

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 742 Session of 2023

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

SENATOR MARTIN, APPROPRIATIONS, RE-REPORTED AS AMENDED, JUNE 3, 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 bank and trust company shares tax, further
11 providing for ascertainment of taxable amount and exclusion
12 of United States obligations; AND PROVIDING FOR ASCERTAINMENT <--
13 OF TAXABLE AMOUNT AND CONSTRUCTION.

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

16 Section 1. Section 701.1(b), (b.1) and (c) of the act of
17 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
18 1971, are amended to read:

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

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

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

13 (b.1) A deduction for goodwill shall be provided from the
14 taxable amount of shares in an amount equal to the value of any
15 goodwill recorded [as a result of the use of purchase accounting
16 for an acquisition or combination as described in this section]
17 in the Reports of Condition of the institution pursuant to
18 generally accepted accounting principles because of an
19 acquisition or business combination and occurring after June 30,
20 2001.

21 [(c) For purposes of this section:

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

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

1 accounted for by using the purchase method in accordance with
2 generally accepted accounting principles or a statutory merger
3 or consolidation.]

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

10 SECTION 2. THE AMENDMENT OF SECTION 701.1(B), (B.1) AND (C) <--
11 OF THE ACT SHALL APPLY TO THE ASCERTAINMENT OF THE TAXABLE
12 AMOUNT OF SHARES AFTER DECEMBER 31, 2024, AND TO THE REPORT AND
13 THE PAYMENT OF THE BANK AND TRUST COMPANY SHARES TAX DUE AFTER
14 MARCH 14, 2025.

15 SECTION 3. THE GENERAL ASSEMBLY FINDS AND DECLARES AS
16 FOLLOWS:

17 (1) THE AMENDMENT OF SECTION 701.1(B), (B.1) AND (C) OF
18 THE ACT SHALL NOT BE RELIED UPON TO:

19 (I) ASCERTAIN THE TAXABLE AMOUNT OF SHARES FOR A
20 PERIOD PRIOR TO JANUARY 1, 2025;

21 (II) ASCERTAIN THE AMOUNT OF TAX DUE PRIOR TO MARCH
22 15, 2025; OR

23 (III) AUTHORIZE A REFUND OF A TAX PAID FOR A PERIOD
24 FOR WHICH A REPORT WAS DUE PRIOR TO MARCH 15, 2025,
25 BEYOND THE EXTENT TO WHICH THE REFUND WOULD HAVE
26 OTHERWISE BEEN DUE NOTWITHSTANDING THE AMENDMENT OF
27 SECTION 701.1(B), (B.1) AND (C) OF THE ACT.

28 (2) IN ASCERTAINING THE TAXABLE AMOUNT OF SHARES FOR A
29 PERIOD PRIOR TO JANUARY 1, 2025, THE AMOUNT OF GOODWILL
30 SUBTRACTED AND DISREGARDED IN CALCULATING THE DEDUCTION FOR

1 UNITED STATES OBLIGATIONS UNDER SECTION 701.1(B) OF THE ACT,
2 AND THE AMOUNT OF GOODWILL DEDUCTED FROM THE TAXABLE AMOUNT
3 OF SHARES UNDER SECTION 701.1(B.1) OF THE ACT, SHALL BE
4 DETERMINED BASED ON THE LAW AS IN EFFECT PRIOR TO THE
5 EFFECTIVE DATE OF THIS SECTION, WITHOUT ANY INFERENCE THAT
6 THE AMENDMENT OF SECTION 701.1(B), (B.1) AND (C) OF THE ACT
7 EXPANDED, OR CONFIRMED ANY ADMINISTRATIVE DETERMINATION THAT
8 LIMITED OR RESTRICTED, THE EXTENT TO WHICH GOODWILL COULD BE
9 SUBTRACTED AND DISREGARDED UNDER SECTION 701.1(B) OF THE ACT
10 OR DEDUCTED UNDER SECTION 701.1(B.1) OF THE ACT.

11 Section 3 4. This act shall take effect immediately.

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