

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

**SENATE BILL****No. 97**Session of  
2007

INTRODUCED BY D. WHITE, ARMSTRONG, CORMAN, EARLL, PUNT,  
RAFFERTY, BRUBAKER, WOZNIAK, PIPPY, BROWNE, STACK AND REGOLA,  
FEBRUARY 15, 2007

SENATOR BROWNE, FINANCE, AS AMENDED, JUNE 13, 2007

## AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," further providing, in bank and trust company  
11 shares tax, for ascertainment of taxable amount and exclusion  
12 of United States obligations.

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

15 Section 1. Section 701.1 of the act of March 4, 1971 (P.L.6,  
16 No.2), known as the Tax Reform Code of 1971, amended June 16,  
17 1994 (P.L.279, No.48), is amended to read:

18 Section 701.1. Ascertainment of Taxable Amount; Exclusion of  
19 United States Obligations.--(a) The taxable amount of shares  
20 shall be ascertained and fixed by adding together the value  
21 determined under subsection (b) for the current and preceding  
22 five years and dividing the resulting sum by six. If an

1 institution has not been in existence for a period of six years,  
2 the taxable amount of shares shall be ascertained and fixed by  
3 adding together the values determined under subsection (b) for  
4 the number of years the institution has been in existence and  
5 dividing the resulting sum by such number of years.

6 (b) The value for each year required by subsection (a) shall  
7 be determined by [adding together] DEDUCTING FROM the book value <—  
8 of [capital stock paid in, the book value of the surplus and the <—  
9 book value of undivided profits with a deduction from the total  
10 thereof of] TOTAL EQUITY CAPITAL an amount equal to the same <—  
11 percentage of [such total] TOTAL EQUITY CAPITAL as the book <—  
12 value of obligations of the United States bears to the book  
13 value of the total assets[.], except that for the value of  
14 shares reported on tax returns due on January 1, 2008, and  
15 thereafter, any goodwill recorded as a result of the use of  
16 purchase accounting for an acquisition or combination as  
17 described in this section and occurring after June 30, 2001, may  
18 be disregarded in determining the book value of total assets and <—  
19 SUBTRACTED FROM THE BOOK VALUE OF TOTAL EQUITY CAPITAL AND <—  
20 DISREGARDED IN DETERMINING the deduction provided for  
21 obligations of the United States for the six-year period  
22 described in subsection (a). For purposes of this subsection,  
23 book values and deductions for United States obligations for  
24 each year shall be determined by the Reports of Condition for  
25 each calendar quarter of the preceding calendar year in  
26 accordance with the requirements of the Board of Governors of  
27 the Federal Reserve System, the Comptroller of the Currency, the  
28 Federal Deposit Insurance Corporation or other applicable  
29 regulatory authority; and book values shall be averaged as  
30 calculated by averaging book values as determined by such

1 Reports of Condition. For purposes of this article, United  
2 States obligations shall be obligations coming within the scope  
3 of 31 U.S.C. § 3124. For any year in which an institution does  
4 not file four quarterly Reports of Condition, book values and  
5 deductions for United States obligations shall be determined by  
6 adding together the book values and deductions for United States  
7 obligations from each quarterly Reports of Condition filed for  
8 such year and dividing the resulting sums by the number of such  
9 Reports of Condition. In the case of institutions which do not  
10 file such Reports of Condition, book values shall be determined  
11 by generally accepted accounting principles as of the end of  
12 each calendar quarter. For any year in which an institution  
13 which does not file Reports of Condition is not in existence for  
14 four quarters, the book value for that year shall be determined  
15 by adding together the book values for each quarter in which the  
16 institution was in existence and dividing by that number of  
17 quarters. For purposes of this section, a partial year shall be  
18 treated as a full year.

19 (c) For purposes of this section:

20 (1) a mere change in identity, form or place of organization  
21 of one institution, however effected, shall be treated as if a  
22 single institution had been in existence prior to as well as  
23 after such change; and

24 (2) the combination of two or more institutions into one  
25 shall be treated as if the constituent institutions had been a  
26 single institution in existence prior to as well as after the  
27 combination and the book values and deductions for United States  
28 obligations from the Reports of Condition of the constituent  
29 institutions shall be combined. For purposes of [the preceding  
30 sentence] this section, a combination shall include any

1 acquisition required to be accounted for [by the surviving  
2 institution under the pooling of interest method] by using the  
3 purchase method in accordance with generally accepted accounting  
4 principles or a statutory merger or consolidation.

5 SECTION 2. THE AMENDMENT OF SECTION 701.1 OF THE ACT IS NOT <—  
6 INTENDED TO REVERSE OR MODIFY THE RULING OF FIRST UNION NATIONAL  
7 BANK V. COMMONWEALTH, 867 A.2D 711 (PA. CMWLTH. 2005).

8 Section ~~2~~ 3. This act shall take effect in 60 days or <—  
9 December 31, 2007, whichever is sooner.