

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 555 Session of 2017

INTRODUCED BY HAYWOOD, HUGHES AND COSTA, JUNE 5, 2017

REFERRED TO FINANCE, JUNE 5, 2017

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. Sections 302 and 324.1(a) of the act of March 4,
14 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, are
15 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 2017, 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, 2017, 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

1 seven hundredths per cent.

2 (c) For tax years beginning after December 31, 2017, every
3 resident individual, estate or trust shall be subject to and
4 shall pay a tax upon each dollar of income received by that
5 resident during that resident's taxable year at the rate of two
6 and eight-tenths per cent for the privilege of receiving the
7 following classes of income as enumerated in section 303:

8 (1) Compensation.

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

19 (d) For tax years beginning after December 31, 2017, every
20 resident individual, estate or trust shall be subject to, and
21 shall pay a tax upon each dollar of income received by that
22 resident during that resident's taxable year at the rate of six
23 and five-tenths per cent for the privilege of receiving the
24 following classes of income as enumerated in section 303:

25 (1) Net profits.

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

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

29 (4) Dividends.

30 (5) Gambling and lottery winnings other than noncash prizes

1 of the Pennsylvania State Lottery.

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

3 To the extent that income or gain is subject to tax under one of

4 the classes of income enumerated in this section such income or

5 gain shall not be subject to tax under another of such

6 enumerated classes.

7 (e) For tax years beginning after December 31, 2017, every

8 nonresident individual, estate or trust shall be subject to, and

9 shall pay a tax upon each dollar of income received by that

10 nonresident during that nonresident's taxable year at the rate

11 of two and eight-tenths per cent for the privilege of receiving

12 the following classes of income as enumerated in section 303:

13 (1) Compensation.

14 (2) Interest derived from obligations which are not

15 statutorily free from State or local taxation under any other

16 act of the General Assembly of the Commonwealth of Pennsylvania

17 or under the laws of the United States, any amount paid under

18 contract of life insurance or endowment or annuity contract

19 which is includable in gross income for Federal income tax

20 purposes and any amount paid out of the Archer Medical Savings

21 Account (Archer MSA) or health savings account that is

22 includable in the gross income of an account beneficiary for

23 Federal income tax purposes.

24 (f) For tax years beginning after December 31, 2017, every

25 nonresident individual, estate or trust shall be subject to and

26 shall pay a tax upon each dollar of income received by that

27 nonresident during that nonresident's taxable year at the rate

28 of six and five-tenths per cent for the privilege of receiving

29 the following classes of income as enumerated in section 303:

30 (1) Net profits.

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

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

4 (4) Dividends.

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

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

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

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

19 * * *

20 Section 2. The amendment of sections 302 and 324.1(a) of the
21 act shall apply to taxable years beginning after December 31,
22 2017.

23 Section 3. This act shall take effect immediately.