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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1731 Session of  
2015

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ZIMMERMAN, WARD, ROTHMAN, MUSTIO, DeLUCA, WHITE AND SIMMONS,  
DECEMBER 3, 2015

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REFERRED TO COMMITTEE ON COMMERCE, DECEMBER 3, 2015

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AN ACT

1 Establishing the Keystone Energy Authority; and providing for  
2 the designation of Keystone Energy Enhancement Zones.

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

5 CHAPTER 1

6 PRELIMINARY PROVISIONS

7 Section 101. Short title.

8 This act shall be known and may be cited as the Keystone  
9 Energy Enhancement Act.

10 Section 102. Definitions.

11 The following words and phrases when used in this act shall  
12 have the meanings given to them in this section unless the  
13 context clearly indicates otherwise:

14 "Authority." The Keystone Energy Authority established in

1 section 201.

2 "Board." The board of the authority established in section  
3 202.

4 "Butane." A colorless, odorless gaseous alkane, C<sub>4</sub>H<sub>10</sub>, which  
5 occurs as a constituent of natural gas and is used as the raw  
6 material in the manufacturing of ethylene and butadiene.

7 "Commonwealth." The Commonwealth of Pennsylvania.

8 "Department." The Department of Revenue of the Commonwealth.

9 "Deteriorated property." Any blighted, impoverished area  
10 containing residential, industrial, commercial or other real  
11 property that is abandoned, unsafe, vacant, undervalued,  
12 underutilized, overgrown, defective, condemned, demolished or  
13 which contains economically undesirable land use.

14 "Downstream business." Any business that uses natural gas  
15 and natural gas byproducts, chemical products or chemical  
16 compounds produced or extracted in this Commonwealth as raw  
17 materials in its production process.

18 "Ethane." A colorless, odorless gaseous alkane, C<sub>2</sub>H<sub>6</sub>, which  
19 occurs as a constituent of natural gas and is used as the raw  
20 material in the manufacturing of ethylene.

21 "Keystone Energy Enhancement Zone." A defined geographic  
22 area comprised of one or more political subdivisions or portions  
23 of political subdivisions designated by the authority.

24 "Manufacturing." Operations which use natural gas extracted  
25 in this Commonwealth as a primary means of fuel or power to  
26 produce finished goods from raw materials.

27 "Manufacturing business." An association, partnership,  
28 corporation, sole proprietorship, limited liability company or  
29 employer that engages in manufacturing.

30 "Natural gas." A fossil fuel consisting of a mixture of

1 hydrocarbon gases, primarily methane, and possibly including  
2 ethane, propane, butane, pentane, carbon dioxide, oxygen,  
3 nitrogen and hydrogen sulfide and other gas species. The term  
4 includes natural gas from oil fields known as associated gas or  
5 casing head gas, natural gas fields known as nonassociated gas,  
6 coal beds, shale beds and other formations. The term does not  
7 include coal bed methane.

8 "Natural gas liquids." Ethane, propane, butane and other  
9 liquid fossil fuels associated with natural gas.

10 "Petrochemical business." An association, partnership,  
11 corporation, sole proprietorship, limited liability company or  
12 employer that uses ethane, butane or propane, extracted in this  
13 Commonwealth or the derivatives of these products as a raw  
14 material in the production of plastics, chemicals or other  
15 finished products in this Commonwealth.

16 "Propane." A colorless, odorless gaseous alkane, C<sub>3</sub>H<sub>8</sub>, which  
17 occurs as a constituent of natural gas and is used as the raw  
18 material in the manufacturing of propylene.

19 "Zone." A Keystone Energy Enhancement Zone.

## 20 CHAPTER 2

### 21 KEYSTONE ENERGY AUTHORITY

22 Section 201. Authority established.

23 The Keystone Energy Authority is established as a public  
24 authority and instrumentality of the Commonwealth, exercising  
25 public powers of the Commonwealth as an agency and  
26 instrumentality of the Commonwealth. The exercise by the  
27 authority of the powers conferred under this act is declared to  
28 be, and shall for all purposes be deemed and held to be, the  
29 performance of an essential public function.

30 Section 202. Governing board.

1 (a) Composition of board.--

2 (1) The powers and duties of the authority shall be  
3 exercised by a governing board composed of the following  
4 members:

5 (i) One member who shall be appointed by the  
6 Governor.

7 (ii) Two members who shall be appointed by the  
8 President pro tempore of the Senate.

9 (iii) One member who shall be appointed by the  
10 Minority Leader of the Senate.

11 (iv) Two members who shall be appointed by the  
12 Speaker of the House of Representatives.

13 (v) One member who shall be appointed by the  
14 Minority Leader of the House of Representatives.

15 (2) Each member must have at least 10 years' experience  
16 in a manufacturing business, petrochemical business or  
17 downstream business.

18 (3) Each member of the board must be a resident of this  
19 Commonwealth.

20 (b) Term and chairperson.--

21 (1) Appointing authorities shall appoint the initial  
22 members of the board within 30 days of the effective date of  
23 this section. The term of a board member shall begin on the  
24 date of the appointment. A member's term shall be coterminous  
25 with that of the appointing authority.

26 (2) The appointed members shall select a chairperson  
27 from among the members at the initial organizational meeting  
28 of the board and upon any subsequent vacancy in the office of  
29 chairperson. The member selected as chairperson shall serve  
30 in that capacity for two years from the date of selection or

1 for the duration of his or her term on the board, whichever  
2 is less, and may be reelected to subsequent two-year terms.

