
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2239 Session of
2024

INTRODUCED BY WATRO, ROWE, CABELL, R. MACKENZIE, HAMM, STEHR,
GUENST, GILLEN, MERCURI, FRITZ, SCHMITT, CUTLER, KRUPA AND
M. MACKENZIE, APRIL 29, 2024

REFERRED TO COMMITTEE ON FINANCE, APRIL 29, 2024

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 definitions and for classes of income.

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

14 Section 1. Sections 301(d) and 303(a)(1)(i) of the act of
15 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
16 1971, are amended to read:

17 Section 301. Definitions.--Any reference in this article to
18 the Internal Revenue Code of 1986 shall mean the Internal
19 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
20 as amended to January 1, 1997, unless the reference contains the
21 phrase "as amended" and refers to no other date, in which case
22 the reference shall be to the Internal Revenue Code of 1986 as

1 it exists as of the time of application of this article. The
2 following words, terms and phrases when used in this article
3 shall have the meaning ascribed to them in this section except
4 where the context clearly indicates a different meaning:

5 * * *

6 (d) "Compensation" means and shall include salaries, wages,
7 commissions, bonuses and incentive payments whether based on
8 profits or otherwise, fees, tips and similar remuneration
9 received for services rendered, whether directly or through an
10 agent, and whether in cash or in property. The term
11 "compensation" shall include any part of a distribution under a
12 plan described in section 409A(d) (1) of the Internal Revenue
13 Code of 1986 (Public Law 99-514, 26 U.S.C. § 409A(d) (1)), as
14 amended, attributable to an elective deferral of income or the
15 income on any elective deferral of income, whether paid or
16 payable during employment or to a retired person upon or after
17 retirement from service.

18 The term "compensation" shall not mean or include: (i)
19 periodic payments for sickness and disability other than regular
20 wages received during a period of sickness or disability; or
21 (ii) disability, retirement or other payments arising under
22 workmen's compensation acts, occupational disease acts and
23 similar legislation by any government; or (iii) payments
24 commonly recognized as old age or retirement benefits paid to
25 persons retired from service after reaching a specific age or
26 after a stated period of employment; or (iv) payments commonly
27 known as public assistance, or unemployment compensation
28 payments by any governmental agency; or (v) payments to
29 reimburse actual expenses; or (vi) payments made by employers or
30 labor unions, including payments made pursuant to a cafeteria

1 plan qualifying under section 125 of the Internal Revenue Code
2 of 1986 (Public Law 99-514, 26 U.S.C. § 125), for employe
3 benefit programs covering hospitalization, sickness, disability
4 or death, supplemental unemployment benefits or strike benefits:
5 Provided, That the program does not discriminate in favor of
6 highly compensated individuals as to eligibility to participate,
7 payments or program benefits; or (vii) any compensation received
8 by United States servicemen serving in a combat zone; or (viii)
9 payments received by a foster parent for in-home care of foster
10 children from an agency of the Commonwealth or a political
11 subdivision thereof or an organization exempt from Federal tax
12 under section 501(c)(3) of the Internal Revenue Code of 1954
13 which is licensed by the Commonwealth or a political subdivision
14 thereof as a placement agency; or (ix) payments made by
15 employers or labor unions for employe benefit programs covering
16 social security or retirement; or (x) personal use of an
17 employer's owned or leased property or of employer-provided
18 services[.]; or (xi) any salary earned while a resident or
19 nonresident of this Commonwealth in service to the National
20 Guard, whether active duty or nonactive duty.

21 * * *

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

24 (1) Compensation.

25 (i) All salaries, wages, commissions, bonuses and incentive
26 payments whether based on profits or otherwise, fees, tips and
27 similar remuneration received for services rendered whether
28 directly or through an agent and whether in cash or in property
29 except income derived from the United States Government for
30 active duty outside the Commonwealth of Pennsylvania as a member

1 of its armed forces and income from the United States Government
2 or the Commonwealth of Pennsylvania for active State duty for
3 emergency within or outside the Commonwealth of Pennsylvania,
4 including duty ordered pursuant to 35 Pa.C.S. Ch. 76 (relating
5 to Emergency Management Assistance Compact) [.] or for any amount
6 of income earned as a resident or nonresident of this
7 Commonwealth while serving in the National Guard, whether active
8 duty or nonactive duty.

9 * * *

10 Section 2. This act shall take effect in 60 days.