AN ACT

Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An act relating to tax reform and State taxation by codifying taxes thereon; providing procedures for the payment, collection, administration and enforcement thereof; providing for tax credits in certain cases; conferring powers and imposing duties upon the Department of Revenue, certain employers, fiduciaries, individuals, persons, corporations and other entities; prescribing crimes, offenses and penalties," in sales tax, further providing for definitions, for credit against tax and for local receivers of use tax; in personal income tax, further providing for definitions, for classes of income and for taxability of partners; providing for tax treatment determined at partnership level and for tax imposed at partnership level; further providing for income of a Pennsylvania S corporation, for income taxes imposed by other states, for general rule, for return of Pennsylvania S corporation and for requirements concerning returns, notices, records and statements; in corporate net income tax, further providing for definitions, for imposition of tax and for reports and payment of tax; and, in realty transfer tax, further providing for definitions, for imposition and for acquired company; further providing for coal waste removal and ultraclean fuels tax credit; and, in inheritance tax, further providing for exemption for poverty.
The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 201(ddd) and 206 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended or added December 23, 2003 (P.L.250, No.46), are amended to read:

Section 201. Definitions.--The following words, terms and phrases when used in this Article II shall have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

* * *

[(ddd) "Call center." The physical location in this Commonwealth:

(1) where at least one hundred and fifty employes are employed to initiate or answer telephone calls;
(2) where there are at least two hundred telephone lines;
and
(3) which utilizes an automated call distribution system for customer telephone calls in one or more of the following activities:

(A) customer service and support;
(B) technical assistance;
(C) help desk service;
(D) providing information;
(E) conducting surveys;
(F) revenue collections; or
(G) receiving orders or reservations.

For purposes of this clause, a physical location may include multiple buildings utilized by a taxpayer located within this Commonwealth.]
Section 206. Credit Against Tax.--(a) A credit against the
tax imposed by section 202 shall be granted with respect to
tangible personal property or services purchased for use outside
the Commonwealth equal to the tax paid to another state by
reason of the imposition by such other state of a tax similar to
the tax imposed by this article: Provided, however, That no such
credit shall be granted unless such other state grants
substantially similar tax relief by reason of the payment of tax
under this article or under the Tax Act of 1963 for Education.

(b) A credit against the tax imposed by section 202 on
telecommunications services shall be granted to a call center
for gross receipts tax paid by a telephone company on the
receipts derived from the sale of incoming and outgoing
interstate telecommunications services to the call center under
section 1101(a)(2). The following apply:

(1) A telephone company, upon request, shall notify a call
center of the amount of gross receipts tax paid by the telephone
company on the receipts derived from the sale of incoming and outgoing interstate telecommunications services to the call
center.

(2) A call center that is eligible for the credit in this
subsection may apply for a tax credit as set forth in this
subsection.

(3) By February 15, a taxpayer must submit an application to
the department for gross receipts tax paid on the receipts
derived from the sale of incoming and outgoing interstate
telecommunications services incurred in the prior calendar year.

(4) By April 15 of the calendar year following the close of
the calendar year during which the gross receipts tax was
incurred, the department shall notify the applicant of the
amount of the applicant's tax credit approved by the department.

(5) The total amount of tax credits provided for in this subsection and approved by the department shall not exceed thirty million dollars ($30,000,000) in any fiscal year. If the total amount of tax credits applied for by all applicants exceeds the amount allocated for those credits, then the credit to be received by each applicant shall be determined as follows:

(i) Divide:
(A) the tax credit applied for by the applicant; by
(B) the total of all tax credits applied for by all applicants.

(ii) Multiply:
(A) the quotient under subparagraph (i); by
(B) the amount allocated for all tax credits.

Section 1.1. Section 226 of the act is repealed:

[Section 226. Local Receivers of Use Tax.—Beginning on and after the effective date of this article, in every county, except in counties of the first class, the county treasurer is hereby authorized to receive use tax due and payable under the provisions of this article from any person other than a licensee. The receiving of such taxes shall be pursuant to rules and regulations promulgated by the department and upon forms furnished by the department. Each county treasurer shall remit to the department all use taxes received under the authority of this section minus the costs of administering this provision not to exceed one per cent of the amount of use taxes received, which amount shall be retained in lieu of any commission otherwise allowable by law for the collection of such tax.]

Section 2. Section 301(n.1), (o.3) and (t) of the act, amended or added August 31, 1971 (P.L.362, No.93) and July 6, 2013.
2006 (P.L.319, No.67), are amended and the section is amended by
adding subsections to read:

SECTION 2.  SECTION 301(T) OF THE ACT, ADDED AUGUST 31, 1971 (P.L.362, NO.93), IS AMENDED AND THE SECTION IS AMENDED BY
ADDING SUBSECTIONS TO READ:

Section 301.  Definitions.--Any reference in this article to
the Internal Revenue Code of 1986 shall mean the Internal
Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
as amended to January 1, 1997, unless the reference contains the
phrase "as amended" and refers to no other date, in which case
the reference shall be to the Internal Revenue Code of 1986 as
it exists as of the time of application of this article. The
following words, terms and phrases when used in this article
shall have the meaning ascribed to them in this section except
where the context clearly indicates a different meaning:

* * *

(d.2)  "Corporate item" means an item, including income, gain
or loss, deduction or credit determined at the Pennsylvania S
corporation level, which is required to be taken into account
for a Pennsylvania S corporation's taxable year.

