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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1258 Session of  
2015

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INTRODUCED BY HAYWOOD, HUGHES AND LEACH, MAY 18, 2016

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REFERRED TO FINANCE, MAY 18, 2016

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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 imposition of tax and for amount of withholding tax.

12 The General Assembly finds and declares as follows:

13 (1) Section 1 of Article VIII of the Constitution of  
14 Pennsylvania requires that all taxes be uniform upon the same  
15 class of subjects.

16 (2) The Constitution of Pennsylvania allows the General  
17 Assembly to impose nonuniform tax rates as long as the tax  
18 rates are imposed uniformly on each class of subjects.

19 (3) Upon identifying legitimate distinctions among  
20 various classes of subjects, the General Assembly can impose  
21 a different tax rate on each class of subjects in compliance  
22 with constitutional standards.

23 (4) This act establishes different classes of subjects

1 and imposes different tax rates on each class.

2 (5) The Constitution of Pennsylvania makes it clear that  
3 the imposition of different tax rates complies with section 1  
4 of Article VIII of the Constitution of Pennsylvania insofar  
5 as those tax rates are uniform on each class.

6 (6) This act does not violate section 1 of Article VIII  
7 of the Constitution of Pennsylvania by imposing different tax  
8 rates on different classes of subjects because the Uniformity  
9 Clause prohibition on disparate tax rates is not implicated  
10 when uniformity of taxation is maintained within each class.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 Section 1. Section 302 of the act of March 4, 1971 (P.L.6,  
14 No.2), known as the Tax Reform Code of 1971, amended December  
15 23, 2003 (P.L.250, No.46), is amended to read:

16 Section 302. Imposition of Tax.--(a) [Every] For tax years  
17 beginning after December 31, 2003, and ending on December 31,  
18 2016, every resident individual, estate or trust shall be  
19 subject to, and shall pay for the privilege of receiving each of  
20 the classes of income hereinafter enumerated in section 303, a  
21 tax upon each dollar of income received by that resident during  
22 that resident's taxable year at the rate of three and seven  
23 hundredths per cent.

24 (b) [Every] For tax years beginning after December 31, 2003,  
25 and ending on December 31, 2016, every nonresident individual,  
26 estate or trust shall be subject to, and shall pay for the  
27 privilege of receiving each of the classes of income hereinafter  
28 enumerated in section 303 from sources within this Commonwealth,  
29 a tax upon each dollar of income received by that nonresident  
30 during that nonresident's taxable year at the rate of three and

seven hundredths per cent.

(c) For tax years beginning after December 31, 2016, every resident individual, estate or trust shall be subject to, and shall pay a tax upon each dollar of income received by that resident during that resident's taxable year at the rate of three and seven hundredths per cent for the privilege of receiving the following classes of income as enumerated in section 303:

(1) Compensation.

(2) Interest derived from obligations which are not statutorily free from State or local taxation under any other act of the General Assembly of the Commonwealth of Pennsylvania or under the laws of the United States, any amount paid under contract of life insurance or endowment or annuity contract which is includable in gross income for Federal income tax purposes and any amount paid out of the Archer Medical Savings Account (Archer MSA) or health savings account that is includable in the gross income of an account beneficiary for Federal income tax purposes.

(d) For tax years beginning after December 31, 2016, every resident individual, estate or trust shall be subject to, and shall pay a tax upon each dollar of income received by that resident during that resident's taxable year at the rate of four per cent for the privilege of receiving the following classes of income as enumerated in section 303:

(1) Net profits.

(2) Net gains or income from disposition of property.

(3) Net gains or income derived from or in the form of rents, royalties, patents and copyrights.

(4) Dividends.

1     (5) Gambling and lottery winnings other than prizes of the  
2 Pennsylvania State Lottery.

3     (6) Net gains or income derived through estates or trusts.

4 To the extent that income or gain is subject to tax under one of  
5 the classes of income enumerated in this section such income or  
6 gain shall not be subject to tax under another of such  
7 enumerated classes.

8     (e) For tax years beginning after December 31, 2016, every  
9 nonresident individual, estate or trust shall be subject to, and  
10 shall pay a tax upon each dollar of income received by that  
11 nonresident during that nonresident's taxable year at the rate  
12 of three and seven hundredths per cent for the privilege of  
13 receiving the following classes of income as enumerated in  
14 section 303:

15     (1) Compensation.

16     (2) Interest derived from obligations which are not  
17 statutorily free from State or local taxation under any other  
18 act of the General Assembly of the Commonwealth of Pennsylvania  
19 or under the laws of the United States, any amount paid under  
20 contract of life insurance or endowment or annuity contract  
21 which is includable in gross income for Federal income tax  
22 purposes and any amount paid out of the Archer Medical Savings  
23 Account (Archer MSA) or health savings account that is  
24 includable in the gross income of an account beneficiary for  
25 Federal income tax purposes.

26     (f) For tax years beginning after December 31, 2016, every  
27 nonresident individual, estate or trust shall be subject to, and  
28 shall pay a tax upon each dollar of income received by that  
29 nonresident during that nonresident's taxable year at the rate  
30 of four per cent for the privilege of receiving the following

1 classes of income as enumerated in section 303:

2 (1) Net profits.

3 (2) Net gains or income from disposition of property.

4 (3) Net gains or income derived from or in the form of  
5 rents, royalties, patents and copyrights.

6 (4) Dividends.

7 (5) Gambling and lottery winnings other than prizes of the  
8 Pennsylvania State Lottery.

9 (6) Net gains or income derived through estates or trusts.

10 To the extent that income or gain is subject to tax under one of  
11 the classes of income enumerated in this section such income or  
12 gain shall not be subject to tax under another of such  
13 enumerated classes.

14 Section 2. Section 324.1(a) of the act, added August 4, 1991  
15 (P.L.97, No.22), is amended to read:

16 Section 324.1. Amount of Withholding Tax.--(a) The amount  
17 of tax withheld from nonresidents and the amount of the  
18 withholding tax payable under section 324 shall be equal to the  
19 income from sources within this Commonwealth of the partnership,  
20 association or Pennsylvania S corporation which is allocable to  
21 nonresident partners, members or shareholders multiplied by the  
22 tax rate specified in section [302(b)] 302(f).

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24 Section 3. The amendment of sections 302 and 324.1(a) of the  
25 act shall apply to taxable years beginning after December 31,  
26 2016.

27 Section 4. This shall take effect immediately.