

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

SENATOR BROWNE, FINANCE, IN SENATE, AS AMENDED, JUNE 26, 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. IN PERSONAL INCOME <—
26 TAX, FURTHER PROVIDING FOR CLASSES OF INCOME AND FOR SPECIAL
27 TAX PROVISIONS FOR POVERTY; AND, IN CORPORATE NET INCOME TAX,
28 FURTHER PROVIDING FOR THE DEFINITION OF "TAXABLE INCOME."

29 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 ~~Section 1. Section 201(m) of the act of March 4, 1971~~ <—
3 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971, amended May~~
4 ~~24, 2000 (P.L.106, No.23), is amended to read:~~

5 ~~Section 201. Definitions. The following words, terms and~~
6 ~~phrases when used in this Article II shall have the meaning~~
7 ~~ascribed to them in this section, except where the context~~
8 ~~clearly indicates a different meaning:~~

9 * * *

10 ~~(m) "Tangible personal property."~~

11 ~~(1) Corporeal personal property including, but not limited~~
12 ~~to, goods, wares, merchandise, steam and natural and~~
13 ~~manufactured and bottled gas for non residential use,~~
14 ~~electricity for non residential use, prepaid telecommunications,~~
15 ~~premium cable or premium video programming service, spirituous~~
16 ~~or vinous liquor and malt or brewed beverages and soft drinks,~~
17 ~~interstate telecommunications service originating or terminating~~
18 ~~in the Commonwealth and charged to a service address in this~~
19 ~~Commonwealth, intrastate telecommunications service with the~~
20 ~~exception of (i) subscriber line charges and basic local~~
21 ~~telephone service for residential use and (ii) charges for~~
22 ~~telephone calls paid for by inserting money into a telephone~~
23 ~~accepting direct deposits of money to operate, provided further,~~
24 ~~the service address of any intrastate telecommunications service~~
25 ~~is deemed to be within this Commonwealth or within a political~~
26 ~~subdivision, regardless of how or where billed or paid. In the~~
27 ~~case of any such interstate or intrastate telecommunications~~
28 ~~service, any charge paid through a credit or payment mechanism~~
29 ~~which does not relate to a service address, such as a bank,~~
30 ~~travel, credit or debit card, but not including prepaid~~

1 telecommunications, is deemed attributable to the address of
2 origination of the telecommunications service. The term shall
3 not include computer software, other than prewritten computer
4 software delivered to the purchaser by tangible storage media.

5 ~~(2) For the purposes of this clause, the following words and~~
6 ~~phrases shall have the meanings given to them in this subclause:~~

7 ~~"Computer software." A set of coded instructions designed to~~
8 ~~cause a computer or automatic data processing equipment to~~
9 ~~perform a task.~~

10 ~~"Prewritten computer software." The term shall have the same~~
11 ~~meaning as "computer software," including prewritten upgrades,~~
12 ~~which is not designed and developed by the author or other~~
13 ~~creator to the specifications of a specific purchaser. The~~
14 ~~combining of two or more prewritten computer software programs~~
15 ~~or prewritten portions of the program does not cause the~~
16 ~~combination to be other than prewritten computer software. The~~
17 ~~term includes software designed and developed by the author or~~
18 ~~other creator to the specifications of a specific purchaser when~~
19 ~~it is sold to a person other than the specific purchaser. Where~~
20 ~~a person modifies or enhances computer software of which the~~
21 ~~person is not the author or creator, the person shall be deemed~~
22 ~~to be the author or creator only of the person's modifications~~
23 ~~or enhancements. Prewritten computer software or a prewritten~~
24 ~~portion of prewritten computer software that is modified or~~
25 ~~enhanced to any degree, where the modification or enhancement is~~
26 ~~designed and developed to the specifications of a specific~~
27 ~~purchaser, remains prewritten computer software except that~~
28 ~~where there is a reasonable, separately stated charge, invoice~~
29 ~~or other statement of the price given to the purchaser for the~~
30 ~~modification or enhancement, the modification or enhancement~~

1 ~~shall not constitute prewritten computer software.~~

2 * * *

3 Section 2. ~~Section 204(10) of the act, amended April 23,~~
4 ~~1998 (P.L.239, No.45), is amended and the section is amended by~~
5 ~~adding clauses to read:~~

6 Section 204. ~~Exclusions from Tax. The tax imposed by~~
7 ~~section 202 shall not be imposed upon any of the following:~~

8 * * *

9 ~~(10) The sale at retail to or use by (i) any charitable~~
10 ~~organization, volunteer firemen's organization or nonprofit~~
11 ~~educational institution, or (ii) a religious organization for~~
12 ~~religious purposes of tangible personal property or services~~
13 ~~other than pursuant to a construction contract: Provided,~~
14 ~~however, That the exclusion of this clause shall not apply with~~
15 ~~respect to any tangible personal property or services used in~~
16 ~~any unrelated trade or business carried on by such organization~~
17 ~~or institution or with respect to any materials, supplies and~~
18 ~~equipment used and transferred to such organization or~~
19 ~~institution in the construction, reconstruction, remodeling,~~
20 ~~renovation, repairs and maintenance of any real estate~~
21 ~~structure, other than building machinery and equipment, except~~
22 ~~materials and supplies when purchased by such organizations or~~
23 ~~institutions for routine maintenance and repairs[.], unless the~~
24 ~~organization or institution is a charitable organization in the~~
25 ~~trade or business of construction, reconstruction, remodeling or~~
26 ~~renovation of any real estate structure.~~

27 * * *

28 ~~(67) Fees charged by nonprofit humane organizations to~~
29 ~~transfer custody and possession of animals that are used as~~
30 ~~household pets.~~

1 ~~(68) The sale at retail or use of building materials and~~
2 ~~supplies used for the construction or repair of animal~~
3 ~~production buildings regardless if the sale is made to the~~
4 ~~purchaser directly or pursuant to a construction contract.~~

5 Section 3. ~~Section 302 of the act, amended December 23, 2003~~
6 ~~(P.L.250, No.46), is amended to read:~~

7 Section 302. ~~Imposition of Tax. (a) Every resident~~
8 ~~individual, estate or trust shall be subject to, and shall pay~~
9 ~~for the privilege of receiving each of the classes of income~~
10 ~~hereinafter enumerated in section 303, a tax upon each dollar of~~
11 ~~income received by that resident during that resident's taxable~~
12 ~~year at the [rate of three and seven hundredths per cent.]~~
13 ~~following rates:~~

14 ~~(1) Three and seven hundredths per cent for the first half~~
15 ~~of the taxable year commencing with or within calendar year~~
16 ~~2008.~~

17 ~~(2) Two and ninety three hundredths per cent for the second~~
18 ~~half of the taxable year commencing with or within calendar year~~
19 ~~2008.~~

20 ~~(3) Two and eight tenths per cent for the taxable year~~
21 ~~commencing with or within calendar year 2009 and each taxable~~
22 ~~year thereafter.~~

23 ~~(b) Every nonresident individual, estate or trust shall be~~
24 ~~subject to, and shall pay for the privilege of receiving each of~~
25 ~~the classes of income hereinafter enumerated in section 303 from~~
26 ~~sources within this Commonwealth, a tax upon each dollar of~~
27 ~~income received by that nonresident during that nonresident's~~
28 ~~taxable year at the [rate of three and seven hundredths per~~
29 ~~cent.] following rates:~~

30 ~~(1) Three and seven hundredths per cent for the first half~~

1 ~~of the taxable year commencing with or within calendar year~~
2 ~~2008.~~

3 ~~(2) Two and ninety three hundredths per cent for the second~~
4 ~~half of the taxable year commencing with or within calendar year~~
5 ~~2008.~~

6 ~~(3) Two and eight tenths per cent for the taxable year~~
7 ~~commencing with or within calendar year 2009 and each taxable~~
8 ~~year thereafter.~~

9 Section 4. The act is amended by adding a section to read:

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

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

28 ~~(c) For the taxable year beginning after December 31, 2007,~~
29 ~~an individual having one or more dependents may, in lieu of~~
30 ~~utilizing the special tax provisions for poverty in section 304,~~

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

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

10 Section 5. ~~Section 316 of the act, added August 31, 1971~~
11 ~~(P.L.362, No.93), is amended to read:~~

12 Section 316. ~~Requirement of Withholding Tax. [Every] (a)~~
13 ~~Except as provided under subsection (b), every employer~~
14 ~~maintaining an office or transacting business within this~~
15 ~~Commonwealth and making payment of compensation [(i)] (1) to a~~
16 ~~resident individual, or [(ii)] (2) to a nonresident individual~~
17 ~~taxpayer performing services on behalf of such employer within~~
18 ~~this Commonwealth, shall deduct and withhold from such~~
19 ~~compensation for each payroll period a tax computed in such~~
20 ~~manner as to result, so far as practicable, in withholding from~~
21 ~~the employe's compensation during each calendar year an amount~~
22 ~~substantially equivalent to the tax reasonably estimated to be~~
23 ~~due for such year with respect to such compensation. The method~~
24 ~~of determining the amount to be withheld shall be prescribed by~~
25 ~~regulations of the department.~~