* * *

(n.2)  "Partnership item" means an item, including income,
gain or loss, deduction or credit determined at the partnership
level, which is required to be taken into account for a
partnership's taxable year.

[(n.1)] (n.3)  "Pennsylvania S corporation" means any small
 corporation as defined in section 301(s.2) which does not have a
valid election under section 307 in effect. A qualified
Subchapter S subsidiary owned by a Pennsylvania S corporation
shall be treated as a Pennsylvania S corporation without regard...
to whether an election under section 307 has been made with respect to the subsidiary.

* * *


(t) "Qualified Subchapter S subsidiary" means a domestic or foreign corporation which for Federal income tax purposes is treated as a qualified Subchapter S subsidiary, as defined in section 1361(b)(3)(B) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1361), as amended to January 1, 2005.

* * *

Section 2.1. Section 303(a)(2) of the act, added August 31, 1971 (P.L.362, No.93), is amended and subsection (a)(3) is amended by adding a subparagraph to read:

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

* * *

(2) Net profits. The net income from the operation of a business, profession, or other activity, after provision for all costs and expenses incurred in the conduct thereof, determined
either on a cash or accrual basis in accordance with accepted
accounting principles and practices but without deduction of
taxes based on income. For purposes of calculating net income
under this paragraph, to the extent a taxpayer properly deducts
an amount under section 195(b)(1)(A) of the Internal Revenue
regulations promulgated under section 195(b)(1)(A) of the
Internal Revenue Code of 1986, the taxpayer shall be permitted a
deduction in equal amount in the same taxable year.

(3) Net gains or income from disposition of property. Net
gains or net income, less net losses, derived from the sale,
exchange or other disposition of property, including real
property, tangible personal property, intangible personal
property or obligations issued on or after the effective date of
this amendatory act by the Commonwealth; any public authority,
commission, board or other agency created by the Commonwealth;
any political subdivision of the Commonwealth or any public
authority created by any such political subdivision; or by the
Federal Government as determined in accordance with accepted
accounting principles and practices. For the purpose of this
article:

* * *

(viii) The term "net gains or net income, less net losses"
shall not include gain or loss from the exchange of property
which is not recognized for Federal income tax purposes under
1031), as amended, and the regulations promulgated under section
1031 of the Internal Revenue Code of 1986. For purposes of
determining basis under subparagraph (i), section 1031(d) of the
Internal Revenue Code of 1986 (26 U.S.C. § 1031(d)), as amended,
and the regulations promulgated under section 1031 of the Internal Revenue Code of 1986 shall apply.

* * *

Section 3. Section 306 of the act, amended June 22, 2001 (P.L.353, No.23), is amended to read:

Section 306. Taxability of Partners.--[A] Except as provided under section 306.2, a partnership as an entity shall not be subject to the tax imposed by this article, but the income or gain of a member of a partnership in respect of said partnership shall be subject to the tax and the tax shall be imposed on his share, whether or not distributed, of the income or gain received by the partnership for its taxable year ending within or with the member's taxable year.

Section 4. The act is amended by adding sections to read:

Section 306.1. Tax Treatment Determined at Partnership Level.--The classification or character of a partnership item shall be determined at the partnership level. This section shall not prohibit the department from adjusting a partner's return.

Section 306.2. Tax Imposed at Partnership Level.--(a) A partnership underreporting reportable income by more than one million dollars ($1,000,000) shall be jointly liable with each partner for any part of a deficiency resulting from the treatment of a partnership item by a partner on that partner's return in a manner that is consistent with the treatment of that partnership item on the partnership return. If the tax is paid by the partner, the department may not collect the tax from the partnership. If the tax is paid by the partnership, the department may not collect the tax from a partner.

(b) Subsection (a) shall apply to the following partnerships:
(1) A partnership which has eleven or more individual partners.

(2) A partnership which has at least one partner which is a corporation, limited liability company, partnership or trust.

(3) A partnership which has only individual partners and which elects to be subject to this subsection. The election must be included on the partnership return to be filed with the department.

(c) This section shall not apply to a publicly traded partnership.

(d) Nothing under this section shall require one partner to be liable for the payment of a tax liability of another partner.

(e) Appeals involving a deficiency assessed under this section may only be pursued by the partnership and a reassessment or settlement of tax liability shall be binding on the partners.

Section 5. Section 307.8(a) of the act, amended May 7, 1997 (P.L.85, No.7), is amended and the section is amended by adding a subsection to read:

Section 307.8. Income of a Pennsylvania S Corporation.--(a) A Pennsylvania S corporation shall not be subject to the tax imposed by this article, except as provided under subsection (f), but the shareholders of the Pennsylvania S corporation shall be subject to the tax imposed under this article as provided in this article.

* * *

(f) (1) A Pennsylvania S corporation underreporting reportable income by more than one million dollars ($1,000,000) shall be jointly liable with each shareholder for any part of a deficiency resulting from the treatment of a corporate item by
any shareholder on the shareholder's return in a manner that is consistent with the treatment of the corporate item on the return of the Pennsylvania S corporation. If the tax is paid by the shareholder, it may not be be collected from the corporation.

(2) Paragraph (1) shall apply to the following Pennsylvania S corporations:

(i) A Pennsylvania S corporation which has eleven or more shareholders.

(ii) A Pennsylvania S corporation which elects to be subject to this subsection. The election must be included on the Pennsylvania S corporation return to be filed with the department.

