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 THE GENERAL ASSEMBLY OF PENNSYLVANIA
 

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 HOUSE BILL

 No. 761 Session of  
2011
 

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INTRODUCED BY CUTLER, MIRABITO, BAKER, BOYD, CLYMER, COX,  
DENLINGER, FLECK, FREEMAN, GILLEN, GINGRICH, GODSHALL, GRELL,  
HARHART, HENNESSEY, HICKERNELL, HUTCHINSON, KAUFFMAN, KORTZ,  
LAWRENCE, LONGIETTI, MARSHALL, METZGAR, MILLER, MOUL,  
PICKETT, PYLE, REICHLEY, ROAE, ROSS, STERN, SWANGER, TOEPEL,  
VULAKOVICH, WATSON, QUINN, FARRY, BEAR, ROCK, CALTAGIRONE,  
SAINATO, MILLARD, M. K. KELLER AND GIBBONS, FEBRUARY 23, 2011

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SENATOR CORMAN, APPROPRIATIONS, IN SENATE, RE-REPORTED AS  
AMENDED, MAY 21, 2012

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## 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 PERSONAL INCOME TAX, FURTHER PROVIDING FOR ←  
11 CLASSES OF INCOME AND FOR INCOME TAX RETURNS; in realty  
12 transfer tax, further providing for definitions, for excluded ←  
13 transactions ~~and for acquired company~~, FOR DOCUMENTS RELATING  
14 TO ASSOCIATIONS OR CORPORATIONS AND MEMBERS, PARTNERS,  
15 STOCKHOLDERS OR SHAREHOLDERS THEREOF AND FOR ACQUIRED  
16 COMPANY; AND, IN INHERITANCE TAX, FURTHER PROVIDING FOR  
17 TRANSFERS NOT SUBJECT TO TAX.

18 The General Assembly of the Commonwealth of Pennsylvania

19 hereby enacts as follows:

20 ~~Section 1. The definitions of "association," "corporation," ←  
21 "family farm corporation" and "family farm partnership" in  
22 section 1101 C of the act of March 4, 1971 (P.L.6, No.2), known~~

1 ~~as the Tax Reform Code of 1971, amended July 2, 1986 (P.L.318,~~  
2 ~~No.77) and April 23, 1998 (P.L.239, No.45), are amended to read:~~

3 ~~Section 1101 C. Definitions. The following words when used~~  
4 ~~in this article shall have the meanings ascribed to them in this~~  
5 ~~section:~~

6 ~~"Association." A partnership, limited partnership, limited~~  
7 ~~liability partnership or any other form of unincorporated~~  
8 ~~enterprise, owned or conducted by two or more persons other than~~  
9 ~~a private trust or decedent's estate.~~

10 ~~"Corporation." A corporation, limited liability company,~~  
11 ~~joint stock association, business trust or banking institution~~  
12 ~~which is organized under the laws of this Commonwealth, the~~  
13 ~~United States, or any other state, territory, or foreign~~  
14 ~~country, or dependency.~~

15 ~~\* \* \*~~

16 ~~"Family farm [corporation.] business." A corporation or~~  
17 ~~association of which at least seventy five per cent of its~~  
18 ~~assets are devoted to the business of agriculture and at least~~  
19 ~~seventy five per cent of each class of stock of the corporation~~  
20 ~~or interest in the association is continuously owned by members~~  
21 ~~of the same family. The business of agriculture shall include~~  
22 ~~the leasing to members of the same family or the leasing to a~~  
23 ~~corporation or association owned by members of the same family~~  
24 ~~of property which is directly and principally used for~~  
25 ~~agricultural purposes. The business of agriculture shall not be~~  
26 ~~deemed to include:~~

27 ~~(1) Recreational activities such as, but not limited to,~~  
28 ~~hunting, fishing, camping, skiing, show competition or racing;~~

29 ~~(2) The raising, breeding or training of game animals or~~  
30 ~~game birds, fish, cats, dogs or pets or animals intended for use~~

