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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 423 Session of  
2021

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INTRODUCED BY ROWE, BERNSTINE, JAMES, JOZWIAK, KAUFFMAN, KEEFER,  
MILLARD, MOUL, NEILSON, POLINCHOCK, ROTHMAN, RYAN, SMITH AND  
STAMBAUGH, FEBRUARY 8, 2021

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REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 8, 2021

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AN ACT

1 Repealing the act of July 12, 1935 (P.L.970, No.314), entitled  
2 "An act imposing a graduated income tax for school purposes  
3 on residents of Pennsylvania including fiduciaries and on  
4 income of nonresidents derived from property or business in  
5 Pennsylvania; defining taxable income and requiring filing of  
6 returns thereof; providing for the assessment, collection and  
7 lien of said tax and for the disposition of proceeds thereof;  
8 providing for administration and enforcement of the act by  
9 the Department of Revenue; conferring powers and imposing  
10 duties on certain persons, partnerships, associations,  
11 corporations, school districts, State officers, employes and  
12 departments; imposing penalties; and appropriating the  
13 revenues derived from said tax."

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. The act of July 12, 1935 (P.L.970, No.314), known  
17 as the Individual Net Income Tax Act, is repealed:

18 [AN ACT

19 Imposing a graduated income tax for school purposes on residents  
20 of Pennsylvania including fiduciaries and on income of  
21 nonresidents derived from property or business in  
22 Pennsylvania; defining taxable income and requiring filing of  
23 returns thereof; providing for the assessment, collection and

1 lien of said tax and for the disposition of proceeds thereof;  
2 providing for administration and enforcement of the act by  
3 the Department of Revenue; conferring powers and imposing  
4 duties on certain persons, partnerships, associations,  
5 corporations, school districts, State officers, employes and  
6 departments; imposing penalties; and appropriating the  
7 revenues derived from said tax.

## 8 ARTICLE I

### 9 SHORT TITLE AND DEFINITIONS

10 Section 1. Short Title.--Be it enacted, &c., That this act  
11 shall be known and may be cited as the "Individual Net Income  
12 Tax Act."

13 Section 2. Definitions.--The following words, terms and  
14 phrases when used in this act shall have the meaning ascribed to  
15 them in this section, except where the context clearly indicates  
16 a different meaning.

17 "Association." A partnership, limited partnership, or any  
18 other form of unincorporated enterprise owned by two or more  
19 persons.

20 "Corporation." A corporation or joint stock association  
21 organized under the laws of this Commonwealth, the United  
22 States, or any other state, territory, or foreign country or  
23 dependency.

24 "Department." The Department of Revenue of this  
25 Commonwealth.

26 "Dividend." Any distribution made by a corporation or  
27 association, subject, or not subject, to the payment of a tax on  
28 capital stock under the laws of the Commonwealth, out of its net  
29 earnings or profits, accumulated after December thirty-first,  
30 one thousand nine hundred and thirty-four, to its stockholders

1 or members, whether in cash or in other property or in stock,  
2 other than stock dividends as hereinafter defined.

3 "Fiduciary." A guardian, committee, trustee, executor,  
4 administrator, receiver, conservator, or any person, whether  
5 individual or corporate, acting in any fiduciary capacity for  
6 any person, estate or trust.

7 "Individual." A natural person.

8 "Paid." For the purposes of the deductions under this act,  
9 means "paid or accrued" or "paid or incurred," and the words  
10 "paid or accrued," "paid or incurred" and "incurred" shall be  
11 construed according to the method of accounting upon the basis  
12 of which the net income is computed under this act.

13 "Person." Every natural person, fiduciary, association, or  
14 corporation. Whenever used in any clause prescribing and  
15 imposing a fine or imprisonment, or both, the term "person," as  
16 applied to associations, shall mean the partners or members  
17 thereof, and as applied to corporations, the officers thereof.

18 "Received." For the purpose of the computation of the net  
19 income under this act, means "received or accrued" and the words  
20 "received or accrued" shall be construed according to the method  
21 of accounting upon the basis of which the net income is computed  
22 under this act.

23 "Resident." As applied to an individual, means any person  
24 domiciled in the Commonwealth of Pennsylvania and any person who  
25 maintains a permanent place of abode within this Commonwealth.

26 "Stock dividends." New stock for surplus or profits  
27 capitalized, issued to stockholders in proportion to their  
28 previous holdings.

29 "Tax year." The calendar year upon the basis of which the  
30 net income of a taxpayer is computed under this act.

1 "Taxpayer." Any individual, trust or estate required to pay  
2 a tax under the provisions of this act.

3 The singular shall include the plural, and the masculine  
4 shall include the feminine and neuter.

5 ARTICLE II

6 IMPOSITION OF TAX

7 Section 201. Residents and Nonresidents.--A. A tax is  
8 hereby imposed upon every resident taxpayer of this  
9 Commonwealth, which tax shall be levied, collected and paid  
10 annually, with respect to his entire net income as herein  
11 defined, computed at the following rates, after deducting the  
12 exemptions provided in this act:

13 (1) Two per centum of the amount of net income not exceeding  
14 five thousand dollars (\$5,000.00);

15 (2) Two and one-half per centum of the amount of the net  
16 income in excess of five thousand dollars (\$5,000.00), but not  
17 in excess of ten thousand dollars (\$10,000.00);

18 (3) Three per centum of the amount of net income in excess  
19 of ten thousand dollars (\$10,000.00), but not in excess of  
20 twenty-five thousand dollars (\$25,000.00);

21 (4) Four per centum of the amount of net income in excess of  
22 twenty-five thousand dollars (\$25,000.00), but not in excess of  
23 fifty thousand dollars (\$50,000.00);

24 (5) Five per centum of the amount of net income in excess of  
25 fifty thousand dollars (\$50,000.00), but not in excess of  
26 seventy-five thousand dollars (\$75,000.00);

27 (6) Six per centum of the amount of net income in excess of  
28 seventy-five thousand dollars (\$75,000.00), but not in excess of  
29 one hundred thousand dollars (\$100,000.00);

30 (7) Eight per centum of the amount of net income in excess

1 of one hundred thousand dollars (\$100,000.00).

2 B. A like tax is hereby imposed, and shall be levied and  
3 collected and paid annually, at the rates specified in this  
4 section, upon and with respect to the entire net income as  
5 herein defined, from all property owned and from every business,  
6 trade, occupation or profession carried on in this Commonwealth  
7 by natural persons not residents of this Commonwealth.