(3) Nothing under this section shall require one shareholder to be liable for the payment of a tax liability of another shareholder.

(4) Appeals involving the deficiency assessed under this section may be filed only by the Pennsylvania S corporation and a reassessment or settlement of tax liability shall be binding on the shareholders.

Section 6. Section 314(a) of the act, amended December 23, 1983 (P.L.370, No.90), is amended to read:

Section 314. Income Taxes Imposed by Other States.--(a) A resident taxpayer before allowance of any credit under section 312 shall be allowed a credit against the tax otherwise due under this article for the amount of any income tax, wage tax or tax on or measured by gross or net earned or unearned income imposed on him or on a Pennsylvania S corporation in which he is a shareholder, to the extent of his pro rata share thereof determined in accordance with section 307.9, by another state.
with respect to income which is also subject to tax under this
article. For purposes of this subsection and notwithstanding
section 301(t), the term "state" shall only include a state of
the United States, the District of Columbia, the Commonwealth of
Puerto Rico and any territory or possession of the United
States.

* * *

Section 7. Section 324 of the act, amended June 22, 2001
(P.L.353, No.23), is amended to read:

Section 324. General Rule.--(a) When a partnership, estate,
trust or Pennsylvania S corporation receives income from sources
within this Commonwealth for any taxable year and any portion of
the income is allocable to a nonresident partner, beneficiary,
member or shareholder thereof, the partnership, estate, trust or
Pennsylvania S corporation shall pay a withholding tax under
this section at the time and in the manner prescribed by the
department; however, notwithstanding any other provision of this
article, all such withholding tax shall be paid over on or
before the fifteenth day of the fourth month following the end
of the taxable year.

(b) This section shall not apply to any publicly traded
partnership as defined under section 7704 of the Internal
Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 7704) with
equity securities registered with the Securities and Exchange
Commission under section 12 of the Securities Exchange Act of

Section 8. Section 330.1 of the act, amended or added
December 23, 1983 (P.L.370, No.90) and July 13, 1987 (P.L.325,
No.59), is amended to read:

Section 330.1. Return of Pennsylvania S Corporation.--(a)
Every Pennsylvania S corporation shall make a return for each taxable year, stating specifically all items of gross income and deductions, the names and addresses of all persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by each shareholder at all times during the taxable year, the amount of money and other property distributed by the corporation during the taxable year to each shareholder, the date of each distribution, each shareholder's pro rata share of each item of the corporation for the taxable year and such other information as the department may require.

(b) The return shall be filed on or before thirty days after the date when the corporation's Federal income tax return is due.

(c) Every Pennsylvania S corporation shall also submit to the department a true copy of the income tax return filed with the Federal Government at the time the return required under subsection (a) is filed.

(d) Each Pennsylvania S corporation required to file a return under subsection (a) for a taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a shareholder at any time during the taxable year a copy of one or both of the following showing their share of income and any other information as may be required by the department:

(1) The Resident Schedule of Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits (Schedule RK-1) form.

(2) The Nonresident Schedule of Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits (Schedule NRK-1) form.

Section 9. Section 335 of the act, amended or added August 2013.
31, 1971 (P.L.362, No.93), December 23, 2003 (P.L.250, No.46) and July 2, 2012 (P.L.751, No.85), is amended to read:

Section 335. Requirements Concerning Returns, Notices, Records and Statements.--(a) The department may prescribe by regulation for the keeping of records, the content and form of returns, declarations, statements and other documents and the filing of copies of Federal income tax returns and determinations. The department may require any person, by regulation or notice served upon such person, to make such returns, render such statements, or keep such records, as the department may deem sufficient to show whether or not such person is liable for tax under this article.

(b) (1) When required by regulations prescribed by the department:

(i) Any person required under the authority of this article to make a return, declaration, statement, or other document shall include in such return, declaration, statement or other document such identifying number as may be prescribed for securing proper identification of such person.

(ii) Any person with respect to whom a return, declaration, statement, or other document is required under the authority of this article to make a return, declaration, statement, or other document with respect to another person, shall request from such other person, and shall include in any such return, declaration, statement, or other document, such identifying number as may be prescribed for securing proper identification of such other person.

(2) For purposes of this section, the department is authorized to require such information as may be necessary to assign an identifying number to any person.

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(c) (1) Every partnership, estate or trust having a resident partner or a resident beneficiary or every partnership, estate or trust having any income derived from sources within this Commonwealth shall make a return for the taxable year setting forth all items of income, loss and deduction, and such other pertinent information as the department may by regulations prescribe. Such return shall be filed on or before the fifteenth day of the fourth month following the close of each taxable year. For purposes of this subsection, "taxable year" means year or period which would be a taxable year of the partnership if it were subject to tax under this article.

(2) Every partnership, estate or trust required to file a return under paragraph (1) shall also file with the department a true copy of the income tax return filed with the Federal Government at the time the return required under paragraph (1) is filed.

(3) Every partnership, estate or trust required to file a return under paragraph (1) for any taxable year shall, on or before the day the return is filed, furnish to each partner or nominee for another person or to each beneficiary to whom the income or gains of the estate or trust is taxable, a copy of one or both of the following showing their share of income and any other information as may be required by the department:

(i) The Resident Schedule of Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits (Schedule RK-1) form.

(ii) The Nonresident Schedule of Shareholder/Partner/Beneficiary Pass Through Income, Loss and Credits (Schedule NRK-1) form.