26 ~~(b) Subsection (a) shall not apply to the withholding of tax~~
27 ~~from compensation of any resident or nonresident individual~~
28 ~~serving in the armed forces of the United States in an area~~
29 ~~designated by the President of the United States by Executive~~
30 ~~Order as a combat zone as described under section 7508 of the~~

1 ~~Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §~~
2 ~~7508), as amended, at any time during the period designated by~~
3 ~~the President by Executive Order as the period of combatant~~
4 ~~activities in the combat zone or hospitalized as a result of~~
5 ~~injury received while serving in the combat zone during such~~
6 ~~time.~~

7 Section 6. ~~Section 401(3)2(a)(9) and 4(c) of the act,~~
8 ~~amended July 12, 2006 (P.L.1137, No.116), are amended to read:~~

9 Section 401. Definitions. The following words, terms, and
10 phrases, when used in this article, shall have the meaning
11 ascribed to them in this section, except where the context
12 clearly indicates a different meaning:

13 * * *

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

15 2. In case the entire business of any corporation, other
16 than a corporation engaged in doing business as a regulated
17 investment company as defined by the Internal Revenue Code of
18 1986, is not transacted within this Commonwealth, the tax
19 imposed by this article shall be based upon such portion of the
20 taxable income of such corporation for the fiscal or calendar
21 year, as defined in subclause 1 hereof, and may be determined as
22 follows:

23 (a) Division of Income.

24 * * *

25 (9) (A) Except as provided in subparagraph (B):

26 (i) For taxable years beginning before January 1, 2007, all
27 business income shall be apportioned to this State by
28 multiplying the income by a fraction, the numerator of which is
29 the property factor plus the payroll factor plus three times the
30 sales factor and the denominator of which is five.

1 ~~(ii) For taxable years beginning after December 31, 2006,~~
2 ~~and ending before January 1, 2008, all business income shall be~~
3 ~~apportioned to this State by multiplying the income by a~~
4 ~~fraction, the numerator of which is the sum of fifteen times the~~
5 ~~property factor, fifteen times the payroll factor and seventy~~
6 ~~times the sales factor and the denominator of which is one~~
7 ~~hundred.~~

8 ~~(iii) For taxable years beginning after December 31, 2007,~~
9 ~~all business income shall be apportioned to this State by~~
10 ~~multiplying the income by the sales factor.~~

11 ~~(B) For purposes of apportionment of the capital stock—~~
12 ~~franchise tax as provided in section 602 of Article VI of this~~
13 ~~act, the apportionment fraction shall be the property factor~~
14 ~~plus the payroll factor plus the sales factor as the numerator,~~
15 ~~and the denominator shall be three.~~

16 * * *

17 4. * * *

18 ~~(c) (1) The net loss deduction shall be the lesser of:~~

19 ~~(A) (I) For taxable years beginning before January 1, 2007,~~
20 ~~two million dollars (\$2,000,000);~~

21 ~~(II) For taxable years beginning after December 31, 2006,~~
22 ~~and before January 1, 2008, the greater of twelve and one half~~
23 ~~per cent of taxable income as determined under subclause 1 or,~~
24 ~~if applicable, subclause 2 or three million dollars~~
25 ~~(\$3,000,000); [or]~~

26 ~~(III) For taxable years beginning after December 31, 2007,~~
27 ~~one hundred per cent of taxable income as determined under~~
28 ~~subclause 1 or, if applicable, subclause 2; or~~

29 ~~(B) The amount of the net loss or losses which may be~~
30 ~~carried over to the taxable year or taxable income as determined~~

1 ~~under subclause 1 or, if applicable, subclause 2.~~

2 ~~[(1.1) In no event shall the net loss deduction include more~~
3 ~~than five hundred thousand dollars (\$500,000), in the aggregate,~~
4 ~~of net losses from taxable years 1988 through 1994.]~~

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

7	Taxable Year	Carryover
8	1981	1 taxable year
9	1982	2 taxable years
10	1983-1987	3 taxable years
11	1988	2 taxable years plus
12		1 taxable year
13		starting with the
14		1995 taxable year
15	1989	1 taxable year plus
16		2 taxable years
17		starting with the
18		1995 taxable year
19	1990-1993	3 taxable years
20		starting with the
21		1995 taxable year
22	1994	1 taxable year
23	1995-1997	10 taxable years
24	1998 and thereafter	20 taxable years

25 ~~(B) The earliest net loss shall be carried over to the~~
26 ~~earliest taxable year to which it may be carried under this~~
27 ~~schedule. The total net loss deduction allowed in any taxable~~
28 ~~year shall not exceed:~~

29 ~~(I) Two million dollars (\$2,000,000) for taxable years~~
30 ~~beginning before January 1, 2007.~~

1 ~~(II) The greater of twelve and one half per cent of the~~
2 ~~taxable income as determined under subclause 1 or, if~~
3 ~~applicable, subclause 2 or three million dollars (\$3,000,000)~~
4 ~~for taxable years beginning after December 31, 2006[.], and~~
5 ~~before January 1, 2008.~~

6 ~~(III) One hundred per cent of taxable income as determined~~
7 ~~under subclause 1 or, if applicable, subclause 2 for taxable~~
8 ~~years beginning after December 31, 2007.~~

9 * * *

10 Section 7. ~~Section 402(b) of the act, amended June 29, 2002~~
11 ~~(P.L.559, No.89), is amended to read:~~

12 Section 402. ~~Imposition of Tax.~~ * * *

13 ~~(b) The annual rate of tax on corporate net income imposed~~
14 ~~by subsection (a) for taxable years beginning for the calendar~~
15 ~~year or fiscal year on or after the dates set forth shall be as~~
16 ~~follows:~~

17	Taxable Year	Tax Rate
18	January 1, 1995, [and	
19	each taxable	
20	year thereafter]	
21	<u>through taxable</u>	
22	<u>years beginning</u>	
23	<u>on or before</u>	
24	<u>December 31, 2008</u>	<u>9.99%</u>
25	<u>January 1, 2009, and</u>	
26	<u>each taxable</u>	
27	<u>year through</u>	
28	<u>December 31, 2009</u>	<u>7.90%</u>
29	<u>January 1, 2010, and</u>	
30	<u>each taxable</u>	

1 ~~year through~~
2 ~~December 31, 2010~~ ~~7.70%~~
3 ~~January 1, 2011, and~~
4 ~~each taxable~~
5 ~~year through~~
6 ~~December 31, 2011~~ ~~7.50%~~
7 ~~January 1, 2012, and~~
8 ~~each taxable~~
9 ~~year through~~
10 ~~December 31, 2012~~ ~~7.30%~~
11 ~~January 1, 2013, and~~
12 ~~each taxable~~
13 ~~year through~~
14 ~~December 31, 2013~~ ~~7.10%~~
15 ~~January 1, 2014, and~~
16 ~~each taxable~~
17 ~~year thereafter~~ ~~6.90%~~

18 * * *

19 Section 8. ~~The definition of "capital stock value" in~~
20 ~~section 601(a) of the act, amended July 6, 2006 (P.L.319,~~
21 ~~No.67), is amended to read:~~

22 Section 601. ~~Definitions and Reports.~~ (a) ~~The following~~
23 ~~words, terms and phrases when used in this Article VI shall have~~
24 ~~the meaning ascribed to them in this section, except where the~~
25 ~~context clearly indicates a different meaning:~~

26 * * *

27 "Capital stock value." ~~The amount computed pursuant to the~~
28 ~~following formula: the product of one half times the sum of the~~
29 ~~average net income capitalized at the rate of nine and one half~~
30 ~~per cent plus seventy five per cent of net worth, from which~~

1 ~~product shall be subtracted [one hundred fifty thousand dollars~~
2 ~~(\$150,000)] three hundred thousand dollars (\$300,000), the~~
3 ~~algebraic equivalent of which is~~

4 ~~(.5 X (average net income/.095 + (.75)~~
5 ~~(net worth))) — [\$150,000] \$300,000~~

6 * * *

7 ~~Section 9. Section 1101(a), (a.1) and (j) of the act,~~
8 ~~amended or added December 23, 2003 (P.L.250, No.46), are amended~~
9 ~~to read:~~