8 Section 202. Estates and Trusts.--A. The tax imposed by  
9 this act shall apply to estates and trusts which tax shall be  
10 levied, collected and paid annually upon and with respect to the  
11 income of estates or of any kind of property held in trust  
12 including:

13 (1) Income received by estates of deceased persons during  
14 the period of administration or settlement of the estate;

15 (2) Income accumulated in trust for the benefit of unborn or  
16 unascertained persons or persons with contingent interests;

17 (3) Income held for future distribution under the terms of  
18 the will or trust;

19 (4) Income which is to be distributed to the beneficiaries  
20 periodically, whether or not at regular intervals, and the  
21 income collected by a guardian of an infant to be held or  
22 distributed as the court may direct; and

23 (5) Income of an estate during the period of administration  
24 or settlement permitted by subsection C of this section to be  
25 deducted from the net income upon which the tax is to be paid by  
26 the fiduciary.

27 B. The fiduciary shall be responsible for making the return  
28 of income for the estate or trust for which he acts whether such  
29 income be taxable to the estate or trust or to the beneficiaries  
30 thereof. The net income of an estate or trust shall be computed

1 in the same manner and on the same basis as provided for  
2 individual taxpayers, and in cases under paragraphs (four) and  
3 (five) of subsection A of this section the fiduciary shall  
4 include in the return a statement of each beneficiary's  
5 distributive share of such net income, whether or not  
6 distributed before the close of the tax year for which the  
7 return is made.

8 C. In cases under paragraphs (one), (two) and (three) of  
9 subsection A of this section, the tax shall be imposed upon the  
10 estate or trust with respect to the net income of the estate or  
11 trust and shall be paid by the fiduciary, except that in  
12 determining the net income of the estate of any deceased person  
13 during the period of administration or settlement there may be  
14 deducted the amount of any income property paid or credited to  
15 any legatee, heir or other beneficiary. In such cases the estate  
16 or trust shall be allowed the same personal deductions as are  
17 allowed to single persons under section three hundred and eight,  
18 and in such cases an estate or trust created by a person not a  
19 resident, and an estate of a person not a resident, shall be  
20 subject to tax only to the extent to which individuals, other  
21 than residents, are liable, by reason of the limitation as to  
22 gross income provided in section three hundred and three,  
23 subsection C.

24 D. In cases under paragraphs (four) and (five) of subsection  
25 A of this section, if the distribution of income is in the  
26 discretion of the fiduciary, either as to the beneficiaries to  
27 whom payable, or as to the amounts to which any beneficiary is  
28 entitled, the tax shall be imposed upon the estate or trust in  
29 the manner provided in subsection C of this section, but without  
30 the deduction of any amounts of income paid or credited to any

1 such beneficiary. In all other cases under paragraphs (four) and  
2 (five) of subsection A of this section, the tax shall not be  
3 paid by the fiduciary but there shall be included, in computing  
4 the net income of each beneficiary, his distributive share,  
5 whether distributed or not, of the net income of the estate or  
6 trust for the tax year. In such cases the net income of a  
7 beneficiary not a resident derived through such estate or trust  
8 shall be subject to tax only to the extent to which individuals,  
9 other than residents are liable, by reason of the limitations as  
10 to gross income provided in section three hundred and three,  
11 subsection C.

12 E. A trust created by an employer as a part of a stock bonus  
13 pension or profit-sharing plan for the exclusive benefit of  
14 some, or all, of his employes to which contributions are made by  
15 such employer or employes, or both, for the purpose of  
16 distributing to such employes the earnings and principal of the  
17 fund accumulated by the trust in accordance with such plan,  
18 shall not be taxable under this section but any amount actually  
19 distributed, or made available to any distributee, shall be  
20 taxable to him in the year in which so distributed or made  
21 available to the extent that it exceeds the amounts paid in by  
22 him.

23 F. Where any part of the income of a trust, other than a  
24 testamentary trust, is, or may be, applied to the payment of  
25 premiums upon policies of insurance on the life of the grantor,  
26 or to the payment of premiums upon policies of life insurance  
27 under which the grantor is the beneficiary, such part of the  
28 income of the trust shall be included in computing the net  
29 income of the grantor.

30 Section 203. Partnerships.--Individuals carrying on business

1 in partnerships shall be liable for income tax only in their  
2 individual capacity. There shall be included in computing the  
3 net income of each partner his distributive share, whether  
4 distributed or not, of the net income of the partnership for the  
5 tax year. Taxpayers who are members of partnerships may be  
6 required by the department to make a return stating the gross  
7 receipts and net gains or profits of the partnership for any tax  
8 year. The net income of the partnership shall be computed in the  
9 same manner and on the same basis as provided in computing the  
10 net income of individuals and the personal deductions provided  
11 for in section three hundred and eight shall be allowed only to  
12 the individual partners.

13 Section 204. Initial Tax Levy.--The tax imposed by this  
14 article shall first be levied, collected and paid in the year  
15 one thousand nine hundred thirty-six upon and with respect to  
16 taxable net income for the calendar year one thousand nine  
17 hundred thirty-five.

### 18 ARTICLE III

#### 19 COMPUTATION OF THE TAX

20 Section 301. Net Income.--The term "net income" means the  
21 gross income of a taxpayer less the deductions allowed by this  
22 article.

23 Section 302. Manner of Computing Net Income.--The net income  
24 shall be computed in accordance with the method of accounting  
25 regularly employed in keeping the books of the taxpayer; but if  
26 no such method of accounting has been so employed, or if the  
27 method employed, does not clearly reflect the income, the  
28 computation shall be made upon such basis, and in such manner,  
29 as in the opinion of the department does clearly reflect the  
30 income.



1 Section 303. Gross Income.--A. The term "gross income"  
2 includes gains, profits and income derived from salaries, wages  
3 or compensation for personal service, of whatever kind and in  
4 whatever form paid, or from professions, vocations, trades,  
5 businesses, commerce, or sales, or dealings in property, whether  
6 real or personal, growing out of the ownership, or use of, or  
7 interest in, such property, also from interest, rent, dividends,  
8 securities, or the transaction of any business, carried on for  
9 gain or profit, and all other income derived from any source  
10 whatever, including income derived through estates or trusts by  
11 the beneficiaries thereof, whether as distributed or as  
12 distributable shares. The amount of all such items shall be  
13 included in the gross income for the tax year in which received  
14 by the taxpayer.