(4) Failure to file a timely return as required under paragraph (2) and failure to furnish a copy of the returns.
required under paragraph (3) shall result in a penalty of fifty dollars ($50) for each individual return or individual copy required.

(d) The department may prescribe regulations requiring returns of information to be made and filed on or before February 28 of each year as to the payment or crediting in any calendar year of amounts of ten dollars ($10) or more to any taxpayer. Such returns may be required of any person, including lessees or mortgagors of real or personal property, fiduciaries, employers and all officers and employees of this Commonwealth, or of any municipal corporation or political subdivision of this Commonwealth having the control, receipt, custody, disposal or payment of interest, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments or other fixed or determinable gains, profits or income, except interest coupons payable to bearer. A duplicate of the statement as to tax withheld on compensation required to be furnished by an employer to an employe, shall constitute the return of information required to be made under this section with respect to such compensation.

(e) Any person who is required to make a form W-2G return to the Secretary of the Treasury of the United States in regard to taxable gambling or lottery winnings from sources within this Commonwealth shall file a copy of the form with the department by March 1 of each year or, if filed electronically, by March 31 of each year.

(f) The following apply:

(1) Any person who:

(i) makes payments of income from sources within this Commonwealth;
(ii) makes payments of nonemploye compensation or payments under an oil and gas lease under subparagraph (i) to a resident or nonresident individual, an entity treated as a partnership for tax purposes or a single member limited liability company; and

(iii) is required to make a form 1099-MISC return to the Secretary of the Treasury of the United States with respect to the payments shall file a copy of form 1099-MISC with the department and send a copy of form 1099-MISC to the payee by the Federal filing deadline each year.

(2) If the payor is required to perform electronic filing for Pennsylvania employer withholding purposes, the form 1099-MISC shall be filed electronically with the department.

(g) (1) Every estate, trust, Pennsylvania S Corporation or partnership, other than a publicly traded partnership, shall maintain at the end of the entity's taxable year an accurate list of partners, members, beneficiaries or shareholders. The list shall include the name, current address and tax identification number of all existing partners, members, beneficiaries or shareholders and of all partners, members, beneficiaries or shareholders, who were admitted or who withdrew during the taxable year, including the date of withdrawal and admittance.

(2) If the entity under paragraph (1) does not maintain an accurate list as required, the tax, penalty and interest with respect to the entity shall be considered the tax, penalty and interest of the partnership, estate, trust or Pennsylvania S Corporation and of the general partner, tax matters partner, corporate officer or trustee.

Section 10. Section 401(3)1 and 2(a)(17) of the act, amended
September 9, 1971 (P.L.437, No.105), are amended, clause (3) is
amended by adding a phrase, subclause 2(a) is amended by adding
a paragraph, paragraphs (3)(4)(c)(1)(A) and 2(B) are amended by
adding subparagraphs and the section is amended by adding
clauses to read:

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

* * *

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

(t) (1) Except as provided in paragraph (2), (3) or (4) for
taxable years beginning after December 31, 2014, and in addition
to any authority the department has on the effective date of
this paragraph to deny a deduction related to a fraudulent or
sham transaction, no deduction shall be allowed for an
intangible expense or cost, or an interest expense or cost,
paid, accrued or incurred directly or indirectly in connection
with one or more transactions with an affiliated entity. In
calculating taxable income under this paragraph, when the
taxpayer is engaged in one or more transactions with an
affiliated entity that was subject to tax in this Commonwealth
or another state or possession of the United States on a tax
base that included the intangible expense or cost, or the
interest expense or cost, paid, accrued or incurred by the
taxpayer, the taxpayer shall receive a credit against tax due in
this Commonwealth in an amount equal to the apportionment factor
of the taxpayer in this Commonwealth multiplied by the greater
of the following:

(A) the tax liability of the affiliated entity with respect

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to the portion of its income representing the intangible expense or cost, or the interest expense or cost, paid, accrued or incurred by the taxpayer; or

(B) the tax liability that would have been paid by the affiliated entity under subparagraph (A) if that tax liability had not been offset by a credit.

The credit issued under this paragraph shall not exceed the taxpayer's liability in this Commonwealth attributable to the net income taxed as a result of the adjustment required by this paragraph.

(2) The adjustment required by paragraph (1) shall not apply to a transaction that was directly related to a valid business purpose.

(3) The adjustment required by paragraph (1) shall not apply to a transaction between a taxpayer and an affiliated entity domiciled in a foreign nation which has in force a comprehensive income tax treaty with the United States providing for the allocation of all categories of income subject to taxation, or the withholding of tax, on royalties, licenses, fees and interest for the prevention of double taxation of the respective nations' residents and the sharing of information.

(4) The adjustment required by paragraph (1) shall not apply to a transaction where an affiliated entity directly or indirectly paid, accrued or incurred a payment to a person who is not an affiliated entity, if the payment is paid, accrued or incurred on the intangible expense or cost, or interest expense or cost, and is equal to or less than the taxpayer's proportional share of the transaction. The taxpayer's proportional share shall be based on relative sales, assets, liabilities or another reasonable method.
2. In case the entire business of any corporation, other than a corporation engaged in doing business as a regulated investment company as defined by the Internal Revenue Code of 1986, is not transacted within this Commonwealth, the tax imposed by this article shall be based upon such portion of the taxable income of such corporation for the fiscal or calendar year, as defined in subclause 1 hereof, and may be determined as follows:

(a) Division of Income.

