

**CHAPTER 125. PERSONAL INCOME TAX PRONOUNCEMENTS—  
STATEMENTS OF POLICY**

Sec.

125.11—125.15. [Reserved].

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**NAZI REPARATION**

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**§§ 125.11—125.15. [Reserved].**

**Source**

The provisions of these §§ 125.11—125.15 adopted May 6, 1994, effective for taxable years beginning on or after January 1, 1993, 24 Pa.B. 2402; reserved March 1, 1996, effective March 2, 1996, 26 Pa.B. 887. Immediately preceding text appears at serial pages (188593) to (188597).

**§§ 125.21—125.33. [Reserved].**

**Source**

The provisions of these §§ 125.21—125.33 adopted September 26, 1997, effective September 27, 1997, 27 Pa.B. 4912; reserved August 4, 2000, effective August 5, 2000, 30 Pa.B. 3938. Immediately preceding text appears at serial pages (254531) to (254532), (234317) to (234330) and (254533) to (254534).

**NAZI REPARATION**

**§ 125.41. Awards received in reparation for the seizure, theft, requisition or involuntary conversion of the income of victims of Nazi persecution.**

Awards or settlements received in reparation for the seizure, theft, requisition or involuntary conversion of the income of victims of Nazi persecution are taxable only as to the following:

- (1) Amounts paid as a substitute for taxable income accruing after one of the following:
- (i) May 30, 1971.
  - (ii) If the right to receive the income was acquired from a decedent by bequest, devise or inheritance or by the decedent's estate, the later of May 30, 1971, or the decedent's date of death.

(2) Amounts awarded as legal interest for periods after one of the following:

- (i) May 30, 1971.
- (ii) If the right to receive the income was acquired from a decedent by bequest, devise or inheritance or by the decedent's estate, the later of May 30, 1971, or the decedent's date of death.

**Source**

The provisions of this § 125.41 adopted April 16, 1999, effective April 17, 1999, 29 Pa.B. 2037.

**§ 125.42. Awards received in reparation for the seizure, theft, requisition or involuntary conversion of the property of victims of Nazi persecution.**

Awards or settlements received in reparation for the seizure, theft, requisition or involuntary conversion of the property of victims of Nazi persecution constitute proceeds from the disposition of property. Gain or loss shall be recognized on the same basis as gain or loss from the sale or exchange of property acquired before June 1, 1971, (see § 103.13(f) (relating to net gains or income from disposition of property)), or property of a decedent acquired by bequest, devise or inheritance or by the decedent's estate.

**Source**

The provisions of this § 125.42 adopted April 16, 1999, effective April 17, 1999, 29 Pa.B. 2037.

**§ 125.43. Recoveries of converted property.**

No gain is realized on the recovery of involuntarily converted property unless the taxpayer has previously claimed a business or nonbusiness loss on its conversion.

**Source**

The provisions of this § 125.43 adopted April 16, 1999, effective April 17, 1999, 29 Pa.B. 2037.

**DEPLETION**

**§ 125.51. Allowance of deduction for cost depletion.**

(a) *General rule.* In the case of mines, oil and gas wells, other natural deposits, and timber, there shall be allowed as a deduction in computing income a reasonable allowance for depletion. In any case in which it is ascertained as a result of operations or development work that the recoverable units are greater or less than the prior estimate thereof, the prior estimate (but not the basis for depletion) shall be revised and the allowance under this section for subsequent taxable years shall be based on the revised estimate.

(b) *Recoverable units.* Recoverable units are the number of units (for example—tons, pounds, ounces or barrels) of minerals, oil or gas in the ground and economically worth extracting, estimated according to the best available information and industry standards.

(c) *Special rules.*

(1) *Leases.* In the case of a lease, the deduction under this section shall be apportioned between the lessor and lessee in accordance with Federal Income Tax requirements.

(2) *Life tenant and remainderman.* In the case of property held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant.

(3) *Property held in trust.* In the case of property held in trust, the deduction under this section shall be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the instrument creating the trust, or, in the absence of those provisions, on the basis of the trust income allocable to each.

(4) *Property held by estate.* In the case of a decedent's estate, the deduction under this section shall be apportioned between the estate and the heirs, legatees and devisees on the basis of the income of the estate allocable to each.

(5) *Basis for depletion.* The basis on which depletion is to be allowed in respect of any property shall be the adjusted basis for the purpose of determining the gain upon the sale or other disposition of the property.

**Source**

The provisions of this § 125.51 adopted February 24, 2006, applies for taxable years beginning on or after January 1, 2005, 36 Pa.B. 959; corrected March 11, 2006, 36 Pa.B. 1130.

**§ 125.52. Percentage depletion.**

(a) *Deduction.* A deduction for percentage depletion shall be allowed only in the following set of circumstances:

(1) The deduction is allowable in computing Federal taxable income.

(2) Insufficient information is available to estimate the amount of recoverable units in accordance with industry standards.

(3) The cost of the recoverable units is fixed and certain.

(4) The cost of the recoverable units has not been fully recovered.

(b) *Effective date.* This section will apply for taxable years beginning on or after January 1, 2005.

**Source**

The provisions of this § 125.52 adopted February 24, 2006, applies for taxable years beginning on or after January 1, 2005, 36 Pa.B. 959; corrected March 11, 2006, 36 Pa.B. 1130.

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