15 B. The term "gross income" does not include the following  
16 items:

17 (1) Amounts received under a life insurance contract paid by  
18 reason of the death of the insured, whether in a single sum or  
19 in installments, but if such amounts are held by the insurer  
20 under an agreement to pay interest thereon, the interest  
21 payments shall be included in gross income;

22 (2) The amount received by the insured as a return of  
23 premium or premiums paid by him under life insurance, endowment  
24 or annuity contract, either during the term, or at the maturity  
25 of the term, mentioned in the contract, or upon surrender of the  
26 contract;

27 (3) The value of property acquired by gift, bequest, devise  
28 or descent, but the income from such property shall be included  
29 in gross income;

30 (4) Interest upon the obligations of the United States, or

1 its possessions, or the obligations of the Commonwealth of  
2 Pennsylvania, or of any municipal corporation, or political  
3 subdivision thereof;

4 (5) Any amount received through accident or health  
5 insurance, or under workmen's compensation acts as compensation  
6 for personal injuries or sickness, plus the amount of any  
7 damages received, whether by suit or agreement, on account of  
8 such injuries or sickness, or through the war risk insurance  
9 act, or any law for the benefit or relief of injured or disabled  
10 members of the military or naval forces of the United States;

11 (6) Salaries, wages and other compensation received from the  
12 United States by officials or employes thereof, including  
13 persons in the military or naval forces of the United States;

14 (7) Income received by any officer of a religious  
15 denomination, or by any institution or trust for moral or mental  
16 improvement, religious, bible, tract, charitable, benevolent,  
17 fraternal, missionary, hospital, infirmary, educational,  
18 scientific, literary, library, patriotic, historical or cemetery  
19 purposes or for the enforcement of laws relating to children or  
20 animals, or for two or more of such purposes, if such income be  
21 used exclusively for carrying out one, or more, of such  
22 purposes, but nothing herein shall be construed to exempt the  
23 fees, stipends, personal earnings or other private income of  
24 such officer or trustees;

25 (8) Stock dividends when received by a shareholder, but if  
26 before or after the distribution of any such dividend, the  
27 corporation proceeds to cancel or redeem its stock, at such time  
28 and in such manner as to make the distribution and cancellation  
29 or redemption in whole or in part essentially equivalent to the  
30 distribution of a taxable dividend, the amount so distributed in

1 redemption or cancellation of the stock shall be treated as a  
2 taxable dividend, and included in gross income: Provided, That  
3 any stock dividend shall be considered in computing gain, profit  
4 or income upon the sale, exchange or other disposition of the  
5 stock upon which a stock dividend has been declared, or of the  
6 stock included in such stock dividend;

7 (9) The principal and income paid by a building and loan  
8 association to a member thereof upon the maturity of his or her  
9 shares or upon the withdrawal of such member from the  
10 association;

11 (10) Any amount received by any person whatever under any  
12 law of this Commonwealth, the United States, or any other state  
13 providing for any pension, bonus or compensation whatsoever for,  
14 or in respect to, services in the military or naval forces of  
15 the United States in any war in which the United States has been  
16 engaged.

17 C. In the case of taxpayers, other than residents, gross  
18 income includes only the gross income from sources within the  
19 State, but shall not include annuities, interest on bank  
20 deposits, interest on bonds, notes or other interest-bearing  
21 obligations or dividends from corporations, except to the extent  
22 to which the same shall be a part of income from any business,  
23 trade, profession or occupation carried on in this State subject  
24 to taxation under this act.

25 D. In the case of taxpayers who regularly sell, or otherwise  
26 dispose of, personal property on the installment plan, gross  
27 income includes, in any tax year, only such portion of the total  
28 profit realized, or to be realized when the payment is  
29 completed, as the installment payments received in that year  
30 bears to the total of all installment payments.

1 E. In the case of a casual sale or other casual disposition  
2 of personal property, or of a sale or other disposition of real  
3 property, if in either case the payment in cash or property are  
4 not completed during the tax year when the sale or disposition  
5 was made, the income may be returned on the basis and in the  
6 manner above described in subsection D of this section for  
7 installment sales. Evidences of indebtedness of the purchaser,  
8 or amounts secured by the property sold or disposed of, shall  
9 not be construed to be payments, but in such cases the income  
10 shall be returned on the above basis in the tax year when such  
11 indebtedness, or the amounts secured or any part thereof, is  
12 paid to the vendor.

13 Section 304. Ascertainment of Gain and Loss.--A. For the  
14 purpose of ascertaining any gain included in gross income as  
15 herein defined, derived, or any deductible loss sustained, for  
16 the sale or other disposition of property, real, personal or  
17 mixed, the basis shall be, in case of property acquired on or  
18 after January first, one thousand nine hundred thirty-five, the  
19 cost thereof or the inventory value, if the inventory is made in  
20 accordance with this article.

21 B. In case of property acquired prior to January first, one  
22 thousand nine hundred thirty-five, and disposed of thereafter--

23 (1) No profit shall be deemed to have been derived if either  
24 the cost or the fair market price or value on January first, one  
25 thousand nine hundred thirty-five, exceeds the value realized;

26 (2) No loss shall be deemed to have been sustained if either  
27 the cost or the fair market price or value on January first, one  
28 thousand nine hundred thirty-five, is less than the value  
29 realized;

30 (3) Where both the cost and the fair market price or value

1 on January first, one thousand nine hundred thirty-five, are  
2 less than the value realized, the basis for computing profit  
3 shall be the cost or the fair market price or value on January  
4 first, one thousand nine hundred thirty-five, whichever is  
5 higher;

6 (4) Where both the cost and the fair market price or value  
7 on January first, one thousand nine hundred thirty-five, are in  
8 excess of the value realized, the basis for computing loss shall  
9 be the cost or the fair market price or value on January first,  
10 one thousand nine hundred thirty-five, whichever is lower.

11 Section 305. Exchange of Property.--Upon the sale or  
12 exchange of property in transactions, the gain or profit from  
13 which is included in gross income as herein defined, the entire  
14 amount of the gain or loss determined under section three  
15 hundred four of this act shall be recognized, except as  
16 hereinafter provided in this section.

17 (A) No gain or loss shall be recognized if property held for  
18 productive use in trade or business or for investment (not  
19 including stock in trade or other property held primarily for  
20 sale, nor stocks, bonds, notes, choses in action, certificates  
21 of trust or beneficial interest, or other securities or  
22 evidences of indebtedness or interest) is exchanged solely for  
23 property of a like kind to be held either for productive use in  
24 trade or business, or for investment, or if common stock in a  
25 corporation is exchanged solely for common stock in the same  
26 corporation, or if preferred stock in a corporation is exchanged  
27 solely for preferred stock in the same corporation.

28 (B) No gain or loss shall be recognized if stock or  
29 securities in a corporation, a party to a reorganization, are in  
30 pursuance of the plan or reorganization exchanged solely for

1 stock or securities in such corporation or in another  
2 corporation a party to the reorganization.

3 (C) No gain or loss shall be recognized if property is  
4 transferred to a corporation by one or more persons solely in  
5 exchange for stock or securities in such corporation, and  
6 immediately after the exchange such person or persons are in  
7 control of the corporations, but, in the case of an exchange by  
8 two or more persons; this subsection shall apply only if the  
9 amount of the stock and securities received by each is  
10 substantially in proportion to his interest in the property  
11 prior to the exchange.

12 (D) If property (as a result of its destruction in whole or  
13 in part, theft, or seizure, or an exercise of the power of  
14 requisition or condemnation, or the threat or imminence thereof)  
15 is compulsorily or involuntarily converted into property,  
16 similar or related in service or use, to the property so  
17 converted, or into money which is forthwith in good faith, under  
18 regulations prescribed by the department, expended in the  
19 acquisition of other property similar or related in service or  
20 use to the property so converted, or in the acquisition of  
21 control of a corporation owning such other property, or in the  
22 establishment of a replacement fund, no gain or loss shall be  
23 recognized. If any part of the money is not so expended, the  
24 gain, if any, shall be so recognized, but in an amount not in  
25 excess of the money which is not so expended.

