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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 1197 Session of  
2018

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INTRODUCED BY BROWNE, SCARNATI, GORDNER, ARGALL, MENSCH,  
BOSCOLA, AUMENT, YUDICHAK, KILLION, McGARRIGLE, WARD,  
VULAKOVICH AND STEFANO, JUNE 8, 2018

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REFERRED TO FINANCE, JUNE 8, 2018

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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 net  
11 gains or income, net losses and for dividends.

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

14 Section 1. Section 303(a)(5) of the act of March 4, 1971  
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended  
16 and subsection (a)(3) is amended by adding a subparagraph to  
17 read:

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

20 \* \* \*

21 (3) Net gains or income from disposition of property. Net  
22 gains or net income, less net losses, derived from the sale,

1 exchange or other disposition of property, including real  
2 property, tangible personal property, intangible personal  
3 property or obligations issued on or after the effective date of  
4 this amendatory act by the Commonwealth; any public authority,  
5 commission, board or other agency created by the Commonwealth;  
6 any political subdivision of the Commonwealth or any public  
7 authority created by any such political subdivision; or by the  
8 Federal Government as determined in accordance with accepted  
9 accounting principles and practices. For the purpose of this  
10 article:

11 \* \* \*

12 (viii) The term "net gains or income" and "net losses" shall  
13 not include gains or income or loss which are excluded from  
14 Federal taxation under section 1400Z-2 of the Internal Revenue  
15 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1400Z-2), as  
16 amended. Net gains or net income, less net losses, which are  
17 excluded under this subparagraph shall be included in income to  
18 the extent they are included in gross income under section  
19 1400Z-2(b) of the Internal Revenue Code of 1986, as amended.  
20 Section 1400Z-2(c) of the Internal Revenue Code of 1986, as  
21 amended, shall apply in the computation of net gains or net  
22 income and net losses.

23 \* \* \*

24 (5) Dividends. The term "dividends" shall not include gains  
25 or income or loss which are excluded from Federal taxation under  
26 section 1400Z-2 of the Internal Revenue Code of 1986, as  
27 amended. Gains or income or loss which are excluded under this  
28 subparagraph shall be included in income to the extent they are  
29 included in gross income under section 1400Z-2(b) of the  
30 Internal Revenue Code of 1986, as amended. Section 1400Z-2(c) of

1 the Internal Revenue Code of 1986, as amended, shall apply in  
2 the computation of net gains or net income and net losses.

3 \* \* \*

4 Section 2. The amendment or addition of section 303(a)(3)  
5 (viii) and (5) of the act shall apply to tax years beginning on  
6 or after January 1, 2018.

7 Section 3. This act shall take effect immediately.