10 ~~Section 1101. Imposition of Tax. (a) General Rule. Every~~
11 ~~pipeline company, conduit company, steamboat company, canal~~
12 ~~company, slack water navigation company, transportation company,~~
13 ~~and every other company, association, joint stock association,~~
14 ~~or limited partnership, now or hereafter incorporated or~~
15 ~~organized by or under any law of this Commonwealth, or now or~~
16 ~~hereafter organized or incorporated by any other state or by the~~
17 ~~United States or any foreign government, and doing business in~~
18 ~~this Commonwealth, and every copartnership, person or persons~~
19 ~~owning, operating or leasing to or from another corporation,~~
20 ~~company, association, joint stock association, limited~~
21 ~~partnership, copartnership, person or persons, any pipeline,~~
22 ~~conduit, steamboat, canal, slack water navigation, or other~~
23 ~~device for the transportation of freight, passengers, baggage,~~
24 ~~or oil, except motor vehicles and railroads, and every limited~~
25 ~~partnership, association, joint stock association, corporation~~
26 ~~or company engaged in, or hereafter engaged in, the~~
27 ~~transportation of freight or oil within this State, and every~~
28 ~~telephone company, telegraph company or provider of mobile~~
29 ~~telecommunications services now or hereafter incorporated or~~
30 ~~organized by or under any law of this Commonwealth, or now or~~

1 ~~hereafter organized or incorporated by any other state or by the~~
2 ~~United States or any foreign government and doing business in~~
3 ~~this Commonwealth, and every limited partnership, association,~~
4 ~~joint stock association, copartnership, person or persons,~~
5 ~~engaged in telephone or telegraph business or providing mobile~~
6 ~~telecommunications services in this Commonwealth, shall pay to~~
7 ~~the State Treasurer, through the Department of Revenue, a tax of~~
8 ~~forty five mills with a surtax equal to five mills upon each~~
9 ~~dollar of the gross receipts of the corporation, company or~~
10 ~~association, limited partnership, joint stock association,~~
11 ~~copartnership, person or persons, received from:~~

12 ~~(1) passengers, baggage, oil and freight transported wholly~~
13 ~~within this State;~~

14 ~~(2) telegraph or telephone messages transmitted wholly~~
15 ~~within this State and telegraph or telephone messages~~
16 ~~transmitted in interstate commerce after December 31, 2003, and~~
17 ~~before January 1, 2008, where such messages originate or~~
18 ~~terminate in this State and the charges for such messages are~~
19 ~~billed to a service address in this State, except gross receipts~~
20 ~~derived from:~~

21 ~~(i) the sales of access to the Internet, as set forth in~~
22 ~~Article II, made to the ultimate consumer; and~~

23 ~~(ii) the sales for resale to persons, partnerships,~~
24 ~~associations, corporations or political subdivisions subject to~~
25 ~~the tax imposed by this article upon gross receipts derived from~~
26 ~~such resale of telecommunications services, including:~~

27 ~~(A) telecommunications exchange access to interconnect with~~
28 ~~a local exchange carrier's network;~~

29 ~~(B) network elements on an unbundled basis; and~~

30 ~~(C) sales of telecommunications services to interconnect~~

1 with providers of mobile telecommunications services; and
2 (3) mobile telecommunications services messages sourced to
3 this Commonwealth after December 31, 2003, and before January 1,
4 2008, based on the place of primary use standard set forth in
5 the Mobile Telecommunications Sourcing Act (4 U.S.C. § 117),
6 except gross receipts derived from:

7 (i) the sales of access to the Internet, as set forth in
8 Article II, made to the ultimate consumer; and

9 (ii) the sales for resale to persons, partnerships,
10 associations, corporations or political subdivisions subject to
11 the tax imposed by this article upon gross receipts derived from
12 such resale of mobile telecommunications services, including
13 sales of mobile telecommunications services to interconnect with
14 providers of telecommunications services.

15 (a.1) Credit. Telegraph or telephone companies or providers
16 of mobile telecommunications services that pay a gross receipts
17 tax to another state on messages or services after December 31,
18 2003, and before January 1, 2008, which are taxable under this
19 article are entitled to a credit against the tax due under this
20 article. The credit allowed with respect to the messages or
21 services shall not exceed the tax under this article with
22 respect to the messages or services.

23 * * *

24 (j) Schedule for Estimated Payments.—

25 (1) For calendar year 2004, the following schedule applies
26 to the payment of the tax under subsection(a)(3):

27 (i) Forty per cent of the estimated tax shall be due on
28 March 15, 2004.

29 (ii) Forty per cent of the estimated tax shall be due on
30 June 15, 2004.

1 ~~(iii) Twenty per cent of the estimated tax shall be due on~~
2 ~~September 15, 2004.~~

3 ~~(2) For calendar [years after 2004] year 2007, the payment~~
4 ~~of the estimated tax under subsection (a)(3) shall be due in~~
5 ~~accordance with section 3003.2.~~

6 ~~(3) This subsection shall expire January 1, 2008.~~

7 ~~* * *~~

8 ~~Section 10. Section 1704 B of the act, amended December 23,~~
9 ~~2003 (P.L.250, No.46), is amended to read:~~

10 ~~Section 1704 B. Carryover, Carryback, Refund and Assignment~~
11 ~~of Credit. (a) If the taxpayer, purchaser or assignee cannot~~
12 ~~use the entire amount of the research and development tax credit~~
13 ~~for the taxable year in which the research and development tax~~
14 ~~credit is first approved, purchased or assigned, then the excess~~
15 ~~may be carried over to succeeding taxable years and used as a~~
16 ~~credit against the qualified tax liability of the taxpayer for~~
17 ~~those taxable years. Each time that the research and development~~
18 ~~tax credit is carried over to a succeeding taxable year, it is~~
19 ~~to be reduced by the amount that was used as a credit during the~~
20 ~~immediately preceding taxable year. The research and development~~
21 ~~tax credit provided by this article may be carried over and~~
22 ~~applied to succeeding taxable years for no more than fifteen~~
23 ~~taxable years following the first taxable year for which the~~
24 ~~taxpayer was entitled to claim the credit.~~

25 ~~(b) A research and development tax credit approved by the~~
26 ~~department for Pennsylvania qualified research and development~~
27 ~~expense in a taxable year first shall be applied against the~~
28 ~~taxpayer's qualified tax liability for the current taxable year~~
29 ~~as of the date on which the credit was approved before the~~
30 ~~research and development tax credit is applied against any tax~~

1 ~~liability under subsection (a).~~

2 ~~(c) A taxpayer, purchaser or assignee is not entitled to~~
3 ~~carry back or obtain a refund of an unused research and~~
4 ~~development tax credit.~~

5 ~~(d) A taxpayer, upon application to and approval by the~~
6 ~~Department of Community and Economic Development, may sell or~~
7 ~~assign, in whole or in part, a research and development tax~~
8 ~~credit granted to the taxpayer under this article if no claim~~
9 ~~for allowance of the credit is filed [within one year] from the~~
10 ~~date the credit is approved by the department under section~~
11 ~~1703 B. The Department of Community and Economic Development~~
12 ~~shall establish guidelines for the approval of applications~~
13 ~~under this subsection.~~

14 ~~(e) The purchaser or assignee of a portion of a research and~~
15 ~~development tax credit under subsection (d) shall immediately~~
16 ~~claim the credit in the taxable year in which the purchase or~~
17 ~~assignment is made. The amount of the research and development~~
18 ~~credit that a purchaser or assignee may use against any one~~
19 ~~qualified tax liability may not exceed seventy five per cent of~~
20 ~~such qualified tax liability for the taxable year. The purchaser~~
21 ~~or assignee may not [carry over,] carry back, obtain a refund of~~
22 ~~or assign the research and development tax credit. The purchaser~~
23 ~~or assignee shall notify the department of the seller or~~
24 ~~assignor of the research and development tax credit in~~
25 ~~compliance with procedures specified by the department.~~

26 ~~Section 11. Section 1707 B of the act, amended July 12, 2006~~
27 ~~(P.L.1137, No.116), is repealed.~~

28 ~~[Section 1707 B. Time Limitations. A taxpayer is not~~
29 ~~entitled to a research and development tax credit for~~
30 ~~Pennsylvania qualified research and development expenses~~

1 ~~incurred in taxable years ending after December 31, 2015. The~~
2 ~~termination date in section 41(h) of the Internal Revenue Code~~
3 ~~of 1986 (Public Law 99-514, 26 U.S.C. § 41(h)) does not apply to~~
4 ~~a taxpayer who is eligible for the research and development tax~~
5 ~~credit under this article for the taxable year in which the~~
6 ~~Pennsylvania qualified research and development expense is~~
7 ~~incurred.]~~

8 ~~Section 12. Section 1709 B of the act, amended or added May~~
9 ~~7, 1997 (P.L.85, No.7) and July 12, 2006 (P.L.1137, No.116), is~~
10 ~~repealed:~~

11 ~~{Section 1709 B. Limitation on Credits. (a) The total~~
12 ~~amount of credits approved by the department shall not exceed~~
13 ~~forty million dollars (\$40,000,000) in any fiscal year. Of that~~
14 ~~amount, eight million dollars (\$8,000,000) shall be allocated~~
15 ~~exclusively for small businesses. However, if the total amounts~~
16 ~~allocated to either the group of applicants exclusive of small~~
17 ~~businesses or the group of small business applicants is not~~
18 ~~approved in any fiscal year, the unused portion will become~~
19 ~~available for use by the other group of qualifying taxpayers.~~