1 ~~in sporting or recreational activities;~~

2 ~~(3) Fur farming;~~

3 ~~(4) Stockyard and slaughterhouse operations; or~~

4 ~~(5) Manufacturing or processing operations of any kind.~~

5 ~~["Family farm partnership." A partnership of which at least~~

6 ~~seventy five per cent of its assets are devoted to the business~~

7 ~~of agriculture and at least seventy five per cent of the~~

8 ~~interests in the partnership are continuously owned by members~~

9 ~~of the same family. The business of agriculture shall include~~

10 ~~the leasing to members of the same family of property which is~~

11 ~~directly and principally used for agricultural purposes. The~~

12 ~~business of agriculture shall not be deemed to include:~~

13 ~~(1) recreational activities such as, but not limited to,~~

14 ~~hunting, fishing, camping, skiing, show competition or racing;~~

15 ~~(2) the raising, breeding or training of game animals or~~

16 ~~game birds, fish, cats, dogs or pets or animals intended for use~~

17 ~~in sporting or recreational activities;~~

18 ~~(3) fur farming;~~

19 ~~(4) stockyard and slaughterhouse operations; or~~

20 ~~(5) manufacturing or processing operations of any kind.]~~

21 ~~\* \* \*~~

22 ~~Section 2. sections 1102 C.3(19), (19.1) and (20) and 1102~~

23 ~~e.5 of the act, amended or added July 2, 1986 (P.L.318, No.77)~~

24 ~~and June 16, 1994 (P.L.279, No.48), are amended to read:~~

25 ~~Section 1102 C.3. Excluded Transactions. The tax imposed by~~

26 ~~section 1102 C shall not be imposed upon:~~

27 ~~\* \* \*~~

28 ~~(19) A transfer of real estate devoted to the business of~~

29 ~~agriculture to a family farm [corporation] business by a member~~

30 ~~of the same family which directly owns at least seventy five per~~

1 ~~cent of each class of the stock thereof or interest therein.~~

2 ~~{(19.1) A transfer of real estate devoted to the business of~~  
3 ~~agriculture to a family farm partnership by a member of the same~~  
4 ~~family, which family directly owns at least seventy five per~~  
5 ~~cent of the interests in the partnership.}~~

6 ~~(20) A transfer between members of the same family of an~~  
7 ~~ownership interest in a real estate company[, ] or family farm~~  
8 ~~{corporation or family farm partnership which} business that~~  
9 ~~owns real estate.~~

10 ~~\* \* \*~~

11 ~~Section 1102 C.5. Acquired Company. (a) A real estate~~  
12 ~~company is an acquired company upon a change in the ownership~~  
13 ~~interest in the company, however effected, if the change:~~

14 ~~(1) does not affect the continuity of the company; and~~

15 ~~(2) of itself or together with prior changes has the effect~~  
16 ~~of transferring, directly or indirectly, ninety per cent or more~~  
17 ~~of the total ownership interest in the company within a period~~  
18 ~~of three years.~~

19 ~~(b) [With respect to real estate acquired after February 16,~~  
20 ~~1986, a family farm corporation is an acquired company when,~~  
21 ~~because of voluntary or involuntary dissolution, it ceases to be~~  
22 ~~a family farm corporation or when, because of issuance or~~  
23 ~~transfer of stock or because of acquisition or transfer of~~  
24 ~~assets that are devoted to the business of agriculture, it fails~~  
25 ~~to meet the minimum requirements of a family farm corporation~~  
26 ~~under this act.~~

27 ~~(b.1) A family farm partnership is an acquired company when,~~  
28 ~~because of voluntary or involuntary dissolution, it ceases to be~~  
29 ~~a family farm partnership or when, because of transfer of~~  
30 ~~partnership interests or because of acquisition or transfer of~~

1 ~~assets that are devoted to the business of agriculture, it fails~~  
2 ~~to meet the minimum requirements of a family farm partnership~~  
3 ~~under this act.] A family farm business is an acquired company~~  
4 ~~when, because of voluntary or involuntary dissolution, it ceases~~  
5 ~~to be a family farm business, or when, because of the issuance~~  
6 ~~or transfer of stock in the corporation or transfer of interests~~  
7 ~~in the association or because of an acquisition or transfer of~~  
8 ~~assets that are devoted to the business of agriculture, it fails~~  
9 ~~to meet the minimum requirements of a family farm business under~~  
10 ~~this act.~~

11 ~~(c) Within thirty days after becoming an acquired company,~~  
12 ~~the company shall present a declaration of acquisition with the~~  
13 ~~recorder of each county in which it holds real estate for the~~  
14 ~~affixation of documentary stamps and recording. Such declaration~~  
15 ~~shall set forth the value of real estate holdings of the~~  
16 ~~acquired company in such county.~~

17 ~~Section 3. This act shall apply retroactively to~~  
18 ~~transactions occurring after December 31, 2008.~~

19 ~~Section 4. The provisions of 61 Pa. Code 91.222 (relating to~~  
20 ~~family farm corporation) are abrogated.~~

21 ~~Section 5. This act shall take effect immediately.~~

22 ~~SECTION 1. THE DEFINITIONS OF "ASSOCIATION," "FAMILY FARM~~ ←  
23 ~~CORPORATION" AND "FAMILY FARM PARTNERSHIP" IN SECTION 1101 C OF~~  
24 ~~THE ACT OF MARCH 4, 1971 (P.L.6, NO.2), KNOWN AS THE TAX REFORM~~  
25 ~~CODE OF 1971, AMENDED JULY 2, 1986 (P.L.318, NO.77) AND APRIL~~  
26 ~~23, 1998 (P.L.239, NO.45), ARE AMENDED AND THE SECTION IS~~  
27 ~~AMENDED BY ADDING A DEFINITION TO READ:~~

28 ~~SECTION 1. SECTION 303 (A.7) OF THE ACT OF MARCH 4, 1971~~ ←  
29 ~~(P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, ADDED JULY~~  
30 ~~6, 2006 (P.L.319, NO.67), IS AMENDED TO READ:~~