26 (E) If there is distributed, in pursuance of a plan or  
27 reorganization, to a shareholder in a corporation, a party to  
28 the reorganization, stock or securities in such corporation, or  
29 in another corporation, a party to the reorganization, without  
30 the surrender by such shareholder of stock or securities in such

1 a corporation, no gain to the distributee from the receipt of  
2 such stock or securities shall be recognized.

3 (F) If an exchange would be within the provisions of  
4 subsections A, B or C of this section, if it were not for the  
5 fact that the property received in exchange consists not only of  
6 property permitted by such subsection to be received without the  
7 recognition of gain but also of other property or money, then  
8 the gain, if any, to the recipient shall be recognized, but in  
9 an amount not in excess of the sum of such money and the fair  
10 market value of such other property.

11 (G) If an exchange would be within the provisions of  
12 subsections A, B or C of this section, if it were not for the  
13 fact that the property received in exchange consists not only of  
14 property permitted by such subsection to be received without the  
15 recognition of gain or loss but also of other property or money,  
16 then no loss from the exchange shall be recognized.

17 (H) As used in this section the term "reorganization"  
18 means--(1) a merger or consolidation (including the acquisition  
19 by one corporation of at least a majority of the total number of  
20 shares of all other classes of stock of another corporation or  
21 substantially all the properties of another corporation), or (2)  
22 a transfer by a corporation of all or a part of its assets to  
23 another corporation if, immediately after the transfer, the  
24 transferor or its stockholders, or both, are in control of the  
25 corporation to which the assets are transferred, or (3)  
26 recapitalization, or (4) a mere change in identity, form or  
27 place of organization, however effected.

28 The term "a party to a reorganization" includes a corporation  
29 resulting from a reorganization and includes both corporations  
30 in the case of an acquisition by one corporation of at least a

1 majority of the voting stock and at least a majority of the  
2 total number of shares of all other classes of stock of another  
3 corporation.

4 As used in this section, "control" means the ownership of at  
5 least eighty per centum of the voting stock and at least eighty  
6 per centum of the total number of shares of all other classes of  
7 stock of the corporation.

8 Section 306. Inventory.--Whenever, in the opinion of the  
9 department, the use of inventories is necessary in order clearly  
10 to determine the income of any taxpayer, inventories shall be  
11 taken by such taxpayer upon such basis as the department may  
12 prescribe, conforming as nearly as may be to the best accounting  
13 practice in trade or business of such taxpayer.

14 Section 307. General Deductions.--In computing net income  
15 there shall be allowed as deductions--

16 A. All the ordinary and necessary expenses paid or incurred  
17 during the tax year in carrying on any trade or business, or in  
18 the production of income required to be included in gross income  
19 under this article, including a reasonable allowance for  
20 salaries or other compensation for personal service actually  
21 rendered, and including rentals or other payments required to be  
22 made as a condition to the continued use or possession for  
23 purposes of the trade or business of property to which the  
24 taxpayer has not taken, or is not taking title, or in which he  
25 has no equity.

26 B. All interest paid or accrued during the taxable year on  
27 indebtedness.

28 C. Taxes paid or accrued within the tax year imposed by--(1)  
29 the authority of the United States or of any of its possessions,  
30 (2) by the Commonwealth of Pennsylvania (except the net income



1 tax imposed by this act and taxes on liquid fuels), (3) by any  
2 city, borough, town, township, school district or poor district  
3 of this Commonwealth (except those assessed as local benefits  
4 tending to increase the value of the property assessed), or (4)  
5 by the authority of any other state, country or territory.

6 D. Losses sustained during the tax year and not compensated  
7 for by insurance, or otherwise, if incurred in trade or  
8 business.

9 E. Losses sustained during the tax year and not compensated  
10 for by insurance or otherwise, if incurred in any transaction  
11 entered into for profit, though not connected with the trade or  
12 business. No deduction shall be allowed under this clause for  
13 any loss claimed to have been sustained in any sale or other  
14 disposition of shares been sustained in any sale or other  
15 disposition of shares of stock or security where it appears  
16 that, within thirty days before or after the date of such sale  
17 or other disposition, the taxpayer has acquired (otherwise than  
18 by bequest or inheritance), or has entered into a contract or  
19 option to acquire, substantially identical property, and the  
20 property so acquired is held by the taxpayer for any period  
21 after such sale or disposition. If such acquisition or the  
22 contract or option to acquire is to the extent of part only of  
23 substantially identical property, then only a proportionate part  
24 of the loss shall be disallowed.

25 F. Losses sustained during the tax year of property not  
26 connected with the trade or business (but in case of a taxpayer  
27 other than a resident only of real property or tangible personal  
28 property having an actual situs within the State) if arising  
29 from fires, storms, shipwrecks or other casualty, or from theft,  
30 and not compensated for by insurance or otherwise.

1 G. Debts ascertained to be worthless and charged off within  
2 the tax year, and, when satisfied that a debt is recoverable  
3 only in part, the department may allow such debt to be charged  
4 off in part. In the case of a debt existing on January first,  
5 one thousand nine hundred thirty-five, no more than its fair  
6 market value on that date shall be deducted. A worthless debt  
7 arising since January first, one thousand nine hundred thirty-  
8 five from unpaid wages, salary, rent or any similar item of  
9 taxable income is not an allowable deduction, unless the income  
10 which such item represents has been included as income by the  
11 taxpayer in a return rendered under this act.

12 H. A reasonable allowance for the exhaustion, wear and tear  
13 of property, the income from which is required to be included in  
14 gross income under this article, used in the trade or business,  
15 including a reasonable allowance for obsolescence. In case of  
16 property held by one person for life with remainder to another  
17 person, the deduction shall be computed as if the life tenant  
18 were the absolute owner of the property, and shall be allowed to  
19 the life tenant. In the case of property held in trust, the  
20 allowable deduction shall be apportioned between the income  
21 beneficiaries and the trustee in accordance with the pertinent  
22 provisions of the instrument creating the trust, or in the  
23 absence of such provisions, on the basis of the trust income  
24 allocable to each.

25 I. In the case of mines, oil and gas wells, other natural  
26 deposits and timber, a reasonable allowance for depletion and  
27 for depreciation or improvement, according to the peculiar  
28 conditions in each case, such reasonable allowance in all cases  
29 to be made under rules and regulations to be made by the  
30 department. The department may apportion such deductions

1 equitably between the lessor and lessee.

2 J. In the case of a taxpayer other than a resident of the  
3 State, the deduction allowed in this section shall be allowed  
4 only if and to the extent that they are connected with income  
5 arising from sources within the State and taxable under this act  
6 to a nonresident taxpayer, and the proper apportionment and  
7 allocation of the deductions with respect to sources of income  
8 within and without the State shall be determined under rules and  
9 regulations to be prescribed by the department.