20 ~~(b) If the total amount of research and development tax~~
21 ~~credits applied for by all taxpayers, exclusive of small~~
22 ~~businesses, exceeds the amount allocated for those credits, then~~
23 ~~the research and development tax credit to be received by each~~
24 ~~applicant shall be the product of the allocated amount~~
25 ~~multiplied by the quotient of the research and development tax~~
26 ~~credit applied for by the applicant divided by the total of all~~
27 ~~research and development credits applied for by all applicants,~~
28 ~~the algebraic equivalent of which is:~~

29 ~~taxpayer's research and development tax credit=amount~~
30 ~~allocated for those credits X (research and development~~

1 ~~tax credit applied for by the applicant/total of all~~
2 ~~research and development tax credits applied for by all~~
3 ~~applicants).~~

4 ~~(c) If the total amount of research and development tax~~
5 ~~credits applied for by all small business taxpayers exceeds the~~
6 ~~amount allocated for those credits, then the research and~~
7 ~~development tax credit to be received by each small business~~
8 ~~applicant shall be the product of the allocated amount~~
9 ~~multiplied by the quotient of the research and development tax~~
10 ~~credit applied for by the small business applicant divided by~~
11 ~~the total of all research and development credits applied for by~~
12 ~~all small business applicants, the algebraic equivalent of which~~
13 ~~is:~~

14 ~~taxpayer's research and development tax credit=amount~~
15 ~~allocated for those credits X (research and development~~
16 ~~tax credit applied for by the small business/total of all~~
17 ~~research and development tax credits applied for by all~~
18 ~~small business applicants).]~~

19 ~~Section 13. Section 1712 B of the act, amended July 12, 2006~~
20 ~~(P.L.1137, No.116), is repealed:~~

21 ~~[Section 1712 B. Termination. The department shall not~~
22 ~~approve a research and development tax credit under this article~~
23 ~~for taxable years ending after December 31, 2015.]~~

24 ~~Section 14. The act is amended by adding articles to read:~~

25 ~~ARTICLE XVII F~~

26 ~~SMALL BUSINESS HEALTH SAVINGS ACCOUNT TAX CREDIT~~

27 ~~Section 1701 F. Scope.~~

28 ~~This article relates to small business health savings account~~
29 ~~tax credit.~~

30 ~~Section 1702 F. Definitions.~~

1 ~~The following words and phrases when used in this article~~
2 ~~shall have the meanings given to them in this section unless the~~
3 ~~context clearly indicates otherwise:~~

4 ~~"Department."—The Department of Revenue of the Commonwealth.~~

5 ~~"Employee" or "employees."—An individual or group of~~
6 ~~individuals employed by a small business. The term shall also~~
7 ~~include a sole proprietor.~~

8 ~~"Health insurance policy."—An individual or group health,~~
9 ~~sickness or accident policy or subscriber contract or~~
10 ~~certificate issued by an entity subject to any one of the~~
11 ~~following:~~

12 ~~(1) The act of May 17, 1921 (P.L.682, No.284), known as~~
13 ~~The Insurance Company Law of 1921.~~

14 ~~(2) The act of December 29, 1972 (P.L.1701, No.364),~~
15 ~~known as the Health Maintenance Organization Act.~~

16 ~~(3) The act of May 18, 1976 (P.L.123, No.54), known as~~
17 ~~the Individual Accident and Sickness Insurance Minimum~~
18 ~~Standards Act.~~

19 ~~(4) 40 Pa.C.S. Ch. 61 (relating to hospital plan~~
20 ~~corporations) or 63 (relating to professional health services~~
21 ~~plan corporations).~~

22 ~~"Health Savings Account."—As defined in section 223(d) of~~
23 ~~the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.~~
24 ~~§ 223(d)).~~

25 ~~"Pass through entity."—Any of the following:~~

26 ~~(1) A partnership, limited partnership, limited~~
27 ~~liability company, business trust or other unincorporated~~
28 ~~entity that for Federal income tax purposes is taxable as a~~
29 ~~partnership.~~

30 ~~(2) A Pennsylvania S corporation.~~

1 ~~"Qualified high deductible health plan."—A health insurance~~
2 ~~policy that would qualify as a high deductible health plan under~~
3 ~~section 223(c)(2) of the Internal Revenue Code of 1986 (Public~~
4 ~~Law 99-514, 26 U.S.C. § 223(c)(2)).~~

5 ~~"Qualified tax liability."—The liability for taxes imposed~~
6 ~~under Article III, IV or VI. The term shall include the~~
7 ~~liability for taxes imposed under Article III on an owner of a~~
8 ~~pass through entity.~~

9 ~~"Secretary."—The Secretary of Revenue of the Commonwealth.~~

10 ~~"Small business."—An employer who, on at least 50% of its~~
11 ~~working days during the taxable year, employed fewer than 100~~
12 ~~employees.~~

13 ~~"Tax credit."—The small business health savings account tax~~
14 ~~credit authorized under this article.~~

15 ~~"Taxpayer."—A small business subject to tax under Article~~
16 ~~III, IV or VI. The term includes:~~

17 ~~(1) the partner, shareholder, owner or member of a pass~~
18 ~~through entity; or~~

19 ~~(2) a sole proprietor.~~

20 ~~Section 1703 F.—Credit for Health Savings Account~~
21 ~~contributions.~~

22 ~~(a) Application.—A taxpayer who purchases and provides a~~
23 ~~qualified high deductible health insurance policy to employees~~
24 ~~and makes a contribution to a health savings account on behalf~~
25 ~~of employees in a taxable year may apply for a tax credit as~~
26 ~~provided in this article. By September 15, a taxpayer must~~
27 ~~submit an application to the department for the aggregate~~
28 ~~contribution made by the taxpayer to employee health savings~~
29 ~~accounts in the taxable year that ended in the prior calendar~~
30 ~~year.~~

~~(b) Computation. A taxpayer who qualifies under subsection (a) shall receive a tax credit for the taxable year in accordance with the following:~~

~~(1) Fifty percent of the aggregate contribution made by the taxpayer to employee health savings accounts when the contribution is provided for the benefit of employees, spouses and dependents for the taxable year.~~

~~(2) Twenty five percent of the aggregate contribution made by the taxpayer to employee health savings accounts when the contribution is provided solely for the benefit of an employee.~~

~~(c) Notification. By December 15 of the calendar year following the close of the taxable year during which the contribution to employee health savings accounts was made, the department shall notify the taxpayer of the amount of the taxpayer's tax credit approved by the department.~~

~~Section 1704 F. Limitation on credits.~~

~~(a) Limit. The total amount of credits approved by the department shall not exceed \$30,000,000 in any fiscal year.~~

~~(b) Calculation. If the total amount of small business health savings account tax credits applied for by all taxpayers exceeds the amount allocated for those credits, then the small business health savings account tax credit to be received by each applicant shall be the product of the allocated amount multiplied by the quotient of the small business health savings account tax credit applied for by the applicant divided by the total of all small business health savings account credits applied for by all applicants, the algebraic equivalent of which is:~~

~~taxpayer's small business health savings account tax~~

~~credit=amount allocated for those credits X (small
business health savings account tax credit applied for by
the applicant/total of all small business health savings
account tax credits applied for by all applicants).~~

~~Section 1705 F. Carryover, carryback, refund and assignment of
credit.~~

~~(a) Carryover. If the taxpayer cannot use the entire amount
of the tax credit for the taxable year in which the tax credit
is first approved, then the excess may be carried over to
succeeding taxable years and used as a credit against the
qualified tax liability of the taxpayer for those taxable years.
Each time that the tax credit is carried over to a succeeding
taxable year, it is to be reduced by the amount that was used as
a credit during the immediately preceding taxable year. The tax
credit may be carried over and applied to succeeding taxable
years for no more than 15 taxable years following the first
taxable year for which the taxpayer was entitled to claim the
credit.~~

~~(b) Application of credit. A tax credit approved by the
department for monetary contributions made to employee health
savings accounts in a taxable year first shall be applied
against the taxpayer's qualified tax liability for the current
taxable year as of the date on which the credit was approved
before the tax credit is applied against any tax liability under
subsection (a).~~

~~(c) Prohibition. A taxpayer is not entitled to assign,
carry back or obtain a refund of an unused tax credit.~~

~~Section 1706 F. Shareholder, owner or member pass through.~~

~~(a) Shareholder's calculation. If a Pennsylvania S
corporation does not have an eligible tax liability against~~

1 ~~which the tax credit may be applied, a shareholder of the~~
2 ~~Pennsylvania S corporation is entitled to a tax credit equal to~~
3 ~~the tax credit determined for the Pennsylvania S corporation for~~
4 ~~the taxable year multiplied by the percentage of the~~
5 ~~Pennsylvania S corporation's distributive income to which the~~
6 ~~shareholder is entitled.~~

