

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1056 Session of 2018

INTRODUCED BY BROOKS, GORDNER, MENSCH, RESCHENTHALER, FOLMER, AUMENT, HUTCHINSON, VULAKOVICH, DiSANTO, KILLION, MARTIN, VOGEL, WAGNER, YAW, BARTOLOTTA, BAKER, EICHELBERGER, BROWNE, REGAN, WARD, LANGERHOLC AND McILHINNEY, FEBRUARY 22, 2018

SENATOR HUTCHINSON, FINANCE, AS AMENDED, APRIL 17, 2018

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 corporate net income tax, further providing <--
11 for definitions DEFINING TAXABLE INCOME. <--

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

14 Section 1. Section ~~401(3)1(q) and (r)~~ 401(3)1(R) AND (S) of <--
15 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform
16 Code of 1971, are amended to read:

17 Section 401. Definitions.--The following words, terms, and
18 phrases, when used in this article, shall have the meaning
19 ascribed to them in this section, except where the context
20 clearly indicates a different meaning:

21 * * *

1 (3) "Taxable income." 1. * * *

2 ~~(q) [Notwithstanding] For qualified property acquired and <--~~
3 ~~placed in service before September 28, 2017, notwithstanding~~
4 ~~paragraph (a), taxable income shall include the amount of the~~
5 ~~deduction for depreciation of qualified property claimed and~~
6 ~~allowable under section 168(k) of the Internal Revenue Code of~~
7 ~~1986 (26 U.S.C. § 168(k)).~~

8 ~~(r) [Notwithstanding] For qualified property acquired and~~

9 (R) [NOTWITHSTANDING] THE FOLLOWING APPLY: <--

10 (1) FOR PROPERTY placed in service before September 28,
11 2017, notwithstanding paragraph (a), if a deduction for
12 depreciation of qualified property was included in taxable
13 income in accordance with paragraph (q), an additional deduction
14 for depreciation of the qualified property shall be allowed from
15 taxable income until the total amount included as taxable income
16 under paragraph (q) has been claimed. The additional deduction
17 shall be equal to the product of taking three sevenths of the
18 amount of the deduction for depreciation of the qualified
19 property allowable under section 167 of the Internal Revenue
20 Code of 1986 (26 U.S.C. § 167), not including the amount of the
21 deduction for depreciation of the qualified property claimed and
22 allowable under section 168(k) of the Internal Revenue Code of
23 1986 (26 U.S.C. § 168(k)), for the tax year.

24 (2) FOR PROPERTY PLACED IN SERVICE AFTER SEPTEMBER 27, 2017, <--
25 NOTWITHSTANDING PARAGRAPH (A), IF A DEDUCTION FOR DEPRECIATION
26 OF QUALIFIED PROPERTY WAS INCLUDED IN TAXABLE INCOME IN
27 ACCORDANCE WITH PARAGRAPH (Q), AN ADDITIONAL DEDUCTION FOR
28 DEPRECIATION OF THE QUALIFIED PROPERTY SHALL BE ALLOWED FROM
29 TAXABLE INCOME UNTIL THE TOTAL AMOUNT INCLUDED AS TAXABLE INCOME
30 UNDER PARAGRAPH (Q) HAS BEEN CLAIMED. THE ADDITIONAL DEDUCTION

1 SHALL BE EQUAL TO THE DEPRECIATION ON THE QUALIFIED PROPERTY FOR
2 THE TAXABLE YEAR AS DETERMINED IN ACCORDANCE WITH SECTIONS 167
3 AND 168 OF THE INTERNAL REVENUE CODE OF 1986 (26 U.S.C. §§ 167
4 AND 168), EXCEPT THAT SECTION 168(K) OF THE INTERNAL REVENUE
5 CODE OF 1986 (26 U.S.C. § 168(K)) SHALL NOT APPLY.

6 (S) [WITH] THE FOLLOWING APPLY:

7 (1) FOR PROPERTY PLACED IN SERVICE BEFORE SEPTEMBER 28,
8 2017, AN ADDITIONAL DEDUCTION SHALL BE ALLOWED FROM TAXABLE
9 INCOME IN THE EARLIER OF THE TAXABLE YEAR IN WHICH QUALIFIED
10 PROPERTY IS FULLY DEPRECIATED FOR FEDERAL INCOME TAX PURPOSES,
11 OR IS SOLD OR OTHERWISE DISPOSED OF BY A TAXPAYER TO THE EXTENT
12 THE AMOUNT OF DEPRECIATION CLAIMED UNDER SECTION 168(K) OF THE
13 INTERNAL REVENUE CODE OF 1986 (26 U.S.C. § 168(K)), ON THE
14 QUALIFIED PROPERTY AND INCLUDED IN TAXABLE INCOME UNDER
15 PARAGRAPH (Q) HAS NOT BEEN RECOVERED THROUGH THE ADDITIONAL
16 DEDUCTIONS PROVIDED UNDER PARAGRAPH (R) (1).

17 (2) FOR PROPERTY PLACED IN SERVICE AFTER SEPTEMBER 27, 2017,
18 WITH RESPECT TO QUALIFIED PROPERTY WHICH IS SOLD OR OTHERWISE
19 DISPOSED OF DURING A TAXABLE YEAR BY A TAXPAYER AND FOR WHICH
20 DEPRECIATION WAS INCLUDED AS TAXABLE INCOME UNDER PARAGRAPH (Q),
21 AN ADDITIONAL DEDUCTION SHALL BE ALLOWED FROM TAXABLE INCOME TO
22 THE EXTENT THE AMOUNT OF DEPRECIATION CLAIMED UNDER SECTION
23 168(K) OF THE INTERNAL REVENUE CODE OF 1986 (26 U.S.C. § 168(K))
24 ON THE QUALIFIED PROPERTY HAS NOT BEEN RECOVERED THROUGH THE
25 ADDITIONAL DEDUCTIONS PROVIDED BY PARAGRAPH [(R)] (R) (2).

26 * * *

27 Section 2. The amendment of section ~~401(3)1(q) and (r)~~ <--
28 401(3)1(R) AND (S) of the act shall apply to tax years beginning <--
29 on or after January 1, 2017.

30 Section 3. This act shall take effect immediately.