

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 742 Session of 2023

INTRODUCED BY HUTCHINSON, AUMENT, STEFANO, BAKER, COLEMAN,  
ROBINSON, COSTA AND BARTOLOTTA, JUNE 1, 2023

REFERRED TO FINANCE, JUNE 1, 2023

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 bank and trust company shares tax, further  
11 providing for ascertainment of taxable amount and exclusion  
12 of United States obligations.

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

15 Section 1. Section 701.1(b), (b.1) and (c) of the act of  
16 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
17 1971, are amended to read:

18 Section 701.1. Ascertainment of Taxable Amount; Exclusion of  
19 United States Obligations.--\* \* \*

20 (b) A deduction for the value of United States obligations  
21 shall be provided from the taxable amount of shares in an amount  
22 equal to the same percentage of total bank equity capital as the  
23 book value of obligations of the United States bears to the book

1 value of the total assets. In computing the deduction for United  
2 States obligations, any goodwill [recorded as a result of the  
3 use of purchase accounting for an acquisition or combination as  
4 described in this section and occurring after June 30, 2001,]  
5 deducted from the taxable amount of shares under subsection  
6 (b.1) shall be subtracted from the book value of total bank  
7 equity capital and disregarded in determining the deduction  
8 provided for obligations of the United States. For purposes of  
9 this article, United States obligations shall be obligations  
10 coming within the scope of 31 U.S.C. § 3124 (relating to  
11 exemption from taxation).

12 (b.1) A deduction for goodwill shall be provided from the  
13 taxable amount of shares in an amount equal to the value of any  
14 goodwill recorded [as a result of the use of purchase accounting  
15 for an acquisition or combination as described in this section]  
16 in the Reports of Condition of the institution pursuant to  
17 generally accepted accounting principles because of an  
18 acquisition or business combination and occurring after June 30,  
19 2001.

20 [(c) For purposes of this section:

21 (1) a mere change in identity, form or place of organization  
22 of one institution, however effected, shall be treated as if a  
23 single institution had been in existence prior to as well as  
24 after such change; and

25 (2) if there is a combination of two or more institutions  
26 into one, the book values and deductions for United States  
27 obligations from the Reports of Condition of the constituent  
28 institutions shall be combined. For purposes of this section, a  
29 combination shall include any acquisition required to be  
30 accounted for by using the purchase method in accordance with

1 generally accepted accounting principles or a statutory merger  
2 or consolidation.]

3 Section 2. The General Assembly finds and declares that the  
4 amendment of section 701.1(b), (b.1) and (c) of the act is  
5 intended to clarify the treatment of goodwill by section 701.1  
6 as amended by section 5 of the act of July 25, 2007 (P.L.373,  
7 No.55), section 22 of the act of July 9, 2013 (P.L.270, No.52),  
8 and section 15.5 of the act of July 13, 2016 (P.L.526, No.84).

9 Section 3. This act shall take effect immediately.