7 ~~(b) Owner or member calculation. If a pass through entity~~
8 ~~other than a Pennsylvania S corporation does not have an~~
9 ~~eligible tax liability against which the tax credit may be~~
10 ~~applied, an owner or member of the pass through entity is~~
11 ~~entitled to a tax credit equal to the tax credit determined for~~
12 ~~the pass through entity for the taxable year multiplied by the~~
13 ~~percentage of the pass through entity's distributive income to~~
14 ~~which the owner or member is entitled.~~

15 ~~(c) Application; restrictions. The credit provided under~~
16 ~~subsection (a) or (b) is in addition to any tax credit to which~~
17 ~~a shareholder, owner or member of a pass through entity is~~
18 ~~otherwise entitled under this article. However, a pass through~~
19 ~~entity and a shareholder, owner or member of a pass through~~
20 ~~entity may not claim a credit under this article for the same~~
21 ~~contributions made to employee health savings accounts.~~

22 ~~Section 1707 F. Report to General Assembly.~~

23 ~~The secretary shall submit an annual report to the General~~
24 ~~Assembly indicating the effectiveness of the credit provided by~~
25 ~~this article no later than March 15 following the year in which~~
26 ~~the credits were approved. The report shall include the names of~~
27 ~~all taxpayers utilizing the credit as of the date of the report~~
28 ~~and the amount of credits approved and utilized by each~~
29 ~~taxpayer. Notwithstanding any law providing for the~~
30 ~~confidentiality of tax records, the information contained in the~~

1 ~~report shall be public information. The report may also include~~
2 ~~any recommendations for changes in the calculation or~~
3 ~~administration of the credit.~~

4 ~~Section 1708 F. Regulations.~~

5 ~~The secretary shall promulgate regulations necessary for the~~
6 ~~implementation and administration of this article.~~

7 ~~ARTICLE XVII G~~

8 ~~NEW DIESEL TECHNOLOGY TAX CREDIT~~

9 ~~Section 1701 G. Scope of article.~~

10 ~~This article relates to new diesel technology tax credits.~~

11 ~~Section 1702 G. Definitions.~~

12 ~~The following words and phrases when used in this article~~
13 ~~shall have the meanings given to them in this section unless the~~
14 ~~context clearly indicates otherwise:~~

15 ~~"Department."—The Department of Revenue of the Commonwealth.~~

16 ~~"Pass through entity."—Any of the following:~~

17 ~~(1) A partnership, limited partnership, limited~~
18 ~~liability company, business trust or other unincorporated~~
19 ~~entity that for Federal income tax purposes is taxable as a~~
20 ~~partnership.~~

21 ~~(2) A Pennsylvania S corporation.~~

22 ~~"Qualified new diesel technology expenses."—The cost~~
23 ~~incurred for the purchase of a Class 8 highway vehicle with a~~
24 ~~registered gross or combination weight as provided under 75~~
25 ~~Pa.C.S. § 1916 (relating to trucks and truck tractors) and with~~
26 ~~a diesel engine if the vehicle purchased has been certified as~~
27 ~~compliant with the emissions limits contained in 40 CFR 86.007-~~
28 ~~11 (relating to emission standards and supplemental requirements~~
29 ~~for 2007 and later model year diesel heavy duty engines and~~
30 ~~vehicles), except that 40 CFR 86.007 15 (relating to NOX and~~

1 ~~particulate averaging, trading, and banking for heavy duty~~
2 ~~engines), shall not apply to exhaust emissions attainment levels~~
3 ~~for particulates.~~

4 ~~"Qualified tax liability." The liability for taxes imposed~~
5 ~~under Article III, IV or VI. The term shall include the~~
6 ~~liability for taxes imposed under Article III on an owner of a~~
7 ~~pass through entity.~~

8 ~~"Secretary." The Secretary of Revenue of the Commonwealth.~~

9 ~~"Tax credit." The new diesel technology tax credit~~
10 ~~authorized under this article.~~

11 ~~"Taxpayer." An entity subject to tax under Article III, IV~~
12 ~~or VI. The term shall include the shareholder, owner or member~~
13 ~~of a pass through entity that receives a tax credit.~~

14 ~~Section 1703 G. Credit for new diesel technology.~~

15 ~~(a) Application. A taxpayer who incurs a qualified new~~
16 ~~diesel technology expense in a taxable year may apply for a tax~~
17 ~~credit as provided in this article. By September 15, a taxpayer~~
18 ~~must submit an application to the department for qualified new~~
19 ~~diesel technology expenses incurred in the taxable year that~~
20 ~~ended in the prior calendar year.~~

21 ~~(b) Amount. A taxpayer that is qualified under subsection~~
22 ~~(a) shall receive a tax credit for the taxable year in the~~
23 ~~amount of \$5,000 per qualified new diesel technology expense.~~

24 ~~(c) Notification. By December 15 of the calendar year~~
25 ~~following the close of the taxable year during which qualified~~
26 ~~new diesel technology expense was incurred, the department shall~~
27 ~~notify the taxpayer of the amount of the taxpayer's tax credit~~
28 ~~approved by the department.~~

29 ~~Section 1704 G. Carryover, carryback, refund and assignment of~~
30 ~~credit.~~

1 ~~(a) Carryover. If the taxpayer cannot use the entire amount~~
2 ~~of the tax credit for the taxable year in which the tax credit~~
3 ~~is first approved, the excess may be carried over to succeeding~~
4 ~~taxable years and used as a credit against the qualified tax~~
5 ~~liability of the taxpayer for those taxable years. Each time~~
6 ~~that the tax credit is carried over to a succeeding taxable~~
7 ~~year, it shall be reduced by the amount that was used as a~~
8 ~~credit during the immediately preceding taxable year. The tax~~
9 ~~credit may be carried over and applied to succeeding taxable~~
10 ~~years for no more than 15 taxable years following the first~~
11 ~~taxable year for which the taxpayer was entitled to claim the~~
12 ~~credit.~~

13 ~~(b) Application. A tax credit approved by the department~~
14 ~~for qualified new diesel technology expenses in a taxable year~~
15 ~~first shall be applied against the taxpayer's qualified tax~~
16 ~~liability for the current taxable year as of the date on which~~
17 ~~the credit was approved before the tax credit is applied against~~
18 ~~any tax liability under subsection (a).~~

19 ~~(c) Unused credit. A taxpayer is not entitled to assign,~~
20 ~~carry back or obtain a refund of an unused tax credit.~~

21 ~~Section 1705 G. Time limitations.~~

22 ~~A taxpayer is not entitled to a tax credit for qualified new~~
23 ~~diesel technology expenses incurred in taxable years ending~~
24 ~~after December 31, 2009.~~

25 ~~Section 1706 G. Shareholder, owner or member pass through.~~

26 ~~(a) Pennsylvania S corporations. If a Pennsylvania S~~
27 ~~corporation does not have an eligible tax liability against~~
28 ~~which the tax credit may be applied, a shareholder of the~~
29 ~~Pennsylvania S corporation is entitled to a tax credit equal to~~
30 ~~the tax credit determined for the Pennsylvania S corporation for~~

1 ~~the taxable year multiplied by the percentage of the~~
2 ~~Pennsylvania S corporation's distributive income to which the~~
3 ~~shareholder is entitled under this article.~~

4 ~~(b) Pass through entities. If a pass through entity other~~
5 ~~than a Pennsylvania S corporation does not have an eligible tax~~
6 ~~liability against which the tax credit may be applied, an owner~~
7 ~~or member of the pass through entity is entitled to a tax credit~~
8 ~~equal to the tax credit determined for the pass through entity~~
9 ~~for the taxable year multiplied by the percentage of the pass-~~
10 ~~through entity's distributive income to which the owner or~~
11 ~~member is entitled under this article.~~

12 ~~(c) Additional credits. The credit provided under~~
13 ~~subsection (a) or (b) shall be in addition to any tax credit to~~
14 ~~which a shareholder, owner or member of a pass through entity is~~
15 ~~otherwise entitled under this article. However, a pass through~~
16 ~~entity and a shareholder, owner or member of a pass through~~
17 ~~entity may not claim a credit under this article for the same~~
18 ~~qualified new diesel technology expense.~~

19 ~~Section 1707 G. Report to General Assembly.~~

20 ~~The secretary shall submit an annual report to the General~~
21 ~~Assembly indicating the effectiveness of the credit provided by~~
22 ~~this article no later than March 15 following the year in which~~
23 ~~the credits were approved. The report shall include the names of~~
24 ~~all taxpayers utilizing the credit as of the date of the report~~
25 ~~and the amount of credits approved and utilized by each~~
26 ~~taxpayer. Notwithstanding any law providing for the~~
27 ~~confidentiality of tax records, the information contained in the~~
28 ~~report shall be public information. The report may also include~~
29 ~~any recommendations for changes in the calculation or~~
30 ~~administration of the credit.~~

1 ~~Section 1708 G. Termination.~~

2 ~~The department shall not approve a tax credit under this~~
3 ~~article for taxable years ending after December 31, 2009.~~