10 Section 308. Deductions for Living Expenses.--The following  
11 fixed sums, and no others, shall also be allowed to all  
12 taxpayers in computing net income as personal deductions on  
13 account of living expenses:

14 A. In the case of a single person, a personal exemption of  
15 one thousand dollars (\$1,000.00), or in the case of the head of  
16 a family, or a married person living with husband or wife, a  
17 personal deduction of one thousand five hundred dollars  
18 (\$1,500.00). A husband and wife living together shall receive  
19 but one personal deduction. If such husband and wife make  
20 separate returns, the personal deduction may be taken by either  
21 or divided between them.

22 B. Four hundred dollars (\$400.00) for each person (other  
23 than husband or wife) dependent upon and receiving his chief  
24 support from the taxpayer, if such dependant person is under  
25 eighteen years of age or is incapable of self-support because  
26 mentally or physically defective.

27 C. If the status of the taxpayer, in so far as it affects  
28 the deductions allowed by this section, changes during his tax  
29 year, such deduction shall be apportioned under rules and  
30 regulations prescribed by the department in accordance with the

1 number of months before and after such change. For the purposes  
2 of this subsection, a fractional part of a month shall be  
3 disregarded unless it amounts to more than half a month, in  
4 which case it shall be considered as a month.

5 Section 309. Items Not Deductible.--In computing net income  
6 no deduction shall in any case be allowed in respect of--

7 A. Personal living or family expenses, except as otherwise  
8 herein expressly provided.

9 B. Any amount paid out for new buildings or for permanent  
10 improvements or betterments made to increase the value of any  
11 property or estate.

12 C. Any amount expended in restoring property or in making  
13 good the exhaustion thereof for which an allowance is or has  
14 been made, or

15 D. Premiums paid on any life insurance policy covering the  
16 life of any officer or employe or of any person financially  
17 interested in any trade or business carried on by the taxpayer  
18 when the taxpayer is directly or indirectly a beneficiary under  
19 such policy.

20 Section 310. Credit for Taxes in Case of Taxpayers, Other  
21 than Residents of the Commonwealth.--Whenever a taxpayer, other  
22 than a resident of the Commonwealth, has become liable to income  
23 tax to the state, county or city where he resides, upon his net  
24 income for the tax year, derived from sources within this  
25 Commonwealth and subject to taxation under this act, the  
26 department shall credit the amount of income tax payable by him  
27 under this act with such proportion of the tax so payable by him  
28 to the state, county or city where he resides as the income  
29 subject to taxation under this act bears to his entire income  
30 upon which the tax so payable to such other state, county or

1 city was imposed: Provided, That such credit shall be allowed  
2 only if the laws of said state, county or city--(1) grant a  
3 substantially similar credit to residents of this Commonwealth  
4 subject to income tax under such laws, or (2) impose a tax upon  
5 the personal incomes of its residents derived from sources in  
6 this Commonwealth and exempt from taxation the personal income  
7 of residents of this Commonwealth. No credit shall be allowed  
8 against the amount of the tax on any income taxable under this  
9 act, which is exempt from taxation under the laws of such other  
10 state, county or city.

11 Section 311. Certain Gifts not Taxable.--In case any  
12 taxpayer in any tax year, shall give or contribute, and has  
13 given or contributed in each of the ten preceding calendar  
14 years, ninety per centum or more of his net income in each year  
15 to any corporation, or trust, or community chest, fund or  
16 foundation, organized and operated exclusively for religious,  
17 charitable, scientific, literary, or educational purposes, or  
18 for the prevention of cruelty to children or animals, no part of  
19 the net earnings of which inures to the benefit of any private  
20 shareholder or individual, and no substantial part of the  
21 activities of which is carrying on propaganda, or otherwise  
22 attempting, to influence legislation, such net income so given  
23 or contributed shall not be subject to any tax under the  
24 provisions of this act.

#### 25 ARTICLE IV

#### 26 RETURNS AND PAYMENT

27 Section 401. Taxpayers' Returns; Time and Place of Filing;  
28 Payment.--A. Every taxpayer, having a net income for the tax  
29 year of one thousand dollars (\$1,000.00) or over, if single, or,  
30 if married, and not living with husband or wife, or of one

1 thousand five hundred dollars (\$1,500.00) or over, if married  
2 and living with husband or wife, or a gross income for the tax  
3 year of five thousand dollars or over, regardless of the amount  
4 of his net income, shall make, under oath or affirmation, a  
5 return as hereinafter provided, stating specifically the items  
6 of his gross income and the deductions and credits allowed by  
7 this act. For the purposes of this section, any taxpayer, other  
8 than a married person, shall be deemed to be a single person. If  
9 a husband and wife living together have an aggregate net income  
10 of one thousand five hundred dollars (\$1,500.00) or over, or an  
11 aggregate gross income for such year of five thousand dollars  
12 (\$5,000.00) or over, each shall make such a return, or the  
13 income of each shall be included in a single joint return, in  
14 which case the tax shall be computed on the aggregate income. If  
15 the taxpayer is unable to make his own return, the return shall  
16 be made by a duly authorized agent or by the guardian or other  
17 person charged with the care of the person or property of such  
18 taxpayer. A taxpayer other than a resident shall not be entitled  
19 to the deductions authorized by section three hundred and seven  
20 unless he shall make, under oath or affirmation, a complete  
21 return of his gross income both within and without the State.

22 B. Returns shall be in such form, and shall contain such  
23 information, as the department may from time to time prescribe,  
24 and shall be filed with the department, at its main office, or  
25 at any branch office which it may establish, on or before the  
26 fifteenth day of May in the year one thousand nine hundred  
27 thirty-six, and in each and every year thereafter for the  
28 preceding calendar year. The department is authorized to prepare  
29 and furnish such return forms, but the failure of any taxpayer  
30 to receive or procure a return form shall not excuse him from

1 making a return.

2 C. The department may, upon application made to it, in such  
3 form as it may prescribe, on or prior to the last day for filing  
4 any report, and upon proper cause shown, grant a reasonable  
5 extension of time for the filing of any return, within which  
6 time such return may be filed without penalty except as herein  
7 provided, and shall keep a record of every such extension and  
8 the reason therefor. Except in the case of taxpayers who are  
9 abroad, no such extension shall be granted for more than six  
10 months.

11 D. Any agent duly authorized by the department is hereby  
12 authorized to administer the oath or affirmation to any person  
13 or officer making any return or report required by this act for  
14 the taking of which oath or affirmation no charge shall be made.  
15 Any such agent who shall make any charge for administering such  
16 oath or affirmation shall be deemed guilty of a misdemeanor,  
17 and, upon conviction thereof, shall be sentenced to pay a fine  
18 not exceeding five hundred dollars (\$500.00), or to undergo  
19 imprisonment not exceeding one (1) year, either, or both, in the  
20 discretion of the court.

