
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 585 Session of
2011

INTRODUCED BY FERLO, FONTANA, ERICKSON, TARTAGLIONE, RAFFERTY,
WOZNIAK AND BREWSTER, FEBRUARY 18, 2011

REFERRED TO FINANCE, FEBRUARY 18, 2011

AN ACT

1 Amending the act of November 26, 1997 (P.L.508, No.55), entitled
2 "An act providing for the tax exemption of institutions of
3 purely public charity; exempting real property owned by
4 State-related universities or Federal Government
5 instrumentalities from taxation; providing for unfair
6 competition; imposing penalties; and making repeals," further
7 providing for criteria.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Section 5(c) of the act of November 26, 1997
11 (P.L.508, No.55), known as the Institutions of Purely Public
12 Charity Act, is amended to read:

13 Section 5. Criteria for institutions of purely public charity.

14 * * *

15 (c) Private profit motive.--The institution must operate
16 entirely free from private profit motive. Notwithstanding
17 whether the institution's revenues exceed its expenses, this
18 criterion is satisfied if the institution meets all of the
19 following:

20 (1) Neither the institution's net earnings nor donations

1 which it receives inures to the benefit of private
2 shareholders or other individuals, as the private inurement
3 standard is interpreted under section 501(c)(3) of the
4 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
5 501(c)(3)).

6 (2) The institution applies or reserves all revenue,
7 including contributions, in excess of expenses in furtherance
8 of its charitable purpose or to funding of other institutions
9 which meet the provisions of this subsection and subsection
10 (b).

11 (3) Compensation, including benefits, of any director,
12 officer or employee is not based primarily upon the financial
13 performance of the institution.

14 (4) The governing body of the institution of purely
15 public charity has adopted as part of its articles of
16 incorporation or, if unincorporated, other governing legal
17 documents a provision that expressly prohibits the use of any
18 surplus funds for private inurement to any person in the
19 event of a sale or dissolution of the institution of purely
20 public charity.

21 (5) In any taxable year, the institution does not enter
22 into a contract for services which will be provided by
23 individuals located outside of this Commonwealth if the
24 services could otherwise be provided by the institution's
25 employees or through a contract with an entity or individuals
26 located in this Commonwealth.

27 * * *

28 Section 2. This act shall take effect in 60 days.