4 ~~Section 1709 G. Regulations.~~

5 ~~The secretary shall promulgate regulations necessary for the~~
6 ~~implementation and administration of this article.~~

7 ~~Section 15. Section 2106 of the act, added August 4, 1991~~
8 ~~(P.L.97, No.22), is amended to read:~~

9 ~~Section 2106. Imposition of Tax. (a) An inheritance tax~~
10 ~~for the use of the Commonwealth is imposed upon every transfer~~
11 ~~subject to tax under this article at the rates specified in~~
12 ~~section 2116.~~

13 ~~(b) This section shall not apply to the estates of decedents~~
14 ~~dying on or after January 1, 2012.~~

15 ~~Section 16. Section 2116(a) of the act, amended May 24, 2000~~
16 ~~(P.L.106, No.23), is amended to read:~~

17 ~~Section 2116. Inheritance Tax. (a) (1) Inheritance tax~~
18 ~~upon the transfer of property passing to or for the use of [any~~
19 ~~of the following shall be at the rate of four and one half per~~
20 ~~cent:~~

21 ~~(i) grandfather, grandmother, father, mother, except~~
22 ~~transfers under subclause (1.2), and lineal descendants; or~~

23 ~~(ii) wife or widow and husband or widower of a child.] a~~
24 ~~grandfather, grandmother, father, mother, except transfers under~~
25 ~~subclause (1.2), lineal descendants, wife or widow and husband~~
26 ~~or widower of a child shall be at the rate provided in the~~
27 ~~following schedule:~~

28 ~~(i) Four and one half per cent for the estate of a decedent~~
29 ~~dying before or during calendar year 2009.~~

30 ~~(ii) Two per cent for the estate of a decedent dying during~~

1 ~~calendar year 2010.~~

2 ~~(iii) Zero per cent for the estate of a decedent dying~~
3 ~~during or after calendar year 2011.~~

4 ~~(1.1) Inheritance tax upon the transfer of property passing~~
5 ~~to or for the use of a husband or wife shall be:~~

6 ~~(i) At the rate of three per cent for estates of decedents~~
7 ~~dying on or after July 1, 1994, and before January 1, 1995.~~

8 ~~(ii) At a rate of zero per cent for estates of decedents~~
9 ~~dying on or after January 1, 1995.~~

10 ~~(1.2) Inheritance tax upon the transfer of property from a~~
11 ~~child twenty one years of age or younger to or for the use of a~~
12 ~~natural parent, an adoptive parent or a stepparent of the child~~
13 ~~shall be at the rate of zero per cent.~~

14 ~~(1.3) Inheritance tax upon the transfer of property passing~~
15 ~~to or for the use of a sibling shall be at the rate [of twelve~~
16 ~~per cent.] provided in the following schedule:~~

17 ~~(i) Twelve per cent for the estate of a decedent dying~~
18 ~~before or during calendar year 2007.~~

19 ~~(ii) Nine per cent for the estate of a decedent dying during~~
20 ~~calendar year 2008.~~

21 ~~(iii) Six per cent for the estate of a decedent dying during~~
22 ~~calendar year 2009.~~

23 ~~(iv) Four and one half per cent for the estate of a decedent~~
24 ~~dying during calendar year 2010.~~

25 ~~(v) Two per cent for the estate of a decedent dying during~~
26 ~~calendar year 2011.~~

27 ~~(vi) Zero per cent for the estate of a decedent dying during~~
28 ~~or after calendar year 2012.~~

29 ~~(1.4) Inheritance tax upon the transfer of property that is~~
30 ~~jointly held between a child and a natural parent, an adoptive~~

~~1 parent or a stepparent of the child to the natural parent,
2 adoptive parent or the stepparent shall be at the rate of zero
3 per cent.~~

~~4 (2) Inheritance tax upon the transfer of property passing to
5 or for the use of all persons other than those designated in
6 subelause (1), (1.1), (1.2) or (1.3) or exempt under section
7 2111(m) shall be at the rate [of fifteen per cent.] provided in
8 the following schedule:~~

~~9 (i) Fifteen per cent for the estate of a decedent dying
10 before or during calendar year 2007.~~

~~11 (ii) Ten per cent for the estate of a decedent dying during
12 calendar year 2008.~~

~~13 (iii) Seven per cent for the estate of a decedent dying
14 during calendar year 2009.~~

~~15 (iv) Four and one half per cent for the estate of a decedent
16 dying during calendar year 2010.~~

~~17 (v) Two per cent for the estate of a decedent dying during
18 calendar year 2011.~~

~~19 (vi) Zero per cent for the estate of a decedent dying during
20 or after calendar year 2012.~~

~~21 (3) When property passes to or for the use of a husband and
22 wife with right of survivorship, one of whom is taxable at a
23 rate lower than the other, the lower rate of tax shall be
24 applied to the entire interest.~~

~~25 * * *~~

~~26 Section 17. Section 2117 of the act is amended by adding a
27 subsection to read:~~

~~28 Section 2117. Estate Tax. * * *~~

~~29 (d) This section shall not apply to the estates of decedents
30 dying on or after January 1, 2012.~~

1 ~~Section 18. Repeals are as follows:~~

2 ~~(1) The General Assembly declares that the repeal under~~
3 ~~paragraph (2) is necessary to effectuate the purposes of this~~
4 ~~act.~~

5 ~~(2) Section 33(12) of the act of December 23, 2003~~
6 ~~(P.L.250, No.46), entitled "An act amending the act of March~~
7 ~~4, 1971 (P.L.6, No.2), entitled "An act relating to tax~~
8 ~~reform and State taxation by codifying and enumerating~~
9 ~~certain subjects of taxation and imposing taxes thereon;~~
10 ~~providing procedures for the payment, collection,~~
11 ~~administration and enforcement thereof; providing for tax~~
12 ~~credits in certain cases; conferring powers and imposing~~
13 ~~duties upon the Department of Revenue, certain employers,~~
14 ~~fiduciaries, individuals, persons, corporations and other~~
15 ~~entities; prescribing crimes, offenses and penalties,~~
16 ~~further providing, in sales and use tax, for definitions, for~~
17 ~~exclusions, for credits, for licenses and for transfers to~~
18 ~~Public Transportation Assistance Fund; further providing, in~~
19 ~~personal income tax, for definitions, for imposition, for~~
20 ~~special tax provisions for poverty, for returns and liability~~
21 ~~and for returns and records; further providing, in corporate~~
22 ~~net income tax, for definitions and for interests in~~
23 ~~unincorporated entities; providing, in corporate net income~~
24 ~~tax, for additional withholding requirements; further~~
25 ~~providing, in capital stock franchise tax, for definitions~~
26 ~~and reports, for imposition and for expiration; further~~
27 ~~providing, in utilities gross receipts tax, for imposition;~~
28 ~~further providing, in public utility realty tax, for~~
29 ~~surcharges; providing, in public utility realty tax, for~~
30 ~~additional tax; further providing, in cigarette tax, for~~

~~incidence and rate of tax, for floor tax, for stamp to evidence the tax and for commissions on sales; establishing, in relation to cigarette tax, the Health Care Provider Retention Account; further providing, in research and development tax credit, for carryover, for limitations and for reports; further providing, in malt beverage tax, for limited tax credits; further providing, in inheritance tax, for definitions, for exempt transfers, for estate tax and for estate tax returns; further providing for the Public Transportation Assistance Fund and providing for its administration; further providing for estimated tax and for underpayment of estimated tax; providing for authority to attach wages; and repealing provisions relating to the Public Transportation Assistance Fund," is repealed.~~

~~Section 19. The following provisions shall apply to taxable years beginning after December 31, 2007:~~

- ~~(1) The amendment of 316 of the act.~~
- ~~(2) The amendment of section 401(3)4(c) of the act.~~
- ~~(3) The amendment of section 601(a) of the act.~~
- ~~(4) The amendment of section 1704 B of the act.~~
- ~~(5) The addition of Article XVII F of the act.~~

~~Section 20. This act shall take effect as follows:~~

~~(1) The following provisions shall take effect July 1, 2008:~~

- ~~(i) The amendment of section 201(m) of the act.~~
- ~~(ii) The amendment or addition of section 204(10), (67) and (68) of the act.~~
- ~~(iii) The addition of section 304.1 of the act.~~
- ~~(iv) The amendment of section 1101(a), (a.1) and (j) of the act.~~

- 1 ~~(v) The repeal of section 1707 B of the act.~~
- 2 ~~(vi) The repeal of section 1709 B of the act.~~
- 3 ~~(vii) The repeal of section 1712 B of the act.~~
- 4 ~~(v) The addition of Article XVII F of the act.~~
- 5 ~~(vi) The addition of Article XVII G of the act.~~
- 6 ~~(vii) Section 18 of this act.~~

7 ~~(2) The following provisions shall take effect July 1,~~
8 ~~2008, or immediately, whichever is later:~~