21 E. Each taxpayer shall, or in cases where an agent,  
22 guardian, committee, fiduciary or other person makes the return  
23 for the taxpayer, then such agent, guardian, fiduciary,  
24 committee or person shall, at the time of filing the return, pay  
25 to the department the amount of tax payable under this act as  
26 the same shall appear from a calculation made on the face of the  
27 return. If the time for filing the return shall have been  
28 extended by the department, the taxpayer shall pay, in addition,  
29 interest thereon at the rate of six per centum per annum from  
30 the time when the return was originally required to be filed to

1 the time of payment.

2 Section 402. Returns in Cases of Changed Residence.--If a  
3 taxpayer, during the tax year, changes his status from that of  
4 resident to that of nonresident, or from that of nonresident to  
5 that of resident, he shall file two returns: One as a resident  
6 covering the fraction of the year during which he was a  
7 resident, and one as a taxpayer other than a resident covering  
8 the fraction of the year during which he was a nonresident. In  
9 case two returns for one year are filed as aforesaid, the taxes  
10 due thereon shall not be less than would be payable if the total  
11 net income shown by the two returns were included in a single  
12 return. If the aggregate of the taxpayer's net income from all  
13 sources during the fraction of the year in which he was a  
14 resident, and his net income from sources within the State  
15 during the fraction of the year in which he was a nonresident,  
16 shall be less than one thousand dollars (\$1,000.00) in the case  
17 of a taxpayer who is single or married and not living with  
18 husband or wife, or under one thousand five hundred dollars  
19 (\$1,500.00) in the case of a taxpayer who is married and living  
20 with husband or wife, no return shall be required under this  
21 section unless the aggregate of the taxpayer's gross income from  
22 all sources during the fraction of the year in which he was a  
23 resident, plus the aggregate of his gross income from sources  
24 within the State during the fraction of the year in which he was  
25 a nonresident, is five thousand dollars (\$5,000.00) or over, in  
26 which event returns shall be required.

27 Section 403. Partnership Returns.--Every partnership shall  
28 make a return for each tax year, stating specifically the items  
29 of its gross income and the deductions allowed by this act, and  
30 shall include in the return the names and addresses of the



1 persons who would be entitled to share in the net income if  
2 distributed and the amount of the distributive share of each  
3 person. The return shall be sworn to or affirmed by any one of  
4 the partners.

5 Section 404. Fiduciary Returns.--Every fiduciary (except  
6 receivers appointed by authority of law in possession of part  
7 only of the property of a taxpayer) shall make, under oath or  
8 affirmation, a return for the individual, estate, or trust for  
9 whom he acts as follows:

10 A. If he acts for an individual whose entire income, from  
11 whatever source derived, is in his charge and the net income of  
12 such individual is one thousand dollars (\$1,000.00) or over, if  
13 single, or, if married and not living with husband or wife, or  
14 one thousand five hundred dollars (\$1,500.00) or over if married  
15 and living with husband or wife, or whose gross income for the  
16 tax year is five thousand dollars (\$5,000.00) or over,  
17 regardless of the amount of his net income.

18 B. If he acts--(a) for an estate of a deceased person during  
19 the period of administration or settlement whether or not the  
20 income of such estate during such period of administration or  
21 settlement is properly paid or credited to any legatee, heir or  
22 other beneficiary, (b) for an estate or trust the income of  
23 which is accumulated in trust for the benefit of unborn or  
24 unascertained persons, or persons with contingent interests, or  
25 (c) for an estate or trust the income of which is held for  
26 future distribution, or is distributable, in the discretion of  
27 the fiduciary, under the terms of the will or trust, and the net  
28 income of such estate or trust is one thousand dollars  
29 (\$1,000.00) or over, or the gross income for the tax year is  
30 five thousand dollars (\$5,000.00) or over, regardless of the

1 amount of the net income.

2 C. If he acts--(a) for an estate or trust the income of  
3 which is to be distributed to the beneficiaries periodically, or  
4 (b) as the guardian of an infant whose income is to be held or  
5 distributed as the court may direct, and any beneficiary of such  
6 estate or trust, or such infant, receives, or is entitled to a  
7 distributive share of the income of one thousand dollars  
8 (\$1,000.00) or more. The return made by a fiduciary shall state  
9 specifically the items of the gross income and the deductions,  
10 exemptions and credits allowed by this act. Under such  
11 regulations as the department may prescribe, a return made by  
12 one of two or more joint fiduciaries shall be sufficient  
13 compliance with the above requirement.

14 D. The fiduciary shall make oath or affirmation that he has  
15 sufficient knowledge of the affairs of the individual, estate or  
16 trust for whom, or which, he acts to enable him to make the  
17 return, and that the same is, to the best of his knowledge and  
18 belief, true and correct. Fiduciaries required to make returns  
19 under this act shall be subject to all the provisions of this  
20 act which apply to taxpayers.

21 ARTICLE V

22 PROCEDURE

23 Section 501. Department of Revenue to Administer.--The  
24 Department of Revenue shall administer and enforce the tax  
25 herein imposed for which purpose it may divide the State into  
26 districts, in each of which a branch office of the department  
27 may be maintained.

28 Section 502. Examination of Returns; Assessment of Tax  
29 Refunds.--A. As soon as practicable after the return is filed,  
30 the department shall examine it and assess the tax.

1 B. If the amount of tax, as assessed, shall be greater than  
2 the amount theretofore paid, the additional assessment shall be  
3 paid by the taxpayer to the department within ten days after a  
4 notice of the amount of such additional tax, as assessed, shall  
5 be mailed to the taxpayer by the department. In such case, if  
6 the return is made in good faith, and the understatement of the  
7 amount in the return is made in good faith, there shall be no  
8 interest or penalty because of such understatement, provided the  
9 deficiency be paid, or notice of an intention to file a petition  
10 for a reassessment, or to appear and be heard as herein  
11 provided, shall be given within ten days after notice of the  
12 amount is mailed to the taxpayer. If payment is not made within  
13 ten days, and if no notice of an intention to file a petition  
14 for a reassessment, or to appear and be heard is given to the  
15 department within ten days as herein provided, there shall be  
16 added to the amount of the deficiency five per centum thereof,  
17 and, in addition, interest at the rate of one per centum per  
18 month for each month or fraction thereof, from the date of such  
19 notice to the date of payment. If the understatement is false or  
20 fraudulent with intent to evade the tax, the tax, on the  
21 additional income, discovered to be taxable and assessed by the  
22 department shall be double, and an additional one per centum  
23 shall be added to the amount so due for each month or fraction  
24 of a month from the date the tax was originally due to the date  
25 of payment.

26 C. If the amount of tax as assessed by the department shall  
27 be less than the amount paid by the taxpayer, the excess shall  
28 be refunded upon written application, by the department, with  
29 the approval of the Board of Finance and Revenue, out of the  
30 moneys in the State School Fund to the credit of the school

1 district income tax account.

