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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 198 Session of  
2021

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INTRODUCED BY DUNBAR, R. BROWN, GLEIM, GREINER, JAMES, KAUFFMAN,  
KULIK, METZGAR, MIHALEK, MILLARD, PICKETT, ROWE AND STAATS,  
JANUARY 21, 2021

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REFERRED TO COMMITTEE ON FINANCE, JANUARY 21, 2021

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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 corporate net income tax, further providing  
11 for definitions.

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

14 Section 1. Section 401(3)4(c)(1) and (2) of the act of March  
15 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, are  
16 amended to read:

17 Section 401. Definitions.--The following words, terms, and  
18 phrases, when used in this article, shall have the meaning  
19 ascribed to them in this section, except where the context  
20 clearly indicates a different meaning:

21 \* \* \*

22 (3) "Taxable income." \* \* \*

1 4. \* \* \*

2 (c) (1) The net loss deduction shall be the lesser of:

3 (A) (I) For taxable years beginning before January 1, 2007,  
4 two million dollars (\$2,000,000);

5 (II) For taxable years beginning after December 31, 2006,  
6 the greater of twelve and one-half per cent of taxable income as  
7 determined under subclause 1 or, if applicable, subclause 2 or  
8 three million dollars (\$3,000,000);

9 (III) For taxable years beginning after December 31, 2008,  
10 the greater of fifteen per cent of taxable income as determined  
11 under subclause 1 or, if applicable, subclause 2 or three  
12 million dollars (\$3,000,000);

13 (IV) For taxable years beginning after December 31, 2009,  
14 the greater of twenty per cent of taxable income as determined  
15 under subclause 1 or, if applicable, subclause 2 or three  
16 million dollars (\$3,000,000);

17 (V) For taxable years beginning after December 31, 2013, the  
18 greater of twenty-five per cent of taxable income as determined  
19 under subclause 1 or, if applicable, subclause 2 or four million  
20 dollars (\$4,000,000);

21 (VI) For taxable years beginning after December 31, 2014,  
22 the greater of thirty per cent of taxable income as determined  
23 under subclause 1 or, if applicable, subclause 2 or five million  
24 dollars (\$5,000,000);

25 (VII) For taxable years beginning after December 31, 2017,  
26 thirty-five per cent of taxable income as determined under  
27 subclause 1 or, if applicable, subclause 2;

28 (VIII) For taxable years beginning after December 31, 2018,  
29 forty per cent of taxable income as determined under subclause 1  
30 or, if applicable, subclause 2; [or]

1 (IX) In addition to the amount provided under unit (VIII),  
2 for the taxable year beginning after December 31, 2020, and  
3 prior to January 1, 2022, sixty per cent of taxable income as  
4 determined under subclause 1 or, if applicable, subclause 2, for  
5 net losses incurred for the taxable year beginning after  
6 December 31, 2019, and prior to January 1, 2021. In no event  
7 shall the net loss deduction exceed one hundred per cent, in the  
8 aggregate, of taxable income as determined under subclause 1 or,  
9 if applicable, subclause 2 for the taxable year beginning after  
10 December 31, 2020, and prior to January 1, 2022; or

11 (B) The amount of the net loss or losses which may be  
12 carried over to the taxable year or taxable income as determined  
13 under subclause 1 or, if applicable, subclause 2.

14 \* \* \*

15 (2) (A) A net loss for a taxable year may only be carried  
16 over pursuant to the following schedule:

17	Taxable Year	Carryover
18	1981	1 taxable year
19	1982	2 taxable years
20	1983-1987	3 taxable years
21	1988	2 taxable years plus
22		1 taxable year
23		starting with the
24		1995 taxable year
25	1989	1 taxable year plus
26		2 taxable years
27		starting with the
28		1995 taxable year
29	1990-1993	3 taxable years
30		starting with the

1		1995 taxable year
2	1994	1 taxable year
3	1995-1997	10 taxable years
4	1998 and thereafter	20 taxable years

5 (B) The earliest net loss shall be carried over to the  
6 earliest taxable year to which it may be carried under this  
7 schedule. The total net loss deduction allowed in any taxable  
8 year shall not exceed:

9 (I) Two million dollars (\$2,000,000) for taxable years  
10 beginning before January 1, 2007.

11 (II) The greater of twelve and one-half per cent of the  
12 taxable income as determined under subclause 1 or, if  
13 applicable, subclause 2 or three million dollars (\$3,000,000)  
14 for taxable years beginning after December 31, 2006.

15 (III) The greater of fifteen per cent of the taxable income  
16 as determined under subclause 1 or, if applicable, subclause 2  
17 or three million dollars (\$3,000,000) for taxable years  
18 beginning after December 31, 2008.

19 (IV) The greater of twenty per cent of the taxable income as  
20 determined under subclause 1 or, if applicable, subclause 2 or  
21 three million dollars (\$3,000,000) for taxable years beginning  
22 after December 31, 2009.

23 (V) The greater of twenty-five per cent of taxable income as  
24 determined under subclause 1 or, if applicable, subclause 2 or  
25 four million dollars (\$4,000,000) for taxable years beginning  
26 after December 31, 2013.

27 (VI) The greater of thirty per cent of taxable income as  
28 determined under subclause 1 or, if applicable, subclause 2 or  
29 five million dollars (\$5,000,000) for taxable years beginning  
30 after December 31, 2014.

1 (VII) Thirty-five per cent of taxable income as determined  
2 under subclause 1 or, if applicable, subclause 2 for taxable  
3 years beginning after December 31, 2017.

4 (VIII) Forty per cent of taxable income as determined under  
5 subclause 1 or, if applicable, subclause 2 for taxable years  
6 beginning after December 31, 2018.

7 (IX) In addition to the amount provided under unit (VIII),  
8 for the taxable year beginning after December 31, 2020, and  
9 prior to January 1, 2022, sixty per cent of taxable income as  
10 determined under subclause 1 or, if applicable, subclause 2, for  
11 net losses incurred for the taxable year beginning after  
12 December 31, 2019, and prior to January 1, 2021. In no event  
13 shall the net loss deduction exceed one hundred per cent, in the  
14 aggregate, of taxable income as determined under subclause 1 or,  
15 if applicable, subclause 2 for the taxable year beginning after  
16 December 31, 2020, and prior to January 1, 2022.

17 \* \* \*

18 Section 2. This act shall take effect immediately.