* * *

(16.1) Sales, other than sales under paragraphs (16) and (17), are in this State as follows:

(A) The sale, lease, rental or other use of real property, if the real property is located in this State. If real property is located both in and outside this State, the sale is in this State based upon the percentage of total assessed value of the real property located in this State.

(B) (I) The rental, lease or licensing of tangible personal property, if the customer first obtained possession of the tangible personal property in this State. (II) If the tangible personal property is subsequently taken out of this State, the taxpayer may use a reasonably determined estimate of usage in this State to determine the extent of sale in this State.

(C) (I) The sale of service, if the service is delivered to a location in this State. If the service is delivered both to a location in and outside this State, the sale is in this State based upon the percentage of total value of the service delivered to a location in this State. (II) If the state or states of assignment under subparagraph...
(I) cannot be determined for a customer who is an individual that is not a sole proprietor, a service is deemed to be delivered at the customer's billing address.

(III) If the state or states of assignment under subparagraph (I) cannot be determined for a customer, except for a customer under subparagraph (II), a service is deemed to be delivered at the location from which the services were ordered in the customer's regular course of operations. If the location from which the services were ordered in the customer's regular course of operations cannot be determined, a service is deemed to be delivered at the customer's billing address.

(17) Sales, other than sales [of tangible personal property] under paragraphs (16) and (16.1), are in this State if:

(A) The income-producing activity is performed in this State; or

(B) The income-producing activity is performed both in and outside this State and a greater proportion of the income-producing activity is performed in this State than in any other state, based on costs of performance.

* * *

4. * * *

(c) (1) The net loss deduction shall be the lesser of:

(A) * * *

(V) For taxable years beginning after December 31, 2013, the greater of twenty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or four million dollars ($4,000,000):

(VI) For taxable years beginning after December 31, 2014, the greater of thirty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or five million
dollars ($5,000,000); or

(B) The earliest net loss shall be carried over to the earliest taxable year to which it may be carried under this schedule. The total net loss deduction allowed in any taxable year shall not exceed:

(V) The greater of twenty-five per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or four million dollars ($4,000,000) for taxable years beginning after December 31, 2013.

(VI) The greater of thirty per cent of taxable income as determined under subclause 1 or, if applicable, subclause 2 or five million dollars ($5,000,000) for taxable years beginning after December 31, 2014.

(8) "Intangible expense or cost." Royalties, licenses or fees paid for the acquisition, use, maintenance, management, ownership, sale, exchange or other disposition of patents, patent applications, trade names, trademarks, service marks, copyrights, mask works or other similar expenses or costs.

(9) "Interest expense or cost." A deduction allowed under section 163 of the Internal Revenue Code of 1986 (26 U.S.C. § 163) to the extent that such deduction is directly related to an intangible expense or cost.

(10) "Affiliated entity." A person with a relationship to the taxpayer during all or any portion of the taxable year that is any of the following:

(i) a stockholder who is an individual, or a member of the
stockholder's family as set forth in section 318 of the Internal Revenue Code of 1986 (26 U.S.C. § 318), if the stockholder and the members of the stockholder's family own, directly, indirectly, beneficially or constructively, in the aggregate, more than fifty per cent of the value of the taxpayer's outstanding stock;

(ii) a stockholder, or a stockholder's partnership, limited liability company, estate, trust or corporation, if the stockholder and the stockholder's partnerships, limited liability companies, estates, trusts and corporations own directly, indirectly, beneficially or constructively, in the aggregate, more than fifty per cent of the value of the taxpayer's outstanding stock;

(iii) a corporation, or a party related to the corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of the Internal Revenue Code of 1986, if the taxpayer owns, directly, indirectly, beneficially or constructively, more than fifty per cent of the value of the corporation's outstanding stock. The attribution rules of section 318 of the Internal Revenue Code of 1986 shall apply for purposes of determining whether the ownership requirements of this definition have been met;

(iv) a component member as defined in section 1563(b) of the Internal Revenue Code of 1986 (26 U.S.C. § 1563(b)); or

(v) a person to or from whom there is attribution of stock ownership in accordance with section 1563(e) of the Internal Revenue Code of 1986.

(11) "Valid business purpose." A purpose, other than the avoidance or reduction of taxation, which alone or in
combination with other purposes constitute the primary motivation for a business activity or transaction. A transaction done at arm's length terms shall be presumed to be directly related to a valid business purpose.

Section 11. Section 402(b) of the act, amended June 29, 2002 (P.L.559, No.89), is amended to read:

Section 402. Imposition of Tax.--* * *

(b) The annual rate of tax on corporate net income imposed by subsection (a) for taxable years beginning for the calendar year or fiscal year on or after the dates set forth shall be as follows:

<table>
<thead>
<tr>
<th>Taxable Year</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 1995[, and each taxable year thereafter] to December 31, 2014</td>
<td>9.99%</td>
</tr>
<tr>
<td>January 1, 2015, to December 31, 2015</td>
<td>9.89%</td>
</tr>
<tr>
<td>January 1, 2016, to December 31, 2016</td>
<td>9.69%</td>
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<tr>
<td>January 1, 2017, to December 31, 2017</td>
<td>9.49%</td>
</tr>
<tr>
<td>January 1, 2018, to December 31, 2018</td>
<td>9.29%</td>
</tr>
<tr>
<td>January 1, 2019, to December 31, 2019</td>
<td>8.96%</td>
</tr>
<tr>
<td>January 1, 2020, to December 31, 2020</td>
<td>8.63%</td>
</tr>
<tr>
<td>January 1, 2021, to December 31, 2021</td>
<td>8.3%</td>
</tr>
</tbody>
</table>
January 1, 2022, to December 31, 2022 7.97%
January 1, 2023, to December 31, 2023 7.64%
January 1, 2024, to December 31, 2024 7.31%
January 1, 2025, and each taxable year thereafter 6.99%

