

No. 1978-10

AN ACT

HB 1633

Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An act relating to tax reform and State taxation by codifying and enumerating certain subjects of taxation and imposing taxes thereon; providing procedures for the payment, collection, administration and enforcement thereof; providing for tax credits in certain cases; conferring powers and imposing duties upon the Department of Revenue, certain employers, fiduciaries, individuals, persons, corporations and other entities; prescribing crimes, offenses and penalties," further defining "dividends."

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

Section 1. Clause (f) of section 301, act of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of 1971," added August 31, 1971 (P.L.362, No.93), is amended to read:

Section 301. Definitions.—The following words, terms and phrases when used in this article shall have the meaning ascribed to them in this section except where the context clearly indicates a different meaning. Any reference in this article to the Internal Revenue Code shall include the Internal Revenue Code of 1954, as amended to the date on which this article is effective:

\* \* \*

(f) "Dividends" means any distribution in cash or property made by a corporation, association or business trust, (i) out of accumulated earnings and profits, or (ii) out of earnings and profits of the year in which such dividend is paid: ***Provided, however, That the term "dividends" shall not include a distribution of the stock of a corporation made by the corporation originally issuing same to its own stockholders if such distribution is not treated as personal income for Federal individual income tax purposes.***

\* \* \*

Section 2. This act shall take effect in 60 days, and shall be retroactive to January 1, of the year of final enactment.

APPROVED—The 17th day of March, A. D. 1978.

MILTON J. SHAPP