
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1738 Session of
2019

INTRODUCED BY RABB, FIEDLER, INNAMORATO, SOLOMON, KINSEY,
A. DAVIS, KENYATTA, LEE, ROZZI, FRANKEL, HILL-EVANS, SIMS,
DAWKINS, STURLA, McCLINTON, DELLOSO, OTTEN, MADDEN, McCARTER
AND DALEY, AUGUST 16, 2019

REFERRED TO COMMITTEE ON FINANCE, AUGUST 16, 2019

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

1 with constitutional standards.

2 (4) This act establishes different classes of subjects
3 and imposes different tax rates on each class.

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

8 (6) This act does not violate section 1 of Article VIII
9 of the Constitution of Pennsylvania by imposing different tax
10 rates on different classes of subjects because the uniformity
11 clause prohibition on disparate tax rates is not implicated
12 when uniformity of taxation is maintained within each class.
13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. Sections 302 and 324.1(a) of the act of March 4,
16 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, are
17 amended to read:

18 Section 302. Imposition of Tax.--(a) [Every] For tax years
19 beginning after December 31, 2003, and ending on December 31,
20 2019, every resident individual, estate or trust shall be
21 subject to, and shall pay for the privilege of receiving each of
22 the classes of income hereinafter enumerated in section 303, a
23 tax upon each dollar of income received by that resident during
24 that resident's taxable year at the rate of three and seven
25 hundredths per cent.

26 (b) [Every] For tax years beginning after December 31, 2003,
27 and ending on December 31, 2019, every nonresident individual,
28 estate or trust shall be subject to, and shall pay for the
29 privilege of receiving each of the classes of income hereinafter
30 enumerated in section 303 from sources within this Commonwealth,

1 a tax upon each dollar of income received by that nonresident
2 during that nonresident's taxable year at the rate of three and
3 seven hundredths per cent.

4 (c) For tax years beginning after December 31, 2019, every
5 resident individual, estate or trust shall be subject to and
6 shall pay a tax upon each dollar of income received by that
7 resident during that resident's taxable year at the rate of two
8 and eight-tenths per cent for the privilege of receiving the
9 following classes of income as enumerated in section 303:

10 (1) Compensation.

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

21 (d) For tax years beginning after December 31, 2019, every
22 resident individual, estate or trust shall be subject to, and
23 shall pay a tax upon each dollar of income received by that
24 resident during that resident's taxable year at the rate of six
25 and five-tenths per cent for the privilege of receiving the
26 following classes of income as enumerated in section 303:

27 (1) Net profits.

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

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

1 (4) Dividends.

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

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

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

9 (e) For tax years beginning after December 31, 2019, every
10 nonresident individual, estate or trust shall be subject to, and
11 shall pay a tax upon each dollar of income received by that
12 nonresident during that nonresident's taxable year at the rate
13 of two and eight-tenths per cent for the privilege of receiving
14 the following classes of income as enumerated in 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, 2019, 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 six and five-tenths per cent for the privilege of receiving

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

21 * * *

22 Section 2. This act shall take effect immediately.