1 SECTION 303. CLASSES OF INCOME.--\* \* \*

2 (A.7) THE FOLLOWING SHALL APPLY:

3 (1) AN AMOUNT PAID AS A CONTRIBUTION INTO A QUALIFIED  
4 TUITION PROGRAM UNDER CHAPTER 3 OF THE ACT OF APRIL 3, 1992  
5 (P.L.28, NO.11), KNOWN AS THE "TUITION ACCOUNT PROGRAMS AND  
6 COLLEGE SAVINGS BOND ACT," SHALL BE DEDUCTIBLE FROM TAXABLE  
7 INCOME ON THE ANNUAL PERSONAL INCOME TAX RETURN. THE AMOUNT PAID  
8 AS A CONTRIBUTION TO A QUALIFIED TUITION PROGRAM ALLOWABLE AS A  
9 DEDUCTION UNDER THIS SUBSECTION SHALL BE SUBJECT TO AN ANNUAL  
10 LIMITATION NOT TO EXCEED THE THRESHOLD FOR EXCLUSION FROM GIFTS  
11 AS PROVIDED IN SECTION 2503(B) OF THE INTERNAL REVENUE CODE OF  
12 1986, AS AMENDED, PER DESIGNATED BENEFICIARY. THE DEDUCTION  
13 SHALL NOT RESULT IN TAXABLE INCOME BEING LESS THAN ZERO.

14 (2) (I) THE FOLLOWING SHALL NOT BE SUBJECT TO TAX UNDER  
15 THIS ARTICLE:

16 (A) ANY AMOUNT DISTRIBUTED FROM A QUALIFIED TUITION PROGRAM  
17 THAT IS EXCLUDABLE FROM TAX UNDER SECTION 529(C) (3) (B) OF THE  
18 INTERNAL REVENUE CODE OF 1986, AS AMENDED.

19 (B) ANY ROLLOVER THAT IS EXCLUDABLE FROM TAX UNDER SECTION  
20 529(C) (3) (C) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

21 THE EXCEPTION UNDER THIS CLAUSE DOES NOT APPLY TO A ROLLOVER  
22 FROM A QUALIFIED TUITION PROGRAM UNDER CHAPTER 3 OF THE "TUITION  
23 ACCOUNT PROGRAMS AND COLLEGE SAVINGS BOND ACT."

24 (C) UNDISTRIBUTED EARNINGS ON A QUALIFIED TUITION PROGRAM.

25 (II) A CHANGE IN DESIGNATED BENEFICIARIES UNDER SECTION  
26 529(C) (3) (C) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED,  
27 SHALL NOT CONSTITUTE A TAXABLE EVENT UNDER THIS ARTICLE.

28 (3) ANY AMOUNT DISTRIBUTED FROM A QUALIFIED TUITION PROGRAM  
29 THAT IS NOT DESCRIBED UNDER PARAGRAPH (2) SHALL BE TAXABLE UNDER  
30 THIS ARTICLE.

1 (4) FOR PURPOSES OF THIS SUBSECTION:

2 (I) THE TERM "DESIGNATED BENEFICIARY" SHALL HAVE THE SAME  
3 MEANING AS PROVIDED IN SECTION 529(E) (1) OF THE INTERNAL REVENUE  
4 CODE OF 1986, AS AMENDED.

5 (II) THE TERM "QUALIFIED TUITION PROGRAM" SHALL HAVE THE  
6 SAME MEANING AS PROVIDED IN SECTION 529(B) (1) OF THE INTERNAL  
7 REVENUE CODE OF 1986, AS AMENDED.

8 \* \* \*

9 SECTION 1.1. SECTION 331(E) OF THE ACT, REPEALED AND ADDED  
10 AUGUST 31, 1971 (P.L.362, NO.93), IS AMENDED AND THE SECTION IS  
11 AMENDED BY ADDING SUBSECTIONS TO READ:

12 SECTION 331. RETURNS OF MARRIED INDIVIDUALS, DECEASED OR  
13 DISABLED INDIVIDUALS AND FIDUCIARIES.--\* \* \*

14 (E) [THE] EXCEPT AS PROVIDED UNDER SUBSECTIONS (E.1) AND  
15 (E.2), THE FINAL RETURN FOR ANY DECEASED INDIVIDUAL SHALL BE  
16 MADE AND FILED BY HIS EXECUTOR, ADMINISTRATOR, OR OTHER [PERSON]  
17 PERSONAL REPRESENTATIVE CHARGED WITH HIS PROPERTY.

18 (E.1) (1) A SURVIVING SPOUSE MAY FILE A JOINT RETURN FOR  
19 THE YEAR IN WHICH HIS OR HER SPOUSE DIED IF THE JOINT RETURN  
20 COULD HAVE BEEN FILED IF BOTH SPOUSES WERE LIVING FOR THE ENTIRE  
21 TAXABLE YEAR.