3 (3) An appointed board member shall serve at the  
4 discretion of the member's appointing authority. If a vacancy  
5 occurs among the appointed members on the board prior to or  
6 on the expiration of a term, the appointing authority who  
7 originally appointed the board member whose seat has become  
8 vacant shall appoint a successor member within 30 days of the  
9 vacancy.

10 (c) Organization.--The appointees of the President pro  
11 tempore of the Senate and the Speaker of the House of  
12 Representatives shall set a date, time and place for the initial  
13 meeting of the board within five days of the appointment of all  
14 of the initial members of the board. The initial meeting must be  
15 held within 60 days of the effective date of this section. In  
16 addition to the chairperson, the members shall elect other  
17 officers as they may deem necessary. A member may hold more than  
18 one office on the board at any time.

19 (d) Meetings.--

20 (1) After the initial meeting, the board shall meet as  
21 frequently as the board deems appropriate but at least once  
22 during each quarter of the fiscal year, except that a meeting  
23 of the board must be called by the chairperson if a request  
24 for a meeting is submitted to the chairperson by at least two  
25 members of the board.

26 (2) A majority of the board shall constitute a quorum  
27 for the purpose of conducting the business of the board and  
28 for all other purposes. All actions of the board shall be  
29 taken by a majority of the board except as otherwise  
30 specifically noted. The provisions of 65 Pa.C.S. Ch. 7

1 (relating to open meetings) shall apply to meetings of the  
2 board.

3 (e) Employees and agents.--The board shall determine the  
4 necessary number of employees of the authority and their  
5 respective compensation and duties. The board may contract for  
6 or receive the loan of services of persons in the employ of  
7 other government agencies, and other government agencies shall  
8 be authorized to make the employees available. The board may  
9 designate an executive director upon a majority vote. The board  
10 may, by a majority vote, hire an independent general counsel to  
11 the authority and may engage consultants and contract for other  
12 professional services upon a majority vote. The board may, by a  
13 majority vote, delegate to the executive director powers of the  
14 board as the board deems necessary to carry out the purposes of  
15 the authority, subject to the supervision and control of the  
16 board.

17 (f) Public officials and party officers.--

18 (1) A member of the board or the executive director may  
19 not seek or hold a position as any other public official  
20 within this Commonwealth or as a party officer while in the  
21 service of the authority.

22 (2) The following shall apply:

23 (i) Except as provided in subparagraph (ii),  
24 employees and agents of the authority may not seek or  
25 hold other positions as public officials or party  
26 officers while in the employment of the authority.

27 (ii) The authority may receive the loan of services  
28 of individuals in other government agencies in accordance  
29 with subsection (e), notwithstanding that the individuals  
30 are public officials.

1 (g) Statutes applying to authority.--The provisions of the  
2 following acts shall apply to the authority:

3 (i) The act of February 14, 2008 (P.L. 6, No. 3),  
4 referred to as the Right-to-Know Law.

5 (ii) The act of July 19, 1957 (P.L.1017, No.451),  
6 known as the State Adverse Interest Act.

7 (iii) 65 Pa.C.S. Ch. 11 (relating to ethics  
8 standards and financial disclosure).

9 Section 203. Powers and duties of authority.

10 (a) General powers and duties.--The authority is established  
11 for the purposes, without limitation, by itself or by agreement  
12 in cooperation with others, of furthering the development of  
13 manufacturing business, petrochemical business and other  
14 downstream business opportunities through the increased use of  
15 natural gas produced in this Commonwealth. The authority shall  
16 work to increase job creation and capital investments in  
17 manufacturing, petrochemical and other downstream businesses in  
18 this Commonwealth.

19 (b) Specific duties.--The authority shall have the powers  
20 and its duties shall be:

21 (1) To administer this act.

22 (2) To encourage the development of manufacturing  
23 business, petrochemical business and other downstream  
24 business opportunities and to cooperate with other industrial  
25 development agencies, local authorities and the Department of  
26 Community and Economic Development, Department of  
27 Environmental Protection, Department of Revenue, Pennsylvania  
28 Public Utility Commission and other agencies of the  
29 Commonwealth. To achieve that purpose, the authority shall:

30 (i) Act as a point of contact. The authority shall

1 designate a point of contact to work directly with  
2 applicants who seek to develop or utilize a zone. The  
3 point of contact shall assist in coordinating all  
4 necessary permit and regulatory reviews required to move  
5 the project forward in a timely fashion.

6 (ii) Report. Within six months of the date of the  
7 final appointment to the authority, the authority shall  
8 compile and submit to the Governor and the General  
9 Assembly a report identifying the challenges which exist  
10 across this Commonwealth to expanded natural gas  
11 transmission and distribution infrastructure and  
12 recommendations on how to address the challenges which  
13 are identified, including legislative and regulatory  
14 policy changes necessary to facilitate the expansion of  
15 infrastructure and increased utilization of natural gas  
16 and natural gas liquids.

17 (3) To facilitate the proliferation of transmission and  
18 distribution pipelines for the transportation of natural gas  
19 and natural gas liquids, which are necessary for the  
20 development of manufacturing business, petrochemical business  
21 and other downstream business opportunities in zones, the  
22 authority shall:

23 (i) Identify corridors for safe and efficient siting  
24 of natural gas transmission and distribution pipelines to  
25 zones.

26 (ii) Coordinate with all relevant regulatory  
27 agencies, including, but not limited to, the Federal  
28 Energy Regulatory Commission, the Department of  
29 Environmental Protection and the Pennsylvania Public  
30 Utilities Commission to provide recommendations to

1 streamline the issuance of permits in a timely,  
2 predictable and efficient manner for natural gas  
3 transmission and distribution line projects.

