



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 385

PRINTERS NO. 3034

PRIME SPONSOR: Dunbar

REVENUE INCREASE / (DECREASE)

FUND	FY 2021/22	FY 2022/23
General Fund	\$0	(\$18,500,000)

SUMMARY: House Bill 385, Printer's Number 3034, amends the Tax Reform Code further providing for classes of income in personal income tax and making a related repeal.

ANALYSIS: This legislation makes changes to the personal income tax allowing for the tax deferral of like-kind exchanges as permitted under Section 1031 of the Internal Revenue Code (IRC) in effect on the effective date of this subsection. Under federal rules, the recognition of a gain or loss on the disposition of property can be deferred when the property was used for productive use in a trade or business or for investment and the property is exchanged for another property of a like-kind which is to be held for productive use in a trade or business or for investment.

Additionally, Act 1 of 2021 amended the Fiscal Code providing that the following shall be excluded from personal income tax: (1) forgiveness of Paycheck Protection Program (PPP) Loans and (2) Economic Impact Payments (stimulus checks) received by individuals. This legislation repeals these provisions in the Fiscal Code under Section 104-A and recodifies these provisions in the Tax Reform Code.

The act shall take effect immediately. The provisions for deferral of like-kind exchanges shall apply to transactions occurring in tax years beginning after December 31, 2021. The addition of the provisions for PPP loans and stimulus checks in the Tax Reform Code are a continuation of Section 104-A of the Fiscal Code.

FISCAL IMPACT: The Department of Revenue estimates that the deferral of a gain or loss from like-kind exchanges will reduce General Fund revenues by \$18.5 million in fiscal year 2022-23.

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House Appropriations Committee (R)

DATE: April 26, 2022

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.