22 (2) IF A PERSONAL REPRESENTATIVE, EXECUTOR OR ADMINISTRATOR  
23 IS APPOINTED ON BEHALF OF THE DECEASED SPOUSE BEFORE THE TAX  
24 RETURN IS FILED, THE SURVIVING SPOUSE MAY NOT FILE A JOINT  
25 RETURN WITHOUT THE CONSENT OF THE FIDUCIARY. BOTH THE FIDUCIARY  
26 AND THE SURVIVING SPOUSE MUST SIGN THE JOINT RETURN. THE  
27 SURVIVING SPOUSE MAY FILE A JOINT RETURN WITH THE DECEASED  
28 SPOUSE IF THE DECEASED SPOUSE DID NOT PREVIOUSLY FILE A RETURN  
29 FOR THAT TAXABLE YEAR AND IF A PERSONAL REPRESENTATIVE, EXECUTOR  
30 OR ADMINISTRATOR HAS NOT BEEN APPOINTED BY THE TIME THE JOINT

1 RETURN IS MADE OR BEFORE THE DUE DATE FOR FILING THE RETURN OF  
2 THE SURVIVING SPOUSE, INCLUDING EXTENSIONS. IF THE SURVIVING  
3 SPOUSE PROPERLY FILES A JOINT RETURN UNDER THIS PARAGRAPH, THE  
4 FIDUCIARY MAY SUPERSEDE THE SURVIVING SPOUSE BY FILING A  
5 SEPARATE RETURN FOR THE DECEDENT WITHIN ONE YEAR AFTER THE DUE  
6 DATE, INCLUDING EXTENSIONS. ANY JOINT RETURN IMPROPERLY FILED BY  
7 THE SURVIVING SPOUSE OR DISAFFIRMED BY THE FIDUCIARY SHALL BE  
8 TREATED AS A SEPARATE RETURN OF THE SURVIVOR. THE SURVIVING  
9 SPOUSE SHALL BE REQUIRED TO FILE AN AMENDED RETURN.

10 (E.2) IF BOTH TAXPAYERS DIE DURING THE SAME TAX YEAR, A  
11 JOINT FINAL RETURN MAY BE FILED IF A JOINT RETURN COULD HAVE  
12 BEEN FILED HAD BOTH SPOUSES LIVED FOR THE ENTIRE TAXABLE YEAR  
13 AND WITH THE CONSENT OF THE PERSONAL REPRESENTATIVES, EXECUTORS  
14 OR ADMINISTRATORS OF BOTH DECEASED SPOUSES UNDER SUBSECTION  
15 (E.1) BY THE DUE DATE, INCLUDING EXTENSIONS, OF THE JOINT TAX  
16 RETURN. BOTH FIDUCIARIES MUST SIGN THE JOINT RETURN.

17 \* \* \*

18 SECTION 1.2. THE DEFINITIONS OF "ASSOCIATION," "FAMILY FARM  
19 CORPORATION" AND "FAMILY FARM PARTNERSHIP" IN SECTION 1101-C OF  
20 THE ACT, AMENDED JULY 2, 1986 (P.L.318, NO.77) AND APRIL 23,  
21 1998 (P.L.239, NO.45), ARE AMENDED AND THE SECTION IS AMENDED BY  
22 ADDING A DEFINITION TO READ:

23 SECTION 1101-C. DEFINITIONS.--THE FOLLOWING WORDS WHEN USED  
24 IN THIS ARTICLE SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THIS  
25 SECTION:

26 "ASSOCIATION." A GENERAL PARTNERSHIP, LIMITED PARTNERSHIP,  
27 LIMITED LIABILITY PARTNERSHIP OR ANY OTHER FORM OF  
28 UNINCORPORATED ENTERPRISE, OWNED OR CONDUCTED BY TWO OR MORE  
29 PERSONS OTHER THAN A PRIVATE TRUST OR DECEDENT'S ESTATE.

30 \* \* \*



1 ["FAMILY FARM CORPORATION." A CORPORATION OF WHICH AT LEAST  
2 SEVENTY-FIVE PER CENT OF ITS ASSETS ARE DEVOTED TO THE BUSINESS  
3 OF AGRICULTURE AND AT LEAST SEVENTY-FIVE PER CENT OF EACH CLASS  
4 OF STOCK OF THE CORPORATION IS CONTINUOUSLY OWNED BY MEMBERS OF  
5 THE SAME FAMILY. THE BUSINESS OF AGRICULTURE SHALL INCLUDE THE  
6 LEASING TO MEMBERS OF THE SAME FAMILY OF PROPERTY WHICH IS  
7 DIRECTLY AND PRINCIPALLY USED FOR AGRICULTURAL PURPOSES. THE  
8 BUSINESS OF AGRICULTURE SHALL NOT BE DEEMED TO INCLUDE:

9 (1) RECREATIONAL ACTIVITIES SUCH AS, BUT NOT LIMITED TO,  
10 HUNTING, FISHING, CAMPING, SKIING, SHOW COMPETITION OR RACING;

11 (2) THE RAISING, BREEDING OR TRAINING OF GAME ANIMALS OR  
12 GAME BIRDS, FISH, CATS, DOGS OR PETS OR ANIMALS INTENDED FOR USE  
13 IN SPORTING OR RECREATIONAL ACTIVITIES;

14 (3) FUR FARMING;

15 (4) STOCKYARD AND SLAUGHTERHOUSE OPERATIONS; OR

16 (5) MANUFACTURING OR PROCESSING OPERATIONS OF ANY KIND.