4 (4) To conduct examinations and investigations and to  
5 hear testimony and take proof at public or private hearings,  
6 on any matter material for the authority's information and  
7 necessary to the carrying out of the authority's duties.

8 (5) To sue and be sued, implead and be impleaded,  
9 complain and defend in all courts.

10 (6) To adopt, use and alter at will a corporate seal.

11 (7) To make by-laws for the management and regulation of  
12 the authority's affairs.

13 (8) To make contracts of every name and nature and to  
14 execute all instruments necessary or convenient for the  
15 carrying on of its business.

16 (9) To do any other thing necessary to carry out the  
17 functions of the authority under this act.

18 Section 204. Duties of other entities.

19 Industrial development agencies, local authorities, county  
20 and municipal governments, the Department of Community and  
21 Economic Development, the Department of Environmental  
22 Protection, the Pennsylvania Public Utility Commission and other  
23 agencies of the Commonwealth shall cooperate fully with the  
24 authority to facilitate the growth of the manufacturing  
25 business, petrochemical business and downstream business  
26 opportunities in this Commonwealth and shall provide documents  
27 and information as required by the authority for the exercise of  
28 the authority's powers and duties.

29 Section 205. Keystone Energy Enhancement Fund.

30 (a) Establishment.--The Keystone Energy Enhancement Fund is

1 established in the State Treasury as a restricted account. The  
2 fund shall consist of funds appropriated by the General  
3 Assembly.

4 (b) Continuing appropriation.--All funds in the fund and the  
5 interest accruing on the funds are appropriated to the authority  
6 on a continuing basis to carry out the provisions of this act.

7 Section 206. Transfer for initial funding.

8 The sum of \$500,000 is transferred from the General Fund to  
9 the Keystone Energy Enhancement Fund for expenditure during the  
10 fiscal year July 1, 2015, to June 30, 2016, to carry out the  
11 provisions of this act.

12 Section 207. Term of existence.

13 The authority shall exist until December 31, 2028.

14 Section 208. Fiscal year.

15 The fiscal year of the authority shall be the same as the  
16 fiscal year of the Commonwealth.

17 Section 209. Sovereign immunity.

18 Members of the board shall not be liable personally for any  
19 obligations of the authority. It is declared to be the intent of  
20 the General Assembly that the authority and the authority's  
21 members, officers, officials and employees shall enjoy sovereign  
22 and official immunity as provided in 1 Pa.C.S. § 2310 (relating  
23 to sovereign immunity reaffirmed; specific waiver) and shall  
24 remain immune from suit except as provided by and subject to 42  
25 Pa.C.S. Ch. 85 Subchs. A (relating to general provisions) and B  
26 (relating to actions against Commonwealth parties).

27 CHAPTER 3

28 KEYSTONE ENERGY ENHANCEMENT ZONES

29 Section 301. Keystone Energy Enhancement Zone.

30 (a) Establishment.--There is established within the

1 authority a program providing for Keystone Energy Enhancement  
2 Zones. A zone shall be comprised of deteriorated property and  
3 shall not exceed a total of 500 acres.

4 (b) Zone designation.--The authority shall designate not  
5 more than 20 zones in this Commonwealth. Individuals and  
6 businesses within an authorized zone that are qualified under  
7 this act shall be entitled to all tax exemptions, deductions,  
8 abatements or credits set forth in this act for a period not to  
9 exceed 10 years beginning January 1, 2017, and ending before  
10 January 1, 2028.

11 (c) Authorization for local tax exemption.--Each political  
12 subdivision within which a proposed zone may be located in whole  
13 or in part is authorized to provide tax exemptions, deductions,  
14 abatements or credits to individuals and businesses qualified  
15 under this act. The political subdivision must agree to provide  
16 exemptions, deductions, abatements or credits from all local  
17 taxes set forth in this act in order for property to be included  
18 in a zone. Except as otherwise provided, the exemptions,  
19 deductions, abatements or credits shall take effect January 1,  
20 2017, if designation of a zone within the political subdivision  
21 is granted by the authority. The exemptions, deductions,  
22 abatements or credits shall be binding upon the political  
23 subdivision for the duration of the zone designation.

24 Section 302. Application.

25 (a) Initial application.--One or more individuals,  
26 businesses, political subdivisions or a designee of one or more  
27 businesses or political subdivisions, may apply to the authority  
28 to designate deteriorated property within the political  
29 subdivision or portions of the political subdivision. The  
30 application must contain the following:

1           (1) The geographic area of the proposed zone. The  
2 geographic area must be located within the boundaries of the  
3 participating political subdivisions and shall not contain  
4 more than 500 acres.

5           (2) A strategic plan that must include the following:

6           (i) A detailed map of the proposed zone, including  
7 geographic boundaries, total area and present use and  
8 conditions of the land and structures of the proposed  
9 zone.

10          (ii) Evidence of support from and participation of  
11 local government, school districts and other educational  
12 institutions, business groups, community organizations  
13 and the public.

14          (iii) A proposal to increase economic opportunity,  
15 reduce the local regulatory burden and identify potential  
16 jobs and job training opportunities and which states  
17 whether or not the zone is located in an area which has  
18 tax revenue dedicated to the payment of debt.

19          (iv) A description of the current social, economic  
20 and demographic characteristics of the proposed zone and  
21 anticipated enhancements in employment that will result  
22 from zone designation.

23          (v) A description of anticipated activity in the  
24 proposed zone, including, but not limited to,  
25 opportunities for manufacturing businesses, petrochemical  
26 businesses and downstream businesses.

27          (vi) Evidence of potential private and public  
28 investment in the proposed zone.

