

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1009 Session of
2017

INTRODUCED BY CORMAN, SCARNATI, EICHELBERGER, DiSANTO, FOLMER,
RAFFERTY, LAUGHLIN, RESCHENTHALER, MENSCH, VOGEL, BREWSTER,
REGAN, VULAKOVICH, BARTOLOTTA, WARD AND STEFANO,
DECEMBER 28, 2017

REFERRED TO FINANCE, DECEMBER 28, 2017

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, providing for
11 carryforward of losses by individual taxpayers and further
12 providing for limitation of pass-thru of losses to
13 shareholders.

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

16 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
17 the Tax Reform Code of 1971, is amended by adding a section to
18 read:

19 Section 304.3. Carryforward of Losses by Individual
20 Taxpayers.--(a) For a tax year beginning after December 31,
21 2017, except as set forth in subsection (b), all of the
22 following apply:

1 (1) An individual taxpayer required to file a return under
2 this article shall be entitled to carry forward loss within a
3 class of income enumerated under section 303.

4 (2) A taxpayer may not offset a gain within one class of
5 income with a loss carried forward from a prior year in another
6 class of income.

7 (3) There shall be a carryforward period which may not
8 exceed three tax years.

9 (b) This section shall not apply to losses relating to
10 income under section 303(a)(7).

11 (c) Notwithstanding 1 Pa.C.S. § 1937(a) (relating to
12 references to statutes and regulations), this section shall not
13 affect a change in any of the following provisions as they exist
14 on June 30, 2017:

15 (1) The definitions of "earned income" and "net profits" in
16 section 501 of the act of December 31, 1965 (P.L.1257, No.511),
17 known as "The Local Tax Enabling Act."

18 (2) The definition of "personal income" in section 302 of
19 the act of June 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known
20 as the "Taxpayer Relief Act."

21 Section 2. Section 307.10 of the act is amended to read:

22 Section 307.10. Limitation on Pass-thru of Losses to
23 Shareholders.--(a) The aggregate amount of losses taken into
24 account by a shareholder of a Pennsylvania S corporation under
25 section 307.9 shall not exceed the sum of the adjusted basis of
26 the shareholder's stock in the Pennsylvania S corporation,
27 determined after applying section 307.11(a) for the taxable year
28 and the shareholder's adjusted basis of any indebtedness of the
29 Pennsylvania S corporation to the shareholder, determined before
30 applying section 307.11(d) for the taxable year.

1 (b) [There] Except as provided under section 304.3, there
2 shall be no carryover of losses by the shareholders of the
3 Pennsylvania S corporation.

4 Section 3. This act shall take effect immediately.