17 "FAMILY FARM PARTNERSHIP." A PARTNERSHIP OF WHICH AT LEAST  
18 SEVENTY-FIVE PER CENT OF ITS ASSETS ARE DEVOTED TO THE BUSINESS  
19 OF AGRICULTURE AND AT LEAST SEVENTY-FIVE PER CENT OF THE  
20 INTERESTS IN THE PARTNERSHIP ARE CONTINUOUSLY OWNED BY MEMBERS  
21 OF THE SAME FAMILY. THE BUSINESS OF AGRICULTURE SHALL INCLUDE  
22 THE LEASING TO MEMBERS OF THE SAME FAMILY OF PROPERTY WHICH IS  
23 DIRECTLY AND PRINCIPALLY USED FOR AGRICULTURAL PURPOSES. THE  
24 BUSINESS OF AGRICULTURE SHALL NOT BE DEEMED TO INCLUDE:

25 (1) RECREATIONAL ACTIVITIES SUCH AS, BUT NOT LIMITED TO,  
26 HUNTING, FISHING, CAMPING, SKIING, SHOW COMPETITION OR RACING;

27 (2) THE RAISING, BREEDING OR TRAINING OF GAME ANIMALS OR  
28 GAME BIRDS, FISH, CATS, DOGS OR PETS OR ANIMALS INTENDED FOR USE  
29 IN SPORTING OR RECREATIONAL ACTIVITIES;

30 (3) FUR FARMING;

1 (4) STOCKYARD AND SLAUGHTERHOUSE OPERATIONS; OR  
2 (5) MANUFACTURING OR PROCESSING OPERATIONS OF ANY KIND.]  
3 "FAMILY FARM BUSINESS." A CORPORATION OR ASSOCIATION OF  
4 WHICH AT LEAST SEVENTY-FIVE PER CENT OF ITS ASSETS ARE DEVOTED  
5 TO THE BUSINESS OF AGRICULTURE AND AT LEAST SEVENTY-FIVE PER  
6 CENT OF EACH CLASS OF STOCK OF THE CORPORATION OR THE INTERESTS  
7 IN THE ASSOCIATION IS CONTINUOUSLY OWNED BY MEMBERS OF THE SAME  
8 FAMILY. THE BUSINESS OF AGRICULTURE SHALL INCLUDE THE LEASING TO  
9 MEMBERS OF THE SAME FAMILY OR THE LEASING TO A CORPORATION OR  
10 ASSOCIATION OWNED BY MEMBERS OF THE SAME FAMILY OF PROPERTY  
11 WHICH IS DIRECTLY AND PRINCIPALLY USED FOR AGRICULTURAL  
12 PURPOSES. THE BUSINESS OF AGRICULTURE SHALL NOT BE DEEMED TO  
13 INCLUDE:  
14 (1) RECREATIONAL ACTIVITIES SUCH AS, BUT NOT LIMITED TO,  
15 HUNTING, FISHING, CAMPING, SKIING, SHOW COMPETITION OR RACING;  
16 (2) THE RAISING, BREEDING OR TRAINING OF GAME ANIMALS OR  
17 GAME BIRDS, FISH, CATS, DOGS OR PETS OR ANIMALS INTENDED FOR USE  
18 IN SPORTING OR RECREATIONAL ACTIVITIES;  
19 (3) FUR FARMING;  
20 (4) STOCKYARD AND SLAUGHTERHOUSE OPERATIONS; OR  
21 (5) MANUFACTURING OR PROCESSING OPERATIONS OF ANY KIND.

22 \* \* \*

23 SECTION 2. SECTION 1102-C.3(19), (19.1) AND (20) OF THE ACT,  
24 AMENDED OR ADDED JULY 2, 1986 (P.L.318, NO.77) AND JUNE 16, 1994  
25 (P.L.279, NO.48), ARE AMENDED TO READ:

26 SECTION 1102-C.3. EXCLUDED TRANSACTIONS.--THE TAX IMPOSED BY  
27 SECTION 1102-C SHALL NOT BE IMPOSED UPON:

28 \* \* \*

29 (19) A TRANSFER OF REAL ESTATE DEVOTED TO THE BUSINESS OF  
30 AGRICULTURE TO A FAMILY FARM [CORPORATION] BUSINESS BY:

1       (I) A MEMBER OF THE SAME FAMILY WHICH DIRECTLY OWNS AT LEAST  
2 SEVENTY-FIVE PER CENT OF [EACH CLASS OF THE STOCK THEREOF] THE  
3 INTERESTS IN THAT FAMILY FARM BUSINESS; OR

4       (II) A FAMILY FARM BUSINESS, WHICH FAMILY DIRECTLY OWNS AT  
5 LEAST SEVENTY-FIVE PER CENT OF THE INTERESTS IN THAT FAMILY FARM  
6 BUSINESS.