29          (vii) The role of the proposed zone in regional  
30 economic and community development.

1 (viii) Plans to utilize existing resources for the  
2 administration of the proposed zone, including, but not  
3 limited to, transmission and distribution pipelines for  
4 the transportation of natural gas and natural gas  
5 liquids.

6 (ix) Any other information deemed appropriate by the  
7 authority.

8 (3) A formal, binding ordinance or resolution passed by  
9 each political subdivision in which the proposed zone is  
10 located that specifically provides for all local tax  
11 exemptions, deductions, abatements or credits for individuals  
12 and businesses provided in this act.

13 (4) Evidence that the proposed zone meets the required  
14 criteria under section 303.

15 (b) Eligibility.--

16 (1) In order to be eligible for a zone designation, the  
17 authority must receive an application from an individual,  
18 business or political subdivision or a designee of a business  
19 or political subdivision no later than June 30, 2016.

20 (2) The authority, in consultation with the department,  
21 must review the application and, if approved, issue a  
22 certification of each tax exemption, deduction, abatement or  
23 credit under this act for the zone within three months of  
24 receipt of the application and any additional required  
25 information.

26 (3) The authority must act on an application for a  
27 designation under this section by December 1, 2016.

28 (4) The authority may make designations under this  
29 section:

30 (i) On a rolling basis during the application

1 period.

2 (ii) That meet the requirements of this act, except  
3 that:

4 (A) not more than five zones may be reserved for  
5 counties of the first class;

6 (B) not more than three zones may be reserved  
7 for counties of the second class;

8 (C) not more than two zones per county may be  
9 reserved for counties of the second class A through  
10 eighth class; and

11 (D) four zones must be reserved for counties of  
12 the fifth through eighth classes.

13 (5) If the authority receives less than four  
14 applications that meet the requirements of this act from  
15 counties of the fifth through eighth classes by the  
16 application deadline under this subsection, the number of  
17 zones reserved under paragraph (4)(ii)(D), minus the number  
18 of the applications for zones the authority has approved  
19 under paragraph (4)(ii)(D), shall be available for  
20 designation in a county.

21 Section 303. Authorization.

22 (a) Specific criteria.--In order to qualify for  
23 authorization under this act, a proposed zone must meet the  
24 following criteria:

25 (1) Have the potential to provide manufacturing  
26 business, petrochemical business or downstream business  
27 opportunities.

28 (2) Consist of deteriorated property.

29 (3) Have substantial real property with adequate  
30 infrastructure and access to natural gas and natural gas

1 liquids to support new or expanded development.

2 (b) Additional criteria.--In addition to the required  
3 criteria under subsection (a), the authority shall consider the  
4 following criteria:

5 (1) Evidence of distress and adverse economic and  
6 socioeconomic conditions in the proposed zone.

7 (2) The strength and viability of the proposed goals,  
8 objectives and strategies in the strategic plan.

9 (3) Whether the strategic plan is creative and  
10 innovative in comparison to other applications.

11 (4) Local public and private commitment to the  
12 development of the proposed zone and the potential  
13 cooperation of surrounding communities.

14 (5) Existing resources available to the proposed zone.

15 (6) How zone designation or economic redevelopment  
16 relates to other current economic and community development  
17 projects and to regional initiatives or programs.

18 (7) How the local regulatory burden will be eased for  
19 businesses operating in the proposed zone.

20 (8) Proposals to implement energy enhancements.

21 (9) Proposals to maximize job creation.

22 (c) Tax exemption ordinances.--An area may not be authorized  
23 as a zone unless, as a part of the application, each political  
24 subdivision in which the proposed zone is to be located adopts  
25 and provides a copy of an ordinance, resolution or other  
26 required action from the governing body of each political  
27 subdivision that exempts or provides deductions, abatements or  
28 credits to qualified persons and qualified businesses from local  
29 taxes upon designation of the area as a zone. Each appropriate  
30 ordinance and resolution must take effect on or before January

1 1, 2017, if designation as a zone is granted. A resolution,  
2 ordinance or other required action shall be binding and  
3 nonrevocable on the qualified political subdivisions for the  
4 duration of the zone.

5 Section 304. Qualified businesses.

6 (a) Qualifications.--In order to qualify each year for a tax  
7 exemption, deduction, abatement or credit under this act, a  
8 business must own or lease real property in a zone from which  
9 the business actively:

10 (1) conducts a manufacturing business, petrochemical  
11 business or downstream business; or

12 (2) provides support or services to a manufacturing  
13 business, petrochemical business or downstream business.

14 (b) Certification.--A qualified business shall receive  
15 certification from the authority that the business meets the  
16 qualifications in subsection (a). The business must obtain  
17 annual renewal of the certification from the authority to  
18 continue to qualify under this section. The certification form  
19 shall include, but not be limited to, all of the following:

20 (1) The duration of the zone designation.

21 (2) The number of jobs created.

22 (3) The number of jobs retained.

23 (4) The amount of capital investment.

24 (5) The manufacturing, petrochemical or downstream  
25 activity of the business or the manner in which the business  
26 supports or provides services to a manufacturing business,  
27 petrochemical business or downstream business.

28 (6) Any other information, conditions or requirements  
29 reasonably required by the authority.

30 (c) Relocation.--A business that relocates from outside of a

1 zone into a zone shall not receive any of the exemptions,  
2 deductions, abatements or credits provided under this act unless  
3 the business does one of the following:

4 (1) increases full-time employment by at least 20% in  
5 the first full year of operation within the zone;

6 (2) makes a capital investment in the property located  
7 within the zone equivalent to at least 10% of the gross  
8 revenues of the business in the immediately preceding  
9 calendar or fiscal year; or

10 (3) enters into a lease agreement for property located  
11 within the zone:

12 (i) for a term equivalent to at least the duration  
13 of the zone; and

14 (ii) with aggregate payment under the lease  
15 agreement equivalent to at least 5% of the gross revenues  
16 of the business in the immediately preceding calendar or  
17 fiscal year.