Section 12. Section 403(d) of the act, amended October 18, 2006 (P.L.1149, No.119), is amended to read:

Section 403. Reports and Payment of Tax.--* * *
(d) If the officers of any corporation shall neglect, or refuse to make any report as herein required, or shall knowingly make any false report, [the following percentages of the amount of the tax shall be added by the department to the tax determined to be due on the first one thousand dollars ($1,000) of tax ten per cent, on the next four thousand dollars ($4,000) five per cent, and on everything in excess of five thousand dollars ($5,000) one per cent, no such] a penalty of five hundred dollars ($500) plus an additional one per cent for every dollar of tax determined to be due in excess of twenty-five thousand dollars ($25,000) shall be added to the tax determined to be due. No amounts added to the tax shall bear any interest whatsoever.

* * *

Section 12.1. The definitions of "document," "real estate" and "real estate company" in section 1101-C of the act, amended July 2, 1986 (P.L.318, No.77), are amended to read:
Section 1101-C. Definitions.--The following words when used in this article shall have the meanings ascribed to them in this section:

"Document." Any deed, instrument or writing which conveys, transfers, devises, vests, confirms or evidences any transfer or devise of title to real estate in this Commonwealth, but does not include wills, mortgages, deeds of trust or other instruments of like character given as security for a debt and deeds of release thereof to the debtor, land contracts whereby the legal title does not pass to the grantee until the total consideration specified in the contract has been paid or any cancellation thereof unless the consideration is payable over a period of time exceeding thirty years or instruments which solely grant, vest or confirm a public utility easement.

"Document" shall also include a declaration of acquisition required to be presented for recording under section 1102-C.5 of this article.

"Real estate."

(1) Any lands, tenements or hereditaments [within this Commonwealth], including, without limitation, buildings, structures, fixtures, mines, minerals, oil, gas, quarries, spaces with or without upper or lower boundaries, trees and other improvements, immovables or interests which by custom, usage or law pass with a conveyance of land, but excluding permanently attached machinery and equipment in an industrial plant.

(2) A condominium unit.

(3) A tenant-stockholder's interest in a cooperative housing
corporation, trust or association under a proprietary lease or occupancy agreement.

"Real estate company." A corporation or association which [is] meets any of the following:

(1) Is primarily engaged in the business of holding, selling or leasing real estate ninety per cent or more of the ownership interest in which is held by thirty-five or fewer persons and which:

[(1)] (i) derives sixty per cent or more of its annual gross receipts from the ownership or disposition of real estate; or

[(2)] (ii) holds real estate, the value of which comprises [ninety] fifty per cent or more of the value of its entire tangible asset holdings exclusive of tangible assets which are freely transferable and actively traded on an established market.

(2) Owns a direct or indirect interest in a real estate company. An indirect ownership interest is an interest in a corporation or association whose purpose is the ownership of a real estate company either by itself or as part of a tiered structure of corporations or associations.

* * *

Section 12.2. Section 1102-C of the act, amended July 2, 1986 (P.L.318, No.77), is amended to read:

Section 1102-C. Imposition of Tax.--Every person who makes, executes, delivers, accepts or presents for recording any document or in whose behalf any document is made, executed, delivered, accepted or presented for recording, shall be subject to pay for and in respect to the transaction or any part thereof, or for or in respect of the vellum parchment or paper upon which such document is written or printed, a State tax at
the rate of one per cent of the value of the real estate within this Commonwealth represented by such document, which State tax shall be payable at the earlier of the time the document is presented for recording or within thirty days of acceptance of such document or within thirty days of becoming an acquired company.

Section 12.3. Section 1102-C.5(a) of the act, amended July 2, 2012 (P.L.751, No.85), is amended to read:

Section 1102-C.5. Acquired Company.--(a) A real estate company is an acquired company upon a change in the ownership interest in the company, however effected, if the change:

(1) does not affect the continuity of the company; and

(2) of itself or together with prior changes has the effect of transferring, directly or indirectly, ninety per cent or more of the total ownership interest in the company within a period of three years.

(3) For the purposes of paragraph (2), a transfer occurs within a period of three years of another transfer or transfers if, during the period:

(i) the transferring party provides a legally binding commitment, enforceable at a future date, to execute the transfer;

(ii) the terms of the transfer are fixed and not subject to negotiation; and

(iii) the transferring party provides the transferee a legally binding commitment or option, enforceable at a future date, to execute the transfer.

* * *
(P.L.26, No.4), is repealed:

[ARTICLE XVIII-A

COAL WASTE REMOVAL AND ULTRACLEAN FUELS

TAX CREDIT

Section 1801-A. Short Title.--This article shall be known and may be cited as the "Coal Waste Removal and Ultraclean Fuels Act."

Section 1802-A. Definitions.--The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

"Department" means the Department of Revenue of the Commonwealth.