- 9 ~~(i) The amendment of section 302 of the act.~~
- 10 ~~(ii) The amendment of section 316 of the act.~~
- 11 ~~(iii) The amendment of section 401(3)2(a)(9) of the~~
12 ~~act.~~

13 ~~(iv) The amendment of section 402(b) of the act.~~

14 ~~(3) The remainder of this act shall take effect~~
15 ~~immediately.~~

16 SECTION 1. SECTION 303(A.3) OF THE ACT OF MARCH 4, 1971 <—
17 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, ADDED JUNE
18 29, 2002 (P.L.559, NO.89), IS AMENDED TO READ:

19 SECTION 303. CLASSES OF INCOME.--* * *

20 (A.3) THE COST OF PROPERTY COMMONLY REFERRED TO AS SECTION
21 179 PROPERTY MAY BE TREATED AS A DEDUCTIBLE EXPENSE ONLY TO THE
22 EXTENT ALLOWABLE UNDER THE VERSION OF SECTION 179 OF THE
23 INTERNAL REVENUE CODE IN EFFECT AT THE TIME THE PROPERTY IS
24 PLACED IN SERVICE [OR UNDER SECTION 179 OF THE INTERNAL REVENUE
25 CODE OF 1986 (26 U.S.C. § 179), WHICHEVER IS EARLIER]. THE LIMIT
26 ON SECTION 179 PROPERTY WHICH MAY BE TREATED AS DEDUCTIBLE SHALL
27 BE FIFTY THOUSAND DOLLARS (\$50,000). THE BASIS OF SECTION 179
28 PROPERTY SHALL BE REDUCED, BUT NOT BELOW ZERO, FOR COSTS TREATED
29 AS A DEDUCTIBLE EXPENSE. THE AMOUNT OF THE REDUCTION SHALL BE
30 THE AMOUNT DEDUCTED ON A RETURN AND NOT DISALLOWED, REGARDLESS

1 OF WHETHER THE DEDUCTION RESULTS IN A REDUCTION OF INCOME.

2 * * *

3 SECTION 2. SECTION 304 OF THE ACT, AMENDED DECEMBER 13, 1991
4 (P.L.373, NO.40) AND DECEMBER 23, 2003 (P.L.250, NO.46), IS
5 AMENDED TO READ:

6 SECTION 304. SPECIAL TAX PROVISIONS FOR POVERTY.--(A) THE
7 GENERAL ASSEMBLY, IN RECOGNITION OF THE POWERS CONTAINED IN
8 SECTION 2(B)(II) OF ARTICLE VIII OF THE CONSTITUTION OF THE
9 COMMONWEALTH OF PENNSYLVANIA WHICH PROVIDES THEREIN FOR THE
10 ESTABLISHING AS A CLASS OR CLASSES OF SUBJECTS OF TAXATION THE
11 PROPERTY OR PRIVILEGES OF PERSONS WHO, BECAUSE OF POVERTY ARE
12 DETERMINED TO BE IN NEED OF SPECIAL TAX PROVISIONS HEREBY
13 DECLARES AS ITS LEGISLATIVE INTENT AND PURPOSE TO IMPLEMENT SUCH
14 POWER UNDER SUCH CONSTITUTIONAL PROVISION BY ESTABLISHING
15 SPECIAL TAX PROVISIONS AS HEREINAFTER PROVIDED IN THIS ACT.

16 (B) THE GENERAL ASSEMBLY HAVING DETERMINED THAT THERE ARE
17 PERSONS WITHIN THIS COMMONWEALTH WHOSE INCOMES ARE SUCH THAT
18 IMPOSITION OF A TAX THEREON WOULD DEPRIVE THEM AND THEIR
19 DEPENDENTS OF THE BARE NECESSITIES OF LIFE AND HAVING FURTHER
20 DETERMINED THAT POVERTY IS A RELATIVE CONCEPT INEXTRICABLY
21 JOINED WITH ACTUAL INCOME AND THE NUMBER OF PEOPLE DEPENDENT
22 UPON SUCH INCOME DEEMS IT TO BE A MATTER OF PUBLIC POLICY TO
23 PROVIDE SPECIAL TAX PROVISIONS FOR THAT CLASS OF PERSONS
24 HEREINAFTER DESIGNATED TO RELIEVE THEIR ECONOMIC BURDEN.

25 (C) FOR THE TAXABLE YEAR 1974 AND EACH YEAR THEREAFTER ANY
26 CLAIMANT WHO MEETS THE FOLLOWING STANDARDS OF ELIGIBILITY
27 ESTABLISHED BY THIS ACT AS THE TEST FOR POVERTY SHALL BE DEEMED
28 A SEPARATE CLASS OF SUBJECT OF TAXATION, AND, AS SUCH, SHALL BE
29 ENTITLED TO THE BENEFIT OF THE SPECIAL PROVISIONS OF THIS ACT.

30 (D) ANY CLAIM FOR SPECIAL TAX PROVISIONS HEREUNDER SHALL BE

1 DETERMINED IN ACCORDANCE WITH THE FOLLOWING:

2 (1) IF THE POVERTY INCOME OF THE CLAIMANT DURING AN ENTIRE
3 TAXABLE YEAR IS [SIX THOUSAND FIVE HUNDRED DOLLARS (\$6,500) OR
4 LESS, OR, IN THE CASE OF A MARRIED CLAIMANT, IF THE JOINT
5 POVERTY INCOME OF THE CLAIMANT AND THE CLAIMANT'S SPOUSE DURING
6 AN ENTIRE TAXABLE YEAR IS THIRTEEN THOUSAND DOLLARS (\$13,000) OR
7 LESS] THE AMOUNT UNDER CLAUSE (1.1)(I), THE CLAIMANT SHALL BE
8 ENTITLED TO A REFUND OR FORGIVENESS OF ANY MONEYS WHICH HAVE
9 BEEN PAID OVER TO (OR WOULD EXCEPT FOR THE PROVISIONS OF THIS
10 ACT BE PAYABLE TO) THE COMMONWEALTH UNDER THE PROVISIONS OF THIS
11 ARTICLE, WITH AN ADDITIONAL INCOME ALLOWANCE OF [NINE THOUSAND
12 FIVE HUNDRED DOLLARS (\$9,500)] THE AMOUNT UNDER CLAUSE (1.1)(II)
13 FOR EACH DEPENDENT OF THE CLAIMANT. FOR PURPOSES OF THIS
14 SUBSECTION, A CLAIMANT SHALL NOT BE CONSIDERED TO BE MARRIED IF:

15 (I) THE CLAIMANT AND THE CLAIMANT'S SPOUSE FILE SEPARATE
16 RETURNS; AND

17 (II) THE CLAIMANT AND THE CLAIMANT'S SPOUSE LIVE APART AT
18 ALL TIMES DURING THE LAST SIX MONTHS OF THE TAXABLE YEAR OR ARE
19 SEPARATED PURSUANT TO A WRITTEN SEPARATION AGREEMENT.

20 (1.1) (I) THE AMOUNT OF POVERTY INCOME OF A CLAIMANT DURING
21 AN ENTIRE TAXABLE YEAR UNDER CLAUSE (1) SHALL BE AS FOLLOWS:

22 (A) FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2008, THE
23 AMOUNT SHALL BE SIX THOUSAND FIVE HUNDRED DOLLARS (\$6,500) OR
24 LESS, OR, IN THE CASE OF A MARRIED CLAIMANT, THE AMOUNT SHALL BE
25 THIRTEEN THOUSAND DOLLARS (\$13,000) OR LESS.

26 (B) FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2007, AND
27 BEFORE JANUARY 1, 2009, THE AMOUNT SHALL BE SEVEN THOUSAND FIVE
28 HUNDRED DOLLARS (\$7,500) OR LESS, OR, IN THE CASE OF A MARRIED
29 CLAIMANT, THE AMOUNT SHALL BE FIFTEEN THOUSAND DOLLARS (\$15,000)
30 OR LESS.

1 (C) FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2008, AND
2 BEFORE JANUARY 1, 2010, THE AMOUNT SHALL BE EIGHT THOUSAND
3 DOLLARS (\$8,000) OR LESS, OR, IN THE CASE OF A MARRIED CLAIMANT,
4 THE AMOUNT SHALL BE SIXTEEN THOUSAND DOLLARS (\$16,000) OR LESS.

5 (D) FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2009, THE
6 AMOUNT SHALL BE EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$8,500) OR
7 LESS, OR, IN THE CASE OF A MARRIED CLAIMANT, THE AMOUNT SHALL BE
8 SEVENTEEN THOUSAND DOLLARS (\$17,000) OR LESS.

9 (II) THE ADDITIONAL INCOME ALLOWANCE FOR EACH DEPENDENT OF A
10 CLAIMANT UNDER CLAUSE (1) SHALL BE AS FOLLOWS:

11 (A) FOR TAXABLE YEARS ENDING BEFORE JANUARY 1, 2009, THE
12 AMOUNT SHALL BE NINE THOUSAND FIVE HUNDRED DOLLARS (\$9,500).

