
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1196 Session of
2018

INTRODUCED BY BLAKE, HUGHES, FONTANA, COSTA, TARTAGLIONE,
SCHWANK, BROWNE, STEFANO AND YUDICHAK, JUNE 11, 2018

REFERRED TO FINANCE, JUNE 11, 2018

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," providing for small business tax reinvestment.

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

13 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
14 the Tax Reform Code of 1971, is amended by adding an article to
15 read:

16 ARTICLE XX-A

17 SMALL BUSINESS TAX REINVESTMENT

18 Section 2001-A. Short title.

19 This article shall be known and may be cited as the Small
20 Business Tax Reinvestment Savings Account Act.

21 Section 2002-A. Definitions.

22 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Department." The Department of Community and Economic
4 Development of the Commonwealth.

5 "Qualifying purpose." A small business expenditure that
6 results in the creation or retention of full-time jobs and
7 working capital for other business activities, deemed
8 appropriate by the department, which improve the competitiveness
9 and productivity of a small business. The term shall include,
10 but not be limited to, new construction, renovation or leasehold
11 improvements, and the acquisition of land, buildings, machinery
12 and equipment.

13 "Small business." A business which is independently owned
14 and:

15 (1) Employs 100 or fewer employees.

16 (2) Had annual revenues of less than \$10 million in each
17 of the last three tax years.

18 (3) Is not dominant in its field.

19 Section 2003-A. Small business tax reinvestment savings
20 account.

21 (a) General rule.--A small business may establish and
22 deposit profits into a small business tax reinvestment savings
23 account.

24 (b) Deposits and withdrawals.--Money in a small business tax
25 reinvestment savings account may be deposited or withdrawn tax
26 free when the money is expended for the expansion of the small
27 business for a qualifying purpose.

28 (c) Limitation.--Money deposited into a small business tax
29 reinvestment savings account may not exceed more than \$5,000 in
30 a taxable year.

1 (d) Report.--On or before April 1, 2020, and annually
2 thereafter, the department, in consultation with the Department
3 of Revenue, shall report on the number of small businesses
4 utilizing a small business tax reinvestment savings account, the
5 average aggregate amount on deposit, the qualifying purposes
6 claimed, any qualifying purposes deemed inappropriate and any
7 other data deemed necessary by the department.

8 Section 2004-A. Taxes deferred.

9 For a taxable year beginning on or after January 1, 2019, a
10 small business shall be exempt from all income taxes imposed
11 under this act for any deposit or withdrawal from a small
12 business tax reinvestment savings account established under this
13 article and used for a qualifying purpose. If a small business
14 files for and receives an exemption from income taxes imposed
15 under this act and the funds deposited or withdrawn, or any
16 portion thereof, are not expended for a qualifying purpose, then
17 the amount of the exemption claimed by the small business shall
18 be added back to the amount of income tax liability in the next
19 succeeding taxable year or in the year in which the exemption is
20 disallowed.

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