7       [(19.1) A TRANSFER OF REAL ESTATE DEVOTED TO THE BUSINESS OF  
8 AGRICULTURE TO A FAMILY FARM PARTNERSHIP BY A MEMBER OF THE SAME  
9 FAMILY, WHICH FAMILY DIRECTLY OWNS AT LEAST SEVENTY-FIVE PER  
10 CENT OF THE INTERESTS IN THE PARTNERSHIP.]

11       (20) A TRANSFER BETWEEN MEMBERS OF THE SAME FAMILY OF AN  
12 OWNERSHIP INTEREST IN A REAL ESTATE COMPANY[, ] OR FAMILY FARM  
13 [CORPORATION OR FAMILY FARM PARTNERSHIP WHICH] BUSINESS THAT  
14 OWNS REAL ESTATE.

15       \* \* \*

16       SECTION 3. SECTION 1102-C.4 OF THE ACT, ADDED JULY 2, 1986  
17 (P.L.318, NO.77), IS AMENDED TO READ:

18       SECTION 1102-C.4. DOCUMENTS RELATING TO ASSOCIATIONS OR  
19 CORPORATIONS AND MEMBERS, PARTNERS, STOCKHOLDERS OR SHAREHOLDERS  
20 THEREOF.--EXCEPT AS OTHERWISE PROVIDED IN [SECTION] SECTIONS  
21 1102-C.3 AND 1102-C.5, DOCUMENTS WHICH MAKE, CONFIRM OR EVIDENCE  
22 ANY TRANSFER OR DEVISE OF TITLE TO REAL ESTATE BETWEEN  
23 ASSOCIATIONS OR CORPORATIONS AND THE MEMBERS, PARTNERS,  
24 SHAREHOLDERS OR STOCKHOLDERS THEREOF ARE FULLY TAXABLE. FOR THE  
25 PURPOSES OF THIS ARTICLE, CORPORATIONS AND ASSOCIATIONS ARE  
26 ENTITIES SEPARATE FROM THEIR MEMBERS, PARTNERS, STOCKHOLDERS OR  
27 SHAREHOLDERS.

28       SECTION 4. SECTION 1102-C.5 OF THE ACT, AMENDED OR ADDED  
29 JULY 2, 1986 (P.L.318, NO.77) AND JUNE 16, 1994 (P.L.279,  
30 NO.48), IS AMENDED TO READ:

1 SECTION 1102-C.5. ACQUIRED COMPANY.-- (A) A REAL ESTATE  
2 COMPANY IS AN ACQUIRED COMPANY UPON A CHANGE IN THE OWNERSHIP  
3 INTEREST IN THE COMPANY, HOWEVER EFFECTED, IF THE CHANGE:

4 (1) DOES NOT AFFECT THE CONTINUITY OF THE COMPANY; AND

5 (2) OF ITSELF OR TOGETHER WITH PRIOR CHANGES HAS THE EFFECT  
6 OF TRANSFERRING, DIRECTLY OR INDIRECTLY, NINETY PER CENT OR MORE  
7 OF THE TOTAL OWNERSHIP INTEREST IN THE COMPANY WITHIN A PERIOD  
8 OF THREE YEARS.

9 [(B) WITH RESPECT TO REAL ESTATE ACQUIRED AFTER FEBRUARY 16,  
10 1986, A FAMILY FARM CORPORATION IS AN ACQUIRED COMPANY WHEN,  
11 BECAUSE OF VOLUNTARY OR INVOLUNTARY DISSOLUTION, IT CEASES TO BE  
12 A FAMILY FARM CORPORATION OR WHEN, BECAUSE OF ISSUANCE OR  
13 TRANSFER OF STOCK OR BECAUSE OF ACQUISITION OR TRANSFER OF  
14 ASSETS THAT ARE DEVOTED TO THE BUSINESS OF AGRICULTURE, IT FAILS  
15 TO MEET THE MINIMUM REQUIREMENTS OF A FAMILY FARM CORPORATION  
16 UNDER THIS ACT.

17 (B.1) A FAMILY FARM PARTNERSHIP IS AN ACQUIRED COMPANY WHEN,  
18 BECAUSE OF VOLUNTARY OR INVOLUNTARY DISSOLUTION, IT CEASES TO BE  
19 A FAMILY FARM PARTNERSHIP OR WHEN, BECAUSE OF TRANSFER OF  
20 PARTNERSHIP INTERESTS OR BECAUSE OF ACQUISITION OR TRANSFER OF  
21 ASSETS THAT ARE DEVOTED TO THE BUSINESS OF AGRICULTURE, IT FAILS  
22 TO MEET THE MINIMUM REQUIREMENTS OF A FAMILY FARM PARTNERSHIP  
23 UNDER THIS ACT.]