2 As much of the moneys, from time to time, standing to the  
3 credit of the school district income tax account of the State  
4 School Fund, as may be necessary, is hereby appropriated to the  
5 department for the purpose of making refunds as herein  
6 authorized. Estimates of the amounts to be expended from this  
7 account for refunds, from time to time, by the department shall  
8 be submitted to the Governor for his approval or disapproval as  
9 in the case of other appropriations to administrative  
10 departments, boards, and commissions; and it shall be unlawful  
11 for the Auditor General to honor any requisition of the  
12 department for the expenditure of moneys hereunder in excess of  
13 the estimates approved by the Governor.

14 Section 503. Estimated Assessments.--A. If any individual  
15 or fiduciary believed by the department to be liable for a tax  
16 under the provisions of this act shall have failed to file a  
17 return in accordance with, and within the time prescribed by,  
18 the provisions of this act, or any extension thereof granted by  
19 the department, if the department should deem it more conducive  
20 to the public interest because of the supposed smallness of the  
21 tax, or for any other reason, not to proceed to compel the  
22 exhibition of such individual's or fiduciary's accounts, it may  
23 make an estimated assessment of the probable amount of the tax  
24 owing by such individual or fiduciary; but, in every such case,  
25 it shall add to every such estimated assessment a penalty of  
26 fifty per centum, to include any losses which might otherwise  
27 accrue to the Commonwealth from such neglect or refusal to file  
28 a return or statement, and the department shall proceed to  
29 recover money so due the Commonwealth as in other cases, if not  
30 paid when due, as hereinafter provided.

1 B. The amount thus determined, together with penalties and  
2 interest at the rate of one per centum per month or fractional  
3 part thereof, shall be due and payable ten days after notice of  
4 such settlement shall be mailed by the department.

5 Section 504. Assessments Made at any Time Within Five  
6 Year.--An additional assessment or estimated assessment as  
7 heretofore provided shall be made by the department at any time  
8 within five (5) years after any net income of any taxpayer  
9 should have been returned by him for taxation, any such  
10 additional assessment or estimated assessment may be made at any  
11 time during said period, notwithstanding he shall have paid a  
12 tax assessed on the basis of returns previously made or filed,  
13 and notwithstanding the department shall have made previous  
14 additional or estimated assessments against such taxpayer. In  
15 any such case no credit shall be given for any penalty formerly  
16 assessed and paid.

17 Section 505. Petition for Reassessment; Appeal.--A. Any  
18 taxpayer against whom any estimated or additional assessment is  
19 made may petition the department for a reassessment. Notice of  
20 an intention to file such a petition, or to appear and be hear,  
21 shall be given to the department prior to the time the amount  
22 becomes due and payable, to wit, within ten (10) days after  
23 notice of such estimated of additional assessment is given, or  
24 sent by the department, to the taxpayer as provided in this act.  
25 The department shall hold such hearings in each county as may be  
26 necessary to hear and determine petitions for reassessment, at  
27 such places, and at such times, as may be determined by rules  
28 and regulations of the department; and each petitioner who has  
29 duly notified the department of an intention to file a petition  
30 for reassessment, or to appear and be heard, shall be notified

1 by the department of the time when, and the place where, such  
2 hearings shall be held. All such petitions shall set forth  
3 specifically and in detail the grounds upon which it is claimed  
4 the estimated or additional assessment is erroneous or unlawful  
5 and shall be accompanied by an affidavit under oath or  
6 affirmation certifying to the correctness of the facts stated  
7 therein. If no petition for reassessment is filed with the  
8 department, the petitioner may, in lieu thereof, appear at the  
9 hearing and present his petition orally in which event all  
10 testimony or statements of facts shall be made under oath or  
11 affirmation.

12 B. If such petitioner is dissatisfied with the action of the  
13 department on his petition for reassessment, he shall have the  
14 right to appeal to the court of common pleas of the proper  
15 county at any time within thirty (30) days after notice of such  
16 action or refusal is given to him by the department. If any  
17 resident shall fail to give due notice of an intention to  
18 petition for a reassessment, and to file a petition for  
19 reassessment, or to appear and be heard after due notice of his  
20 intention to do so, or to appeal to the court of common pleas  
21 within the time and in the manner herein set forth, the right to  
22 do so shall be forever barred, and any such resident so failing  
23 shall not thereafter be permitted in a suit for the recovery of  
24 such tax to set up any ground of defense which might have been  
25 determined either by the department or the court of common pleas  
26 as aforesaid. In all cases of petitions for reassessment and  
27 appeals, the burden of proof shall be on the petitioner or  
28 appellant, as the case may be, and every appeal to the court of  
29 common pleas under this section shall specify all the objections  
30 to the assessment, and any objection not specified in the appeal

1 shall not be considered by the court.

2 Section 506. Enforcement, Rules and Regulations;  
3 Inquisitorial Powers of the Department.--A. The department is  
4 hereby charged with the enforcement of the provisions of this  
5 act and is hereby authorized and empowered to prescribe, adopt,  
6 promulgate, and enforce rules and regulations relating to any  
7 matter or thing pertaining to the administration and enforcement  
8 of the provisions of this act and the collection of taxes,  
9 penalties and interest imposed by this act.

10 B. The department, or any agent authorized in writing by it,  
11 is hereby authorized to examine the books, papers, and records  
12 of any taxpayer or supposed taxpayer in order to verify the  
13 accuracy of any return made, or if no return was made, to  
14 ascertain and assess the tax imposed by this act. Every such  
15 taxpayer or supposed taxpayer is hereby directed and required to  
16 give to the department, or its duly authorized agent, the means,  
17 facilities, and opportunity for such examination and  
18 investigations as are hereby provided and authorized. The  
19 department is hereby authorized to examine any person under oath  
20 concerning any property which was, or should have been, returned  
21 for taxation, and to this end may compel the production of  
22 books, papers, and records, and the attendance of all persons,  
23 whether as parties or witnesses, whom it believes have knowledge  
24 of such property. The procedure for such hearing or examination  
25 shall be the same as that provided by The Fiscal Code relating  
26 to inquisitorial powers of fiscal officers.

27 C. Any information gained by the department as a result of  
28 any returns, investigations, hearings or verifications, required  
29 or authorized by this act, shall be confidential except for  
30 official purposes and except in accordance with proper judicial

1 order or as otherwise provided by law, and any person or agent  
2 divulging such information shall be deemed guilty of a  
3 misdemeanor, and, upon conviction thereof, shall be sentenced to  
4 pay a fine not in excess of five hundred dollars (\$500.00) and  
5 costs of prosecution, or to undergo imprisonment for not more  
6 than three (3) years, or both, in the discretion of the court.