13 (B) FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2008, AND
14 BEFORE JANUARY 1, 2010, THE AMOUNT SHALL BE NINE THOUSAND SEVEN
15 HUNDRED AND FIFTY DOLLARS (\$9,750).

16 (C) FOR TAXABLE YEARS ENDING AFTER DECEMBER 31, 2009, THE
17 AMOUNT SHALL BE TEN THOUSAND DOLLARS (\$10,000).

18 (2) IF THE POVERTY INCOME OF THE CLAIMANT DURING AN ENTIRE
19 TAXABLE YEAR DOES NOT EXCEED THE POVERTY INCOME LIMITATIONS
20 PRESCRIBED BY CLAUSE (1) BY MORE THAN THE DOLLAR CATEGORY
21 CONTAINED IN SUBCLAUSES (I), (II), (III), (IV), (V), (VI),
22 (VII), (VIII) OR (IX) OF THIS CLAUSE, THE CLAIMANT SHALL BE
23 ENTITLED TO A REFUND OR FORGIVENESS BASED ON THE PER CENTAGE
24 PRESCRIBED IN SUCH SUBCLAUSES OF ANY MONEYS WHICH HAVE BEEN PAID
25 OVER TO (OR WOULD HAVE BEEN EXCEPT FOR THE PROVISIONS HEREIN BE
26 PAYABLE TO) THE COMMONWEALTH UNDER THIS ARTICLE:

27 (I) NINETY PER CENT IF NOT IN EXCESS OF TWO HUNDRED FIFTY
28 DOLLARS (\$250).

29 (II) EIGHTY PER CENT IF NOT IN EXCESS OF FIVE HUNDRED
30 DOLLARS (\$500).

1 (III) SEVENTY PER CENT IF NOT IN EXCESS OF SEVEN HUNDRED
2 FIFTY DOLLARS (\$750).

3 (IV) SIXTY PER CENT IF NOT IN EXCESS OF ONE THOUSAND DOLLARS
4 (\$1,000).

5 (V) FIFTY PER CENT IF NOT IN EXCESS OF ONE THOUSAND TWO
6 HUNDRED FIFTY DOLLARS (\$1,250).

7 (VI) FORTY PER CENT IF NOT IN EXCESS OF ONE THOUSAND FIVE
8 HUNDRED DOLLARS (\$1,500).

9 (VII) THIRTY PER CENT IF NOT IN EXCESS OF ONE THOUSAND SEVEN
10 HUNDRED FIFTY DOLLARS (\$1,750).

11 (VIII) TWENTY PER CENT IF NOT IN EXCESS OF TWO THOUSAND
12 DOLLARS (\$2,000).

13 (IX) TEN PER CENT IF NOT IN EXCESS OF TWO THOUSAND TWO
14 HUNDRED FIFTY DOLLARS (\$2,250).

15 (3) IF AN INDIVIDUAL HAS A TAXABLE YEAR OF LESS THAN TWELVE
16 MONTHS, THE POVERTY INCOME THEREOF SHALL BE ANNUALIZED IN SUCH
17 MANNER AS THE DEPARTMENT MAY PRESCRIBE.

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

20 SECTION 401. DEFINITIONS.--THE FOLLOWING WORDS, TERMS, AND
21 PHRASES, WHEN USED IN THIS ARTICLE, SHALL HAVE THE MEANING
22 ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT
23 CLEARLY INDICATES A DIFFERENT MEANING:

24 * * *

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

26 2. IN CASE THE ENTIRE BUSINESS OF ANY CORPORATION, OTHER
27 THAN A CORPORATION ENGAGED IN DOING BUSINESS AS A REGULATED
28 INVESTMENT COMPANY AS DEFINED BY THE INTERNAL REVENUE CODE OF
29 1986, IS NOT TRANSACTED WITHIN THIS COMMONWEALTH, THE TAX
30 IMPOSED BY THIS ARTICLE SHALL BE BASED UPON SUCH PORTION OF THE

1 TAXABLE INCOME OF SUCH CORPORATION FOR THE FISCAL OR CALENDAR
2 YEAR, AS DEFINED IN SUBCLAUSE 1 HEREOF, AND MAY BE DETERMINED AS
3 FOLLOWS:

4 (A) DIVISION OF INCOME.

5 * * *

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

7 (I) FOR TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 2007, ALL
8 BUSINESS INCOME SHALL BE APPORTIONED TO THIS STATE BY
9 MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
10 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS THREE TIMES THE
11 SALES FACTOR AND THE DENOMINATOR OF WHICH IS FIVE.

12 (II) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006,
13 ALL BUSINESS INCOME SHALL BE APPORTIONED TO THIS STATE BY
14 MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
15 THE SUM OF FIFTEEN TIMES THE PROPERTY FACTOR, FIFTEEN TIMES THE
16 PAYROLL FACTOR AND SEVENTY TIMES THE SALES FACTOR AND THE
17 DENOMINATOR OF WHICH IS ONE HUNDRED.

18 (III) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2008,
19 ALL BUSINESS INCOME SHALL BE APPORTIONED TO THIS STATE BY
20 MULTIPLYING THE INCOME BY A FRACTION: THE NUMERATOR OF WHICH IS
21 THE SUM OF SEVEN AND A HALF TIMES THE PROPERTY FACTOR, SEVEN AND
22 A HALF TIMES THE PAYROLL FACTOR AND EIGHTY-FIVE TIMES THE SALES
23 FACTOR; AND THE DENOMINATOR OF WHICH IS ONE HUNDRED.

24 (B) FOR PURPOSES OF APPORTIONMENT OF THE CAPITAL STOCK -
25 FRANCHISE TAX AS PROVIDED IN SECTION 602 OF ARTICLE VI OF THIS
26 ACT, THE APPORTIONMENT FRACTION SHALL BE THE PROPERTY FACTOR
27 PLUS THE PAYROLL FACTOR PLUS THE SALES FACTOR AS THE NUMERATOR,
28 AND THE DENOMINATOR SHALL BE THREE.

29 * * *

30 4. * * *

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

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

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

8 (III) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2008,
9 THE GREATER OF TWENTY PER CENT OF THE TAXABLE INCOME AS
10 DETERMINED UNDER SUBCLAUSE 1 OR, IF APPLICABLE, SUBCLAUSE 2 OR
11 FIVE MILLION DOLLARS (\$5,000,000); OR

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

15 (1.1) IN NO EVENT SHALL THE NET LOSS DEDUCTION INCLUDE MORE
16 THAN FIVE HUNDRED THOUSAND DOLLARS (\$500,000), IN THE AGGREGATE,
17 OF NET LOSSES FROM TAXABLE YEARS 1988 THROUGH 1994.

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

20	TAXABLE YEAR	CARRYOVER
21	1981	1 TAXABLE YEAR
22	1982	2 TAXABLE YEARS
23	1983-1987	3 TAXABLE YEARS
24	1988	2 TAXABLE YEARS PLUS
25		1 TAXABLE YEAR
26		STARTING WITH THE
27		1995 TAXABLE YEAR
28	1989	1 TAXABLE YEAR PLUS
29		2 TAXABLE YEARS
30		STARTING WITH THE

1		1995 TAXABLE YEAR
2	1990-1993	3 TAXABLE YEARS
3		STARTING WITH THE
4		1995 TAXABLE YEAR
5	1994	1 TAXABLE YEAR
6	1995-1997	10 TAXABLE YEARS
7	1998 AND THEREAFTER	20 TAXABLE YEARS

8 (B) THE EARLIEST NET LOSS SHALL BE CARRIED OVER TO THE
9 EARLIEST TAXABLE YEAR TO WHICH IT MAY BE CARRIED UNDER THIS
10 SCHEDULE. THE TOTAL NET LOSS DEDUCTION ALLOWED IN ANY TAXABLE
11 YEAR SHALL NOT EXCEED:

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

14 (II) THE GREATER OF TWELVE AND ONE-HALF PER CENT OF THE
15 TAXABLE INCOME AS DETERMINED UNDER SUBCLAUSE 1 OR, IF
16 APPLICABLE, SUBCLAUSE 2 OR THREE MILLION DOLLARS (\$3,000,000)
17 FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2006.

18 (III) THE GREATER OF TWENTY PER CENT OF THE TAXABLE INCOME
19 AS DETERMINED UNDER SUBCLAUSE 1 OR, IF APPLICABLE, SUBCLAUSE 2
20 OR FIVE MILLION DOLLARS (\$5,000,000) FOR TAXABLE YEARS BEGINNING
21 AFTER DECEMBER 31, 2008.

22 * * *

23 SECTION 4. THE AMENDMENT OF SECTION 303(A.3) OF THE ACT
24 SHALL APPLY TO PROPERTY PLACED IN SERVICE AFTER DECEMBER 31,
25 2008.

26 SECTION 5. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.