24 (B.2) A FAMILY FARM BUSINESS IS AN ACQUIRED COMPANY WHEN,  
25 BECAUSE OF VOLUNTARY OR INVOLUNTARY DISSOLUTION, IT CEASES TO BE  
26 A FAMILY FARM BUSINESS OR WHEN, BECAUSE OF THE ISSUANCE OR  
27 TRANSFER OF STOCK IN THE CORPORATION OR TRANSFER OF INTERESTS IN  
28 THE ASSOCIATION OR BECAUSE OF ACQUISITION OR TRANSFER OF ASSETS  
29 THAT ARE DEVOTED TO THE BUSINESS OF AGRICULTURE, IT FAILS TO  
30 MEET THE MINIMUM REQUIREMENTS OF A FAMILY FARM BUSINESS UNDER

1 THIS ARTICLE.

2 (B.3) THE CONVEYANCE OF ASSETS HELD BY ONE FAMILY FARM  
3 BUSINESS TO ANOTHER FAMILY FARM BUSINESS SHALL NOT BE CONSIDERED  
4 A TRANSFER OF ASSETS UNDER THIS ARTICLE IF THE SAME INDIVIDUALS  
5 HOLD AT LEAST FIFTY PER CENT OF THE OWNERSHIP INTEREST IN EACH  
6 FAMILY FARM BUSINESS.

7 (C) WITHIN THIRTY DAYS AFTER BECOMING AN ACQUIRED COMPANY,  
8 THE COMPANY SHALL PRESENT A DECLARATION OF ACQUISITION WITH THE  
9 RECORDER OF EACH COUNTY IN WHICH IT HOLDS REAL ESTATE FOR THE  
10 AFFIXATION OF DOCUMENTARY STAMPS AND RECORDING. SUCH DECLARATION  
11 SHALL SET FORTH THE VALUE OF REAL ESTATE HOLDINGS OF THE  
12 ACQUIRED COMPANY IN SUCH COUNTY.

13 SECTION 5. SECTION 2102 OF THE ACT IS AMENDED BY ADDING  
14 DEFINITIONS TO READ:

15 SECTION 2102. DEFINITIONS.--THE FOLLOWING WORDS, TERMS AND  
16 PHRASES, WHEN USED IN THIS ARTICLE, SHALL HAVE THE MEANINGS  
17 ASCRIBED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT  
18 CLEARLY INDICATES A DIFFERENT MEANING:

19 \* \* \*

20 "BUSINESS OF AGRICULTURE." THE TERM SHALL INCLUDE THE  
21 LEASING TO MEMBERS OF THE SAME FAMILY OR THE LEASING TO A  
22 CORPORATION OR ASSOCIATION OWNED BY MEMBERS OF THE SAME FAMILY  
23 OF PROPERTY WHICH IS DIRECTLY AND PRINCIPALLY USED FOR  
24 AGRICULTURAL PURPOSES. THE BUSINESS OF AGRICULTURE SHALL NOT BE  
25 DEEMED TO INCLUDE:

26 (1) RECREATIONAL ACTIVITIES SUCH AS, BUT NOT LIMITED TO,  
27 HUNTING, FISHING, CAMPING, SKIING, SHOW COMPETITION OR RACING;

28 (2) THE RAISING, BREEDING OR TRAINING OF GAME ANIMALS OR  
29 GAME BIRDS, FISH, CATS, DOGS OR PETS OR ANIMALS INTENDED FOR USE  
30 IN SPORTING OR RECREATIONAL ACTIVITIES;

- 1     (3) FUR FARMING;  
2     (4) STOCKYARD AND SLAUGHTERHOUSE OPERATIONS; OR  
3     (5) MANUFACTURING OR PROCESSING OPERATIONS OF ANY KIND.

4     \* \* \*

5     "MEMBERS OF THE SAME FAMILY." ANY INDIVIDUAL, SUCH  
6     INDIVIDUAL'S BROTHERS AND SISTERS, THE BROTHERS AND SISTERS OF  
7     SUCH INDIVIDUAL'S PARENTS AND GRANDPARENTS, THE ANCESTORS AND  
8     LINEAL DESCENDENTS OF ANY OF THE FOREGOING, A SPOUSE OF ANY OF  
9     THE FOREGOING AND THE ESTATE OF ANY OF THE FOREGOING.  
10    INDIVIDUALS RELATED BY THE HALF BLOOD OR LEGAL ADOPTION SHALL BE  
11    TREATED AS IF THEY WERE RELATED BY THE WHOLE BLOOD.

