALTH CARE PROVIDER
6 RETENTION ACCOUNT; FURTHER PROVIDING, IN RESEARCH AND
7 DEVELOPMENT TAX CREDIT, FOR CARRYOVER, FOR LIMITATIONS AND
8 FOR REPORTS; FURTHER PROVIDING, IN MALT BEVERAGE TAX, FOR
9 LIMITED TAX CREDITS; FURTHER PROVIDING, IN INHERITANCE TAX,
10 FOR DEFINITIONS, FOR EXEMPT TRANSFERS, FOR ESTATE TAX AND FOR
11 ESTATE TAX RETURNS; FURTHER PROVIDING FOR THE PUBLIC
12 TRANSPORTATION ASSISTANCE FUND AND PROVIDING FOR ITS
13 ADMINISTRATION; FURTHER PROVIDING FOR ESTIMATED TAX AND FOR
14 UNDERPAYMENT OF ESTIMATED TAX; PROVIDING FOR AUTHORITY TO
15 ATTACH WAGES; AND REPEALING PROVISIONS RELATING TO THE PUBLIC
16 TRANSPORTATION ASSISTANCE FUND," IS REPEALED.

17 SECTION 19. THE FOLLOWING PROVISIONS SHALL APPLY TO TAXABLE
18 YEARS BEGINNING AFTER DECEMBER 31, 2007:

- 19 (1) THE AMENDMENT OF 316 OF THE ACT.
- 20 (2) THE AMENDMENT OF SECTION 401(3)4(C) OF THE ACT.
- 21 (3) THE AMENDMENT OF SECTION 601(A) OF THE ACT.
- 22 (4) THE AMENDMENT OF SECTION 1704-B OF THE ACT.
- 23 (5) THE ADDITION OF ARTICLE XVII-F OF THE ACT.

24 SECTION 20. THIS ACT SHALL TAKE EFFECT AS FOLLOWS:

25 (1) THE FOLLOWING PROVISIONS SHALL TAKE EFFECT JULY 1,
26 2008:

- 27 (I) THE AMENDMENT OF SECTION 201(M) OF THE ACT.
- 28 (II) THE AMENDMENT OR ADDITION OF SECTION 204(10),
29 (67) AND (68) OF THE ACT.
- 30 (III) THE ADDITION OF SECTION 304.1 OF THE ACT.

1 (IV) THE AMENDMENT OF SECTION 1101(A), (A.1) AND (J)
2 OF THE ACT.

3 (V) THE REPEAL OF SECTION 1707-B OF THE ACT.

4 (VI) THE REPEAL OF SECTION 1709-B OF THE ACT.

5 (VII) THE REPEAL OF SECTION 1712-B OF THE ACT.

6 (V) THE ADDITION OF ARTICLE XVII-F OF THE ACT.

7 (VI) THE ADDITION OF ARTICLE XVII-G OF THE ACT.

8 (VII) SECTION 18 OF THIS ACT.

9 (2) THE FOLLOWING PROVISIONS SHALL TAKE EFFECT JULY 1,
10 2008, OR IMMEDIATELY, WHICHEVER IS LATER:

11 (I) THE AMENDMENT OF SECTION 302 OF THE ACT.

12 (II) THE AMENDMENT OF SECTION 316 OF THE ACT.

13 (III) THE AMENDMENT OF SECTION 401(3)2(A)(9) OF THE
14 ACT.

15 (IV) THE AMENDMENT OF SECTION 402(B) OF THE ACT.

16 (3) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT
17 IMMEDIATELY.