

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 348 Session of 2021

INTRODUCED BY J. WARD, DiSANTO, HUTCHINSON, K. WARD, BROOKS, MARTIN, STEFANO, PHILLIPS-HILL, BARTOLOTTA, VOGEL, PITTMAN, DUSH, MASTRIANO AND SCAVELLO, MARCH 10, 2021

REFERRED TO FINANCE, MARCH 10, 2021

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 classes of income.

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

14 Section 1. Section 303(a)(2) of the act of March 4, 1971
 15 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended
 16 to read:

17 Section 303. Classes of Income.--(a) The classes of income
 18 referred to above are as follows:

19 * * *

20 (2) Net profits or net loss. The net income from the
 21 operation of a business, profession, or other activity, after
 22 provision for all costs and expenses incurred in the conduct

1 thereof, determined either on a cash or accrual basis in
2 accordance with accepted accounting principles and practices but
3 without deduction of taxes based on income. For purposes of
4 calculating net income under this paragraph, to the extent a
5 taxpayer properly deducts an amount under section 195(b)(1)(A)
6 of the Internal Revenue Code of 1986 (26 U.S.C. § 195(b)(1)(A)),
7 as amended, and the regulations promulgated under section 195(b)
8 (1)(A) of the Internal Revenue Code of 1986, the taxpayer shall
9 be permitted a deduction in equal amount in the same taxable
10 year. There shall be permitted a deduction from other classes of
11 income equal to the net loss for the tax year. A net loss for a
12 taxable year for a small business may only be carried over for
13 twenty taxable years. For the purpose of this paragraph, a
14 "small business" shall mean a company that is engaged in a for-
15 profit enterprise and that employs one hundred or fewer
16 individuals.

17 * * *

18 Section 2. The amendment of section 303(a)(2) of the act
19 shall apply to the tax years beginning after December 31, 2020.

20 Section 3. This act shall take effect immediately.