



Senate Finance Committee

Senator Patrick M. Browne
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AMENDMENT SUMMARY

HOUSE BILL 377, AMENDMENT A08080 ((BROWNE))

Amendment Summary:

This amendment removes the language in HB 377, PN 3094, and inserts the language from Senate Bill 1385, Senate Bill 1386, Senate Bill 1387 and Senate Bill 1388, which were previously passed by the Senate.

This amendment includes four components:

1. **Net Operating Loss:** Expands the cap on the Net Operating Loss provision of the Corporate Net income Tax to \$5 million or 20 percent of taxable income.

Current Law: Under current law, the NOL cap is set at \$3 million or 12.5 percent of taxable income.

2. **Special Tax Forgiveness:** Increases the eligibility limits for special tax forgiveness for low-income Pennsylvanians. The bill increases claimant income eligibility limits by a total of \$2,000 over three years and the dependent allowance by \$500 over the same period.

Specifically, the bill increases claimant eligibility by \$1,000 for each claimant in year one and by \$500 for each claimant in each year for years two and three. The dependent allowance is increased by \$250 per dependent in each year in years two and three.

Current Law: Under current law, a family of four with a combined income of less than \$32,000 pays no state income tax. Under SB 1386, families earning \$27,000 or less would be exempt.

The attached chart outlines the income breakdown over the next three years.

3. **Section 179 Expenses:** Increases the amount that small businesses may deduct as Section 179 expenses on their income tax filings from \$25,000 to \$50,000. Section 179 of the federal Internal Revenue Code provides for the deduction of all or part of the costs of machinery and equipment used for business purposes.

Current Law: Under current law, businesses are only eligible to deduct \$25,000 as Section 179 expenses.

4. **Sales Factor:** Amends the Corporate Net Income Tax to expand the sales factor to 85%. Most corporations that conduct business in more than one state are required to use a three-factor apportionment in order to apportion their business income among the states where they have activity. The three-factor apportionment consists of property, payroll and sales factors.

Current Law: Currently, the sales factor accounts for 70 percent of the apportionment formula, and the property and payroll factors each account for 15 percent. Under Senate Bill 1388, the sales factor would account for 85 percent, and the property and payroll factors would each account for 7.5 percent.