18 (d) Waiver.--The authority, in consultation with the  
19 department, may waive or modify the requirements of subsection  
20 (a) as appropriate.

21 Section 305. Forms.

22 (a) Application forms.--Applications for authorization as a  
23 zone shall be on forms prescribed by the authority.

24 (b) Authority assistance.--The authority shall assist  
25 political subdivisions in using the Internet as a tool for  
26 encouraging new business development, including assisting  
27 political subdivisions in making available, via the Internet,  
28 information, applications and other forms necessary under this  
29 act.

30 Section 306. Prohibition on illegal alien labor.

1 (a) General rule.--An individual or business that receives a  
2 tax exemption, deduction, abatement or credit under this act may  
3 not knowingly permit the labor services of an illegal alien  
4 under a contract to which the individual or business is a party  
5 in the applicable zone. An individual or business shall be  
6 deemed to have knowingly employed or knowingly permitted the  
7 prohibited services if he or she had active knowledge of or had  
8 reason to know that the services have been provided under the  
9 contract in the applicable zone.

10 (b) Reimbursement.--As a condition of the receipt of a tax  
11 exemption, deduction, abatement or credit under this act, the  
12 authority or political subdivision that awards the tax  
13 exemption, deduction, abatement or credit under this act must  
14 require full repayment of the value or amount of the tax  
15 exemption, deduction, abatement or credit if subsection (c)  
16 applies.

17 (c) Violations.--

18 (1) Repayment under subsection (b) is required if any of  
19 the following apply:

20 (i) The individual or business that received the tax  
21 exemption, deduction, abatement or credit under this act  
22 is sentenced under Federal law for an offense involving  
23 knowing use of labor by an illegal alien under the  
24 contract in the applicable zone.

25 (ii) All of the following apply:

26 (A) A contractor to an individual or business  
27 that received the tax exemption, deduction, abatement  
28 or credit under this act is sentenced under Federal  
29 law for an offense involving knowing use of labor by  
30 an illegal alien on the contract.

1 (B) The individual or business knew or had  
2 reason to know of the contractor's knowing use of  
3 labor by an illegal alien on the contract.

4 (2) An individual or business who is required to repay  
5 the authority or a political subdivision under this section  
6 shall be ineligible to apply for a tax exemption, deduction,  
7 abatement or credit under this act for a period of two years.

8 (3) It shall be an affirmative defense to a violation of  
9 this section if the individual or business contracts with a  
10 contractor to provide labor under the contract in the  
11 applicable zone and establishes that the contractor has  
12 certified compliance with the requirements of section 274A of  
13 the Immigration Reform and Control Act of 1986 (Public Law  
14 99-603, 8 U.S.C. § 1324A) with respect to the hiring,  
15 recruiting or referral for employment of an alien in the  
16 United States and has notified the appropriate Federal  
17 authority, if the individual or business knew that the  
18 contractor used labor by an illegal alien.

19 (d) Definition.--As used in this section, the term "illegal  
20 alien" means a noncitizen of the United States who is violating  
21 Federal immigration laws and is providing compensated labor  
22 within this Commonwealth.

23 CHAPTER 4

24 STATE TAXES

25 SUBCHAPTER A

26 GENERAL PROVISIONS

27 Section 401. State taxes.

28 (a) General rule.--An individual who is a resident of a  
29 zone, a qualified business or a nonresident under section 407(b)  
30 shall receive the exemptions, deductions, abatements or credits

1 as provided in this chapter and Chapter 5 for the duration of  
2 the zone designation. Exemptions, deductions, abatements or  
3 credits shall expire on the date of expiration of the zone  
4 designation.

5 (b) Construction.--The Department of Revenue shall  
6 administer, construe and enforce the provisions of this chapter  
7 in conjunction with Articles II, III, IV, VI, VII, IX and XV of  
8 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
9 Code of 1971.

10 SUBCHAPTER B

11 PARTICULAR STATE TAXES

12 Section 402. Sales and use tax.

13 Sales at retail of services or tangible personal property,  
14 other than motor vehicles, to a qualified business or a  
15 construction contractor pursuant to a construction contract with  
16 a qualified business, landowner or lessee for the exclusive use,  
17 consumption and utilization of the tangible personal property or  
18 service by the qualified business at the qualified business',  
19 landowner's or lessee's facility located within a zone are  
20 exempt from the sales and use tax imposed under Article II of  
21 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
22 Code of 1971. An exemption shall not be allowed for sales  
23 conducted prior to designation of the real property as part of a  
24 zone.

25 Section 403. Personal income tax.

26 (a) General rule.--A person shall be allowed an exemption  
27 for:

28 (1) Compensation received during the time period when  
29 the person was a resident of a zone.

30 (2) Net income from the operation of a qualified

1 business received by a resident or nonresident of a zone  
2 attributable to business activity conducted within a zone,  
3 determined in accordance with section 404. Any business that  
4 operates both inside and outside of this Commonwealth, before  
5 computing its zone exemption, shall first determine its  
6 Pennsylvania activity over its activity everywhere by  
7 applying the three-factor apportionment formula as set forth  
8 in the department's personal income tax regulations  
9 applicable to income apportionment in connection with a  
10 business, trade or profession carried on both inside and  
11 outside of this Commonwealth.