"Developer" means the owner-operator of a facility, as defined in this section, or the operator of the facility that has sold the facility in new condition to a third party from whom that operator has simultaneously leased back the facility for a minimum period of twelve years.

"Facility" includes all plant and equipment purchased or constructed by or on behalf of the developer which is used within this Commonwealth by the developer to produce one or more qualified fuels. "Internal Revenue Code" means the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

"Qualified fuels" means those fuels produced from nontraditional coal culm and silt feedstocks as defined in section 29(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 29(c)).

"Qualifying property" means tangible personal property and other forms of tangible property which qualify for investment
tax credit treatment and which meet all of the following requirements:

(1) Be acquired through a purchase, as defined under section 179(d)(2) of the Internal Revenue Code (26 U.S.C. § 179(d)(2)), or constructed by the developer for its own use.


(3) Have a useful life of greater than or equal to four years.

(4) Be located within this Commonwealth.

(5) Be used by the developer in the production of qualified fuels.

(6) Be acquired by purchase or constructed on or after January 1, 2000, and before January 1, 2013.

(7) Not be the subject of any tax credit otherwise available to the developer under this act.

"Tax credit base" means only the cost or other basis of qualifying property that is properly transferred to the facility's basis for depreciation for Federal income tax purposes between January 1, 2000, and December 31, 2012.

Section 1803-A. Investment Tax Credits Program.--(a) A developer of a new facility for the production of one or more qualified fuels shall be allowed an investment tax credit against the taxes imposed under Articles II, IV and VI of this act. The amount of the credit shall be computed as a percentage applied to the cost or other basis for Federal income tax purposes of qualifying property.

(b) (1) The investment tax credit shall be computed as fifteen per cent of the tax credit base.

(2) The maximum investment tax credit available for
application, whether claimed by one or more taxpayers, shall not exceed fifteen per cent of the capital cost of the facility.

(3) Any amount of allowable investment tax credit not used in the tax year for which the credit was claimed can be carried forward by the claiming taxpayer to succeeding years until the full amount of allowable credit has been used.

(c) (1) The developer, upon notice to the department as specified by the department, may sell or assign, in whole or in part, any investment tax credit afforded under this section to one or more taxpayers if no claim for allowance of such credit has been filed.

(2) A taxpayer recipient by purchase or assignment of any portion of the developer's investment tax credit under paragraph (1) shall initially claim such credit, upon notice to the department of the derivative basis of the credit in compliance with procedures specified by the department, for the tax year in which the purchase or assignment is made, but in no event subsequent to the filing of an income tax return for the year 2012.

(3) Any taxpayer who acquires any portion of the developer's investment tax credit by sale or assignment for value and without notice by the developer of any irregularity or invalidity shall not suffer any disallowance of the credit or the imposition of any adjustment or fraud penalty attributable to conduct by the developer.

(d) (1) If prior to the expiration of any qualifying property's useful life, as used to calculate depreciation for Federal income tax purposes, the developer, upon mandatory notice to the department in compliance with procedures specified by the department, disposes of any qualifying property, in a
transaction other than a sale-leaseback transaction, upon which
the department has previously allowed an investment tax credit
claimed by any taxpayer, a portion of all such credit shall be
recaptured and added to the developer's tax liability for the
tax year in which the qualifying property is disposed.

(2) The portion of the investment tax credit previously
allowed, which is subject to recapture from the developer, shall
be equal to a fraction whose numerator is the number of years
remaining to fully depreciate for Federal income tax purposes
the qualifying property disposed and whose denominator is the
total number of years over which the property otherwise would
have been subject to depreciation by the developer.

(3) In calculating the recapture percentage, the year of
disposition of the qualifying property is considered a year of
remaining depreciation.

(e) The department shall verify the validity of any claim
for allowance of any investment tax credit afforded under this
section and, in the case of a fraudulent claim, may assess
against the developer a penalty of one hundred and twenty-five
per cent of the credit improperly claimed.

(f) The tax credits authorized by this section shall not
exceed eighteen million dollars ($18,000,000) in the aggregate
during any year.

Section 1804-A. Contract Required.--(a) In order for a
developer to claim investment tax credits under this article,
the developer must enter into a contract with the Commonwealth
that provides as follows:

(1) The term of the contract shall be twenty-five years,
beginning with the first tax year in which the investment tax
credits are claimed.
(2) The developer shall make periodic payments to the Commonwealth, which payments may not exceed in the aggregate forty-six million eight hundred thousand dollars ($46,800,000) over the term of the contract.

(3) The periodic payments shall occur every five years and each payment shall be nine million three hundred sixty thousand dollars ($9,360,000), except as provided in paragraphs (4), (5) and (6).

(4) For the first five-year period, the amount specified in paragraph (3) shall be reduced by:

(i) An amount equal to the business losses of the developer, if any, relating to the facility that are sustained in the first and second years of the contract, provided such amount does not exceed three million seven hundred forty-four thousand dollars ($3,744,000) for both years.

(ii) Allowable offsets identified in subsection (b), provided that such offsets do not exceed nine million three hundred sixty thousand dollars ($9,360,000).

(5) For the remaining five-year periods, the amount specified in paragraph (3) shall be reduced by the amount of allowable offsets identified in subsection (b), provided that such offsets do not exceed nine million three hundred sixty thousand dollars ($9,360,000) during any five-year period.