12    \* \* \*

13    SECTION 6. SECTION 2111 OF THE ACT IS AMENDED BY ADDING A  
14    SUBSECTION TO READ:

15    SECTION 2111. TRANSFERS NOT SUBJECT TO TAX.--\* \* \*

16    (S) A TRANSFER OF REAL ESTATE DEVOTED TO THE BUSINESS OF  
17    AGRICULTURE BETWEEN MEMBERS OF THE SAME FAMILY, PROVIDED THAT  
18    AFTER THE TRANSFER THE REAL ESTATE CONTINUES TO BE DEVOTED TO  
19    THE BUSINESS OF AGRICULTURE FOR A PERIOD OF SEVEN YEARS BEYOND  
20    THE TRANSFEROR'S DATE OF DEATH AND THE REAL ESTATE DERIVES A  
21    YEARLY GROSS INCOME OF AT LEAST TWO THOUSAND DOLLARS (\$2,000),  
22    PROVIDED THAT:

23    (1) ANY TRACT OF LAND UNDER THIS ARTICLE WHICH IS NO LONGER  
24    DEVOTED TO THE BUSINESS OF AGRICULTURE WITHIN SEVEN YEARS BEYOND  
25    THE TRANSFEROR'S DATE OF DEATH SHALL BE SUBJECT TO INHERITANCE  
26    TAX DUE THE COMMONWEALTH UNDER SECTION 2107, IN THE AMOUNT THAT  
27    WOULD HAVE BEEN PAID OR PAYABLE ON THE BASIS OF VALUATION  
28    AUTHORIZED UNDER SECTION 2121 FOR NONEXEMPT TRANSFERS OF  
29    PROPERTY, PLUS INTEREST THEREON ACCRUING AS OF THE TRANSFEROR'S  
30    DATE OF DEATH, AT THE RATE ESTABLISHED IN SECTION 2143.

1       (2) ANY TAX IMPOSED UNDER SECTION 2107 SHALL BE A LIEN IN  
2 FAVOR OF THE COMMONWEALTH UPON THE PROPERTY NO LONGER BEING  
3 DEVOTED TO AGRICULTURAL USE, COLLECTIBLE IN THE MANNER PROVIDED  
4 FOR BY LAW FOR THE COLLECTION OF DELINQUENT REAL ESTATE TAXES,  
5 AS WELL AS THE PERSONAL OBLIGATION OF THE OWNER OF THE PROPERTY  
6 AT THE TIME OF THE CHANGE OF USE.

7       (3) EVERY OWNER OF REAL ESTATE EXEMPT UNDER THIS SUBSECTION  
8 SHALL CERTIFY TO THE DEPARTMENT ON AN ANNUAL BASIS THAT THE LAND  
9 QUALIFIES FOR THIS EXEMPTION AND SHALL NOTIFY THE DEPARTMENT  
10 WITHIN THIRTY DAYS OF ANY TRANSACTION OR OCCURRENCE CAUSING THE  
11 REAL ESTATE TO FAIL TO QUALIFY FOR THE EXEMPTION. EACH YEAR THE  
12 DEPARTMENT SHALL INFORM ALL OWNERS OF THEIR OBLIGATION TO  
13 PROVIDE AN ANNUAL CERTIFICATION UNDER THIS SUBCLAUSE. THIS  
14 CERTIFICATION AND NOTIFICATION SHALL BE COMPLETED IN THE FORM  
15 AND MANNER AS PROVIDED BY THE DEPARTMENT.

16       SECTION 7. A REFERENCE IN ANY LAW TO THE FORMER DEFINITION  
17 OF "FAMILY FARM CORPORATION" OR "FAMILY FARM PARTNERSHIP" IN  
18 SECTION 1101-C OF THE ACT SHALL BE DEEMED TO BE REFERENCES TO A  
19 "FAMILY FARM BUSINESS" UNDER SECTION 1101-C OF THE ACT.

20       SECTION 7.1. THE AMENDMENT OF SECTION 303(A.7) OF THE ACT  
21 SHALL NOT APPLY TO CONTRIBUTIONS OR ROLLOVERS MADE PRIOR TO  
22 JANUARY 1, 2013.

23       SECTION 7.2. THE AMENDMENT OF SECTION 331(E) OF THE ACT  
24 SHALL APPLY TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2011.

25       SECTION 8. THE AMENDMENT OF ARTICLE XXI OF THE ACT SHALL  
26 APPLY TO THE ESTATES OF DECEDENTS DYING AFTER DECEMBER 31, 2011.

27       SECTION 9. THE AMENDMENT OF ARTICLE XI-C OF THE ACT SHALL BE  
28 RETROACTIVE TO ANY DOCUMENT MADE, EXECUTED, DELIVERED, ACCEPTED  
29 OR PRESENTED FOR RECORDING ON OR AFTER JULY 1, 2010.

30       SECTION 10. THE PROVISIONS OF 61 PA. CODE § 91.222 (RELATING

1 TO ACQUIRED FAMILY FARM PARTNERSHIP) ARE ABROGATED.

2 SECTION 11. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.