



Senate Finance Committee

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BILL SUMMARY

Legislation: Senate Bill 562, P.N. 571
Sponsor: Senator Corman
Act Amended: The Tax Reform Code of 1971 ("TRC")
Topic: Authorizing offset of gains and losses among classes of income
Date: December 9, 2011

Summary:

Senate Bill 562 amends sections 302 and 303 of the TRC in the Personal Income Tax to permit individual taxpayers to offset gain within one class of income with loss within another class of income. The legislation prohibits the offset of any gain with any loss occurring within the gambling or lottery winnings class of income.

The legislation is applicable to tax years beginning January 1, 2011. The legislation is effective immediately.

Current Law:

Section 302(a) of the TRC provides that every resident, individual, estate or trust shall be subject to tax for receipt of each class of income at a rate of 3.07%.

Section 303(a) of the TRC provides the following classes of income in the Personal Income Tax:

1. Compensation.
2. Net profits from the operation of a business, profession, or other activity.
3. Net gains or income from disposition of property.
4. Net gains or income derived from or in the form of rents, royalties, patents and copyrights.
5. Dividends income.
6. Interest income.
7. Gambling and lottery winnings other than prizes of the Pennsylvania State Lottery.
8. Net gains or income derived through estates or trusts.

The Pennsylvania Department of Revenue prohibits by regulation the setoff of losses between, or among, any different classes of Personal Income Tax income. 61 Pa. Code §101.1 ("Income"); 61 Pa. Code §121.13 ("Net losses").