(6) To the extent the amount of allowable offsets during any five-year period exceeds nine million three hundred sixty thousand dollars ($9,360,000), the excess may be carried over and added to the allowable offsets taken in the following five-year period, provided that the excess is applied first.

(b) For purposes of this section, "allowable offset"
includes all of the following:
(1) An amount equal to the corporate net income tax, capital stock and franchise tax and personal income tax related to the construction, ownership and operation of the facility.

(2) An amount equal to all personal income tax withheld from the developer's employees.

(3) An amount equal to all sales and use tax related to the operation and construction of the facility.

(4) The amount paid by the developer of any new tax enacted by the Commonwealth following the effective date of this article.

Section 1805-A. Requirements.—Tax credits authorized by this article shall not be granted unless the developer has obtained an investment tax credit from the Federal Government or an investment by a person other than an agency or instrumentality of the Commonwealth, or any combination thereof, in an amount equal to or greater than the tax credit granted by this article.

Section 13. Section 2112 of the act, amended or added August 4, 1991 (P.L.97, No.22), June 16, 1994 (P.L.279, No.48) and June 30, 1995 (P.L.139, No.21), is repealed:

Section 2112. Exemption for Poverty.—(a) The General Assembly, in recognition of the powers contained in section 2(b) (ii) of Article VIII of the Constitution of Pennsylvania which provides therein for the establishing as a class or classes of subjects of taxation the property or privileges of persons who because of poverty are determined to be in need of special tax provisions or tax exemptions, hereby declares as its legislative intent and purpose to implement such powers under such Constitutional provision by establishing a tax exemption as hereinafter provided in this section.

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The General Assembly, having determined that there are persons within this Commonwealth the value of whose incomes and estates are such that the imposition of an inheritance tax under this article would cause them hardship and economic burden and having further determined that poverty is a relative concept inextricably joined with the ability to maintain assets inherited upon the death of a spouse, deems it to be a matter of public policy to provide an exemption from taxation for transfers of property to or for the use of that class of persons hereinafter designated in order to relieve their hardship and economic burden.

Any claim for a tax exemption hereunder shall be determined in accordance with the following:

1. The transferee is the spouse of the decedent at the date of death of the decedent.
2. The value of the estate of the decedent does not exceed two hundred thousand dollars ($200,000) after reduction for actual liabilities of the decedent as evidenced by a written agreement.
3. The average of the joint exemption income of the decedent and the transferee for the three taxable years, as defined in Article III, immediately preceding the date of death of the decedent does not exceed forty thousand dollars ($40,000).

Notwithstanding any other provision of this article, transfers of property to or for the use of any eligible transferee who meets the standards of eligibility established by this section as the test for poverty shall be deemed a separate class subject to taxation and, as such, shall be entitled to the benefit of the following exemptions from taxation on transfers.
of property as a credit against the tax imposed by this article:

(1) For decedents dying on or after January 1, 1992, and before January 1, 1993, the lesser of:

   (i) Two per cent of the taxable value of the property of the decedent transferred to or for the use of the transferee.
   
   (ii) Two per cent of one hundred thousand dollars ($100,000) of the taxable value of the property of the decedent transferred to or for the use of the transferee.

(2) For decedents dying on or after January 1, 1993, and before January 1, 1994, the lesser of:

   (i) Four per cent of the taxable value of the property of the decedent transferred to or for the use of the transferee.
   
   (ii) Four per cent of one hundred thousand dollars ($100,000) of the taxable value of the property of the decedent transferred to or for the use of the transferee.

(3) For decedents dying on or after January 1, 1994, and before January 1, 1995, the lesser of:

   (i) Six per cent of the taxable value of the property of the decedent transferred to or for the use of the transferee.
   
   (ii) Six per cent of one hundred thousand dollars ($100,000) of the taxable value of the property of the decedent transferred to or for the use of the transferee.

(e) For nonresident decedents, the credit provided in this section shall bear the same ratio as that of the decedent's estate in this Commonwealth bears to the decedent's total estate without regard to situs.

(f) The credit provided in this section shall not be greater than the tax imposed.

(g) This section shall not apply to the estates of decedents dying on or after January 1, 1995.]
Section 14. The following shall apply:

(1) A tax credit may not be granted under section 206(b) of the act after June 30, 2013.

(2) The amendment or addition of the following provisions of the act shall apply to tax years beginning after December 31, 2013:

(i) Section 301(d.2), (n.1), (n.2), (o.3) (N.2), (O.4) and (t).

(ii) Section 303(a)(2).

(iii) Section 306.

(iv) Section 306.1.

(v) Section 306.2.

(vi) Section 307.8(a) and (f).

(vii) Section 314(a).

(viii) Section 324.

(ix) Section 330.1.

(x) Section 335.

(xi) Section 401(3.1)(t), 2(a)(16.1) and (17) and (8), (9), (10) and (11) and 4(c)(1)(A)(V) and (VI) and 2(B)(V) and (VI).

(xii) Section 402(b).

(xiii) Section 403(d).

(3) The addition of section 303(a)(3)(viii) shall apply to tax years beginning after December 31, 2015.

Section 15. This act shall take effect as follows:

(1) The following shall take effect January 1, 2014, or immediately, whichever is later:

(i) The amendment of the definitions of "document," "real estate" and "real estate company" in section 1101-C of the act.
(ii) The amendment of sections 1102-C and 1102-C.5(a) of the act.

(2) The remainder of this act shall take effect immediately.