



Senate Finance Committee

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BILL SUMMARY

SENATE BILL 601, PN 651 (SENATOR BROWNE)

Summary:

Senate Bill 601 amends §6902 of the Local Tax Enabling Act, to clarify when a political subdivision may levy a business privilege tax, as follows:

- Clarifies that the “privilege” of doing business is exercised through a “base of operations” in the local taxing jurisdiction.
- Further clarifies that “base of operations” shall mean an actual, physical and permanent place of business from which a taxpayer manages, directs and controls its business activities at that location.
- “Permanent” shall mean a building or other structure owned or rented or used by the taxpayer that is permanently attached to the ground via a fixed foundation or similar construction and which cannot be removed without demolition or dismantling.

Background:

Senate Bill 601 seeks to address the December 2007 Pennsylvania Supreme court decision, *V.L. Rendina, Inc., v. Harrisburg and the Harrisburg School District*, in which the Court reversed its previous position that a municipality cannot tax an entity that lacks a permanent base of operations within its borders.

A result of the *Rendina* decision, ambiguity now exists with respect to a local taxing jurisdiction’s ability to tax any business contained within it. Prior to the *Rendina* decision, the Court held a distinction between a business privilege tax and a business transaction tax.

Prior Legislation:

Similar legislation was introduced by Senator Browne as Senate Bill 1595 of the 2007-08 legislative session.