12 (3) All of the following:

13 (i) Net gains or income, less net losses, derived by  
14 a resident or nonresident of a zone from the sale,  
15 exchange or other disposition of real or tangible  
16 personal property located in a zone as determined in  
17 accordance with accepted accounting principles and  
18 practices. The exemption provided in this subparagraph  
19 shall not apply to the sale, exchange or other  
20 disposition of any stock of goods, merchandise or  
21 inventory, or any operational assets unless the transfer  
22 is in connection with the sale, exchange or other  
23 disposition of all of the assets in complete liquidation  
24 of a qualified business located in a zone. This  
25 subparagraph shall apply to intangible personal property  
26 employed in a trade, profession or business in a zone by  
27 a qualified business, but only when transferred in  
28 connection with a sale, exchange or other disposition of  
29 all of the assets in complete liquidation of the  
30 qualified business in the zone.

1           (ii) Net gains, less net losses, realized by a  
2 resident of a zone from the sale, exchange or disposition  
3 of intangible personal property or obligations issued on  
4 or after February 1, 1994, by the Commonwealth, a public  
5 authority, commission, board or other Commonwealth  
6 agency, political subdivision or authority created by a  
7 political subdivision or by the Federal Government as  
8 determined in accordance with accepted accounting  
9 principles and practices.

10           (iii) The exemption from income for gain or loss  
11 provided for in subparagraphs (i) and (ii) shall be  
12 prorated based on the following:

13           (A) In the case of gains, less net losses, in  
14 subparagraph (i), the percentage of time, based on  
15 calendar days, the property located in a zone was  
16 held by a resident or nonresident of the zone during  
17 the time period the zone was in effect in relation to  
18 the total time the property was held.

19           (B) In the case of gains, less net losses, in  
20 subparagraph (ii), the percentage of time, based on  
21 calendar days, the property was held by the taxpayer  
22 while a resident of a zone in relation to the total  
23 time the property was held.

24           (4) Net gains or income derived from or in the form of  
25 rents received by a person, whether or not a resident of a  
26 zone, to the extent that income or loss from the rental of  
27 real or tangible personal property is allocable to a zone.  
28 For purposes of calculating this exemption:

29           (i) Net rents derived from real or tangible personal  
30 property located in a zone shall be allocable to a zone.

1           (ii) If the tangible personal property was used both  
2           inside and outside of the zone during the taxable year,  
3           only the net income attributable to use in the zone shall  
4           be exempt. The net rental income shall be multiplied by a  
5           fraction, the numerator of which is the number of days  
6           the property was used in the zone and the denominator of  
7           which is the total days of use.

8           (5) Dividends received during the time the person was a  
9           resident of a zone.

10          (6) Interest received during the time period the person  
11          was a resident of a zone.

12          (7) The part of the income or gains received by an  
13          estate or trust for its taxable year ending within or without  
14          the resident-beneficiary's taxable year which, under the  
15          governing instrument and applicable State law, is required to  
16          be distributed currently or is in fact paid or credited to  
17          the resident-beneficiary and which would have been exempt  
18          under this act if received by a resident-beneficiary  
19          directly.

20          (b) Exemption.--Beginning in taxable year 2017, a person  
21          located in a designated zone shall be allowed an exemption under  
22          subsection (a) from the tax imposed by Article III of the act of  
23          March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
24          1971, for the classes of income set forth under subsection (a).  
25          A person shall not be allowed an exemption for activities  
26          conducted prior to designation of the real property as part of a  
27          zone.

28          (c) Pass-through entities.--The exemptions provided for  
29          under subsection (a) (2), (3) (i) and (4) shall apply to all of  
30          the following:

1           (1) The income or gain of a partnership or association.  
2           The partner or member shall be entitled to the exemptions  
3           under this section for the partner's or member's share,  
4           whether or not distributed, of the income or gain received by  
5           the partnership or association for its taxable year.

6           (2) The income or gain of a Pennsylvania S corporation.  
7           The shareholder shall be entitled to the exemptions under  
8           this section for the shareholder's pro rata share, whether or  
9           not distributed, of the income or gain received by the  
10          corporation for its taxable year ending within or without the  
11          shareholder's taxable year.

12          (3) The income or gain of a limited liability company.  
13          The member shall be entitled to the exemptions under this  
14          section for the member's pro rata share, whether or not  
15          distributed, of the income or gain received by the limited  
16          liability company for its taxable year ending within or  
17          without the member's taxable year.

18          (d) Limitation.--A partnership, association, Pennsylvania S  
19          corporation, sole proprietorship, limited liability company,  
20          resident or nonresident may not apply an exemption from income  
21          under this act for any class of income against any other classes  
22          of income or gain. A partnership, association, Pennsylvania S  
23          corporation, resident or nonresident may not carry back or carry  
24          forward any exemption under this act from year to year. The  
25          credit allowed under this section shall not exceed the tax  
26          liability of the taxpayer under Article III of the Tax Reform  
27          Code of 1971 for the tax year.

28          (e) Nonapplicability.--Any portion of net income or gain  
29          that is attributable to operation of a railroad, truck, bus or  
30          airline company or entity which would qualify as a regulated

1 investment company under Article IV of the Tax Reform Code of  
2 1971 or would qualify as a holding company under Article VI of  
3 the Tax Reform Code of 1971 shall not be used to calculate an  
4 exemption under this section. This subsection shall not apply to  
5 the exemption from tax provided under subsection (a)(5).

