

## No. 2000-110

## AN ACT

## SB 390

Amending the act of December 31, 1965 (P.L.1257, No.511), entitled "An act empowering cities of the second class, cities of the second class A, cities of the third class, boroughs, towns, townships of the first class, townships of the second class, school districts of the second class, school districts of the third class and school districts of the fourth class including independent school districts, to levy, assess, collect or to provide for the levying, assessment and collection of certain taxes subject to maximum limitations for general revenue purposes; authorizing the establishment of bureaus and the appointment and compensation of officers, agencies and employes to assess and collect such taxes; providing for joint collection of certain taxes, prescribing-certain definitions and other provisions for taxes levied and assessed upon earned income, providing for annual audits and for collection of delinquent taxes, and permitting and requiring penalties to be imposed and enforced, including penalties for disclosure of confidential information, providing an appeal from the ordinance or resolution levying such taxes to the court of quarter sessions and to the Supreme Court and Superior Court," further defining "net profits."

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

Section 1. The definition of "net profits" in Division I of section 13 of the act of December 31, 1965 (P.L.1257, No.511), known as The Local Tax Enabling Act, is amended to read:

Section 13. Earned Income Taxes.—On and after the effective date of this act the remaining provisions of this section shall be included in or construed to be a part of each tax levied and assessed upon earned income by any political subdivision levying and assessing such tax pursuant to this act. The definitions contained in this section shall be exclusive for any tax upon earned income and net profits levied and assessed pursuant to this act, and shall not be altered or changed by any political subdivision levying and assessing such tax.

## I. Definitions

\* \* \*

"Net profits." The net income from the operation of a business, profession, or other activity, except corporations, after provision for all costs and expenses incurred in the conduct thereof, determined either on a cash or accrual basis in accordance with the accounting system used in such business, profession, or other activity, but without deduction of taxes based on income. *For taxpayers engaged in the business, profession or activity of farming, the term shall not include:*

- (1) any interest earnings generated from any monetary accounts or investment instruments of the farming business;*
- (2) any gain on the sale of farm machinery;*
- (3) any gain on the sale of livestock held twelve months or more for draft, breeding or dairy purposes; and*

**(4) *any gain on the sale of other capital assets of the farm.***

**\* \* \***

Section 2. The amendment of “net profits” in Division I of section 13 of the act shall be retroactive to January 1, 2000.

Section 3. The amendment of the definition of “net profits” in Division I of section 13 of the act shall apply to the tax years beginning on or after January 1, 2000.

Section 4. This act shall take effect immediately.

APPROVED—The 20th day of December, A.D. 2000.

THOMAS J. RIDGE