7 Notwithstanding the provisions of subsection C of this  
8 section, the department may permit the Commissioner of Internal  
9 Revenue of the United States, or the proper officer of any state  
10 imposing an income tax upon the incomes of individuals, or the  
11 authorized representative of either such officer, to inspect the  
12 income tax returns of any individuals, or may furnish to such  
13 officer, or his authorized representative, an abstract of the  
14 return of income of any individual, or supply him with  
15 information concerning any item of income contained in any  
16 return, or disclosed by the report of any investigation of the  
17 income or return of income of any individual; but such  
18 permission shall be granted, or such information furnished, to  
19 such officer or his representative only if the statutes of the  
20 United States, or of such other state as the case may be, grant  
21 substantially similar privileges to the proper officer of this  
22 State charged with the administration of the personal income tax  
23 law thereof.

24 Section 507. Information at the Source.--Every person, in  
25 whatever capacity acting, including lessees or mortgagors of  
26 real or personal property, fiduciaries, employers, and all  
27 officers and employes of the Commonwealth, or of any municipal  
28 corporation or political subdivision of the Commonwealth, having  
29 the control, receipt, custody, disposal or payment of interest  
30 (other than interest coupons payable to bearer), rent, salaries,



1 wages, premiums, annuities, compensations, remunerations,  
2 emoluments or other fixed or determinable annual or periodical  
3 gains, profits, and income amounting to one thousand dollars  
4 (\$1,000.00) or over, shall, on or before the fifteenth day of  
5 May, make a return under oath or affirmation to the department  
6 containing complete information concerning the amount of all  
7 such interest, rent, salaries, wages, premiums, annuities,  
8 compensations, remunerations, emoluments or other fixed or  
9 determinable annual or periodical gains, profits, and income of  
10 any individual, partnership or fiduciary under such regulations,  
11 and in such form and manner, and to such extent, as may be  
12 prescribed by the department. The return shall be in such form  
13 as the department shall prescribe, and shall contain a statement  
14 that the individual, officer or employe of the Commonwealth,  
15 political subdivision thereof, or corporation or member or  
16 partner of the association making the return, verifies the  
17 information contained in the return. Upon conviction of making a  
18 false statement in such return, the person making the same shall  
19 be subject to the penalties provided by the laws of the  
20 Commonwealth for perjury.

21 Every person who fails, refuses or neglects to file a return,  
22 in accordance with the provisions of this section, shall be  
23 liable to a penalty of not more than five hundred dollars to be  
24 imposed, assessed and collected in the same manner as is  
25 provided in this act with regard to taxes.

26 Section 508. Lien of Taxes.--A. All taxes imposed by this  
27 act, together with all penalties and interest, shall be  
28 considered a public account, after being assessed in the manner  
29 prescribed in this act, and as such shall be a lien upon the  
30 franchises and property both real and personal of the taxpayer

1 against whom the same are assessed, after the same has been  
2 entered and docketed of record by the prothonotary of the county  
3 where the resident's franchises or property are situated.

4 B. The department may at any time transmit to the  
5 prothonotaries of the respective counties of the Commonwealth,  
6 to be by them entered of record, certified copies of all liens  
7 for taxes imposed by this act, and penalties and interest, upon  
8 which record it shall be lawful for writs of scire facias to  
9 issue and be prosecuted to judgment and execution in the same  
10 manner as such writs are ordinarily employed.

11 Section 509. Collection of Unpaid Taxes.--Whenever the  
12 taxes, penalties or interest imposed by this act are not paid,  
13 and not petition for reassessment thereof has been filed, or if  
14 such taxes, interest and penalties are not paid after all  
15 appeals have finally been disposed of, the department shall call  
16 upon the Department of Justice to collect the same in like  
17 manner as is provided by law for the collection of other  
18 Commonwealth taxes.

19 ARTICLE VI

20 VIOLATIONS

21 Section 601. Violations; Penalties.--Any person who shall  
22 fail, neglect or refuse to make any report required by this act,  
23 or any taxpayer who shall refuse to pay the tax, penalties and  
24 interest imposed by this act, or any person who shall refuse to  
25 permit the department or any agent appointed by it in writing,  
26 to examine his or her books, records, and papers, or who shall  
27 knowingly make any incomplete, false or fraudulent report, or  
28 who shall attempt to do anything whatever to avoid the full  
29 disclosure of the amount of net income to avoid the payment of  
30 the whole or any part of the tax, shall be guilty of a

1 misdemeanor and shall be sentenced to pay a fine not exceeding  
2 one thousand dollars (\$1,000.00) and costs of prosecution, or  
3 undergo imprisonment not exceeding three (3) years, or both, in  
4 the discretion of the court.

5 Such fine shall be in addition to any penalty imposed by any  
6 other section or subsection of this act.

7 Section 602. Costs.--Whenever any person acting for or on  
8 behalf of the department shall, in good faith, institute legal  
9 proceedings for any violations of the provisions of this act,  
10 and, for any reason, shall fail to recover costs of record, such  
11 costs shall be a charge upon the proper county, as shall such  
12 costs in the event defendant is imprisoned for failure to pay  
13 fine or costs, or both, and shall be audited and paid as are  
14 costs of like character in said county.

## 15 ARTICLE VII

### 16 DISPOSITION AND USE OF TAX

17 Section 701. Disposition and Use of Tax.--All taxes,  
18 interest and penalties received, recovered, paid or collected  
19 under the provisions of this act shall be paid by the department  
20 into the State School Fund of the State Treasury. Two per centum  
21 of such moneys shall be transferred, on or before the first day  
22 of January and July of each year during which the tax imposed by  
23 this act shall be collected, to the General Fund of the State  
24 Treasury upon requisition of the Superintendent of Public  
25 Instruction, and shall be added and credited to the current  
26 biennial maintenance appropriation of the department, and shall  
27 be available and is hereby appropriated for the same purposes  
28 for which such current biennial appropriation is available. The  
29 balance, less such sums as shall be reserved for the payment of  
30 refunds as provided in this act, shall be available only for the

1 payment of any appropriations made at any time by the General  
2 Assembly to the Department of Public Instruction for payment to  
3 school districts for salaries of members of the teaching and  
4 supervisory staffs of elementary schools and junior high  
5 schools, in accordance with the provisions of law.

6 ARTICLE VIII

7 MISCELLANEOUS

8 Section 801. Saving Clause.--Nothing contained in this act  
9 shall be construed to repeal any other law of this Commonwealth  
10 imposing any tax for State or local purposes.

11 Section 802. Constitutional Construction.--If any section,  
12 sentence, clause or part of this act is for any reason held to  
13 be unconstitutional, the decision of the court shall not affect  
14 or impair any of the remaining provisions of this act; it is  
15 hereby declared as the legislative intent that this act would  
16 have been adopted had such unconstitutional sentence, section,  
17 clause, or part thereof, not been included herein.

18 Section 803. Effective Date.--This act shall become  
19 effective immediately upon final enactment.]

20 Section 2. This act shall take effect immediately.