6 Section 404. Corporate net income tax.

7 (a) Credits.--For the tax years that begin on or after  
8 January 1, 2017, a corporation that is a qualified business  
9 under this act may claim a credit against the tax imposed by  
10 Article IV of the act of March 4, 1971 (P.L.6, No.2), known as  
11 the Tax Reform Code of 1971, for tax liability attributable to  
12 business activity conducted within the zone in the taxable year.  
13 A credit may not be claimed for activities conducted prior to  
14 designation of the real property as part of a zone. The business  
15 activity must be conducted directly by a corporation in the zone  
16 in order for the corporation to claim the tax credit.

17 (b) Tax liability determinations.--The corporate tax  
18 liability attributable to business activity conducted within a  
19 zone shall be determined by multiplying the corporation's  
20 taxable income that is attributable to business activity  
21 conducted within the zone by the rate of tax imposed under  
22 Article IV of the Tax Reform Code of 1971 for the taxable year.

23 (c) Determinations of attributable tax liability.--Tax  
24 liability attributable to business activity conducted within a  
25 zone shall be computed, construed, administered and enforced in  
26 conformity with Article IV of the Tax Reform Code of 1971 and  
27 with specific reference to the following:

28 (1) If the entire business of the corporation in this  
29 Commonwealth is transacted wholly within the zone, the  
30 taxable income attributable to business activity within the

1 zone shall consist of the Pennsylvania taxable income as  
2 determined under Article IV of the Tax Reform Code of 1971.

3 (2) If the entire business of the corporation in this  
4 Commonwealth is not transacted wholly within the zone, the  
5 taxable income of a corporation in the zone shall be  
6 determined upon the portion of the Pennsylvania taxable  
7 income of the corporation attributable to business activity  
8 conducted within the zone and apportioned in accordance with  
9 subsection (d).

10 (d) Income apportionment.--The taxable income of a  
11 corporation that is a qualified business shall be apportioned to  
12 the zone by multiplying the Pennsylvania taxable income by a  
13 fraction, the numerator of which is the property factor plus the  
14 payroll factor and the denominator of which is two, in  
15 accordance with the following:

16 (1) The property factor is a fraction, the numerator of  
17 which is the average value of the taxpayer's real and  
18 tangible personal property owned or rented and used in the  
19 zone during the tax period and the denominator of which is  
20 the average value of all the taxpayer's real and tangible  
21 personal property owned or rented and used in this  
22 Commonwealth during the tax period but shall not include the  
23 security interest of any corporation as seller or lessor in  
24 personal property sold or leased under a conditional sale,  
25 bailment lease, chattel mortgage or other contract providing  
26 for the retention of a lien or title as security for the  
27 sales price of the property.

28 (2) (i) The payroll factor is a fraction, the numerator  
29 of which is the total amount paid in the zone during the  
30 tax period by the taxpayer for compensation and the

1 denominator of which is the total compensation paid in  
2 this Commonwealth during the tax period.

3 (ii) Compensation is paid in the zone if:

4 (A) the person's service is performed entirely  
5 within the zone;

6 (B) the person's service is performed both  
7 within and without the zone, but the service  
8 performed without the zone is incidental to the  
9 person's service within the zone; or

10 (C) some of the service is performed in the zone  
11 and the base of operations or, if there is no base of  
12 operations, the place from which the service is  
13 directed or controlled is in the zone or the base of  
14 operations or the place from which the service is  
15 directed or controlled is not in any location in  
16 which some part of the service is performed, but the  
17 person's residence is in the zone.

18 (e) Computation.--A corporation shall compute its  
19 Commonwealth taxable income in conformity with Article IV of the  
20 Tax Reform Code of 1971 with no adjustments or subtractions for  
21 energy enhancement zone taxable income.

22 (f) Limitation on amount of credit.--The credit allowed  
23 under this section shall not exceed the tax liability of the  
24 taxpayer under Article IV of the Tax Reform Code of 1971 for the  
25 tax year.

26 Section 405. Capital stock franchise tax.

27 (a) Credits.--For tax years that begin on or after January  
28 1, 2017, a corporation that is a qualified business under this  
29 act may claim a credit against the tax imposed by Article VI of  
30 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform

1 Code of 1971, for tax liability attributable to the capital  
2 employed within the zone in the taxable year. A credit may not  
3 be claimed for capital employed prior to designation of the real  
4 property as part of a zone. The business activity must be  
5 conducted directly by a corporation in the zone in order for the  
6 corporation to claim the tax credit.

7 (b) Tax liability.--The corporation's tax liability  
8 attributable to capital employed within a zone shall be  
9 determined by multiplying the corporation's taxable value  
10 attributable to capital employed within the zone by the rate of  
11 tax imposed under Article VI of the Tax Reform Code of 1971 for  
12 the taxable year. The corporation shall compute its Pennsylvania  
13 taxable value in conformity with Article VI of the Tax Reform  
14 Code of 1971 with no adjustments or subtractions for the capital  
15 employed in the zone.

16 (c) Determination of attributable tax liability.--The  
17 determination of the corporation's taxable value attributable to  
18 the capital employed within a zone shall be determined with  
19 specific reference to the following:

20 (1) If the entire business of the corporation in this  
21 Commonwealth is transacted wholly within a zone, the taxable  
22 value attributable to the capital employed within a zone  
23 shall consist of the Pennsylvania taxable value as determined  
24 under Article VI of the Tax Reform Code of 1971.

25 (2) If the entire business of the corporation in this  
26 Commonwealth is not wholly transacted within a zone, the  
27 taxable value of a corporation in a zone shall be determined  
28 upon the portion of the Pennsylvania taxable value  
29 attributable to the capital employed within the zone by  
30 employing the apportionment factors set forth in section

1 404(d).

2 (d) Limitation on amount of credit.--The credit allowed  
3 under this section shall not exceed the tax liability of the  
4 taxpayer under Article VI of the Tax Reform Code of 1971 for the  
5 tax year.

6 Section 406. Keystone energy enhancement zone job creation tax  
7 credit.

8 (a) Credits.--For tax years that begin on or after January  
9 1, 2017, a qualified business under this act may apply to the  
10 department for a zone job creation tax credit against the tax  
11 imposed by Article III, IV or VI of the Tax Reform Code of 1971.  
12 The credit shall be for all full-time jobs created within a zone  
13 in the taxable year. The job must be held directly with the  
14 qualified business in the zone in order for the qualified  
15 business to apply for the tax credit. The department shall  
16 prescribe the form and manner to obtain the credit.

17 (b) Relocation.--The following shall apply:

18 (1) A business that relocates from a location in a  
19 political subdivision in this Commonwealth that is not in a  
20 zone to a location in a zone may not apply for a credit for  
21 an existing job that is transferred, discontinued or lost in  
22 this Commonwealth which is attributable to the relocation.

23 (2) A business that has relocated pursuant to paragraph  
24 (1) and becomes a qualified business may apply for a zone job  
25 creation tax credit, for a new full-time job that is created  
26 in the zone. A new full-time job is created with a qualified  
27 business if the average monthly employment for that qualified  
28 business has increased from the prior 12-month calendar year  
29 in the zone.

30 (c) Application of credit.--A qualified business shall apply

1 for a credit under this section for the previous fiscal year by  
2 January 15.

3 (d) Apportionment.--The department shall apportion a zone  
4 job creation tax credit for a business that is a qualified  
5 business that has not operated in a zone for a full fiscal year.

6 (e) Credit determinations.--The zone job creation tax credit  
7 shall be determined by multiplying the monthly average of all  
8 full-time jobs by the allowance. The allowance for purposes of  
9 the zone job creation tax credit, for taxable years beginning  
10 within the dates set forth shall be as follows:

11	January 1, 2017, to December 31, 2017	\$500 per job
12	January 1, 2018, to December 31, 2018	\$750 per job
13	January 1, 2019, to December 31, 2019	\$1,000 per job
14	January 1, 2020, to December 31, 2020	\$1,250 per job
15	January 1, 2021, to December 31, 2021	\$1,250 per job
16	January 1, 2022, to December 31, 2022	\$1,250 per job
17	January 1, 2023, to December 31, 2023	\$1,250 per job
18	January 1, 2024, to December 31, 2024	\$1,250 per job
19	January 1, 2025, to December 31, 2025	\$1,250 per job
20	January 1, 2026, to December 31, 2026	\$1,250 per job
21	January 1, 2027, to December 31, 2027	\$1,250 per job

22 (f) Notification of credit.--By March 15, the department  
23 shall notify the qualified business of the amount of the  
24 qualified business' job creation tax credit that was approved.

25 (g) Allocation.--The total amount of credits approved by the  
26 department under this section may not exceed \$10,000,000  
27 annually. If the credits exceed the \$10,000,000 cap in a given  
28 year, the credits shall be allocated on a pro rata basis.

29 (h) Calculation of allocation.--If the total amount of zone  
30 job creation tax credits applied for by all qualified businesses

1 under this section exceeds \$10,000,000, the credit to be  
2 received by each qualified business shall be the product of  
3 \$10,000,000 multiplied by the quotient of the credit applied for  
4 by the qualified business divided by the total of all credits  
5 applied for by all qualified businesses, the algebraic  
6 equivalent of which is:

7           qualified business zone job creation tax credit =  
8           \$10,000,000 x (the amount of zone job creation tax credit  
9           applied for by the qualified business/the sum of all zone  
10          job creation tax credits applied for by all qualified  
11          businesses).

12       (i) Pass-through entities.--The zone job creation tax credit  
13 shall apply to the following:

14           (1) A partner or member of a partnership or association  
15          that qualifies under this section shall be entitled to a job  
16          creation tax credit in proportion to the partner's or  
17          member's share, whether or not distributed, of the income or  
18          gain received by the partnership or association for its  
19          taxable year.

20           (2) A shareholder of a Pennsylvania S corporation that  
21          qualifies under this section shall be entitled to a job  
22          creation tax credit in proportion to the shareholder's pro  
23          rata share, whether or not distributed, of the income or gain  
24          received by the corporation for its taxable year ending  
25          within or without the shareholder's taxable year.

26           (3) A member of a limited liability company that  
27          qualifies under this section shall be entitled to a job  
28          creation tax credit in proportion to the member's pro rata  
29          share, whether or not distributed, of the income or gain  
30          received by the limited liability company for its taxable

1 year ending within or without the member's taxable year.

2 (4) A partnership, association, Pennsylvania S  
3 corporation or limited liability company, or partner, member  
4 or shareholder, may not claim any other tax benefit, expense  
5 or credit for the same zone job creation tax credit.

6 Section 407. Residency.

7 (a) Qualifications.--In order to qualify each year for a tax  
8 exemption, deduction, abatement or credit under this act, an  
9 individual shall be domiciled and shall reside in a zone for a  
10 period of 184 consecutive days during each taxable year, which  
11 may begin on the date of designation by the department or on the  
12 date the individual first resides within the zone.

13 (b) Residency considerations.--If an individual completes  
14 the residency requirements under subsection (a) or if a  
15 nonresident realizes income attributable to business activity or  
16 property within a zone on or before the end of the tax year, the  
17 individual may claim the exemptions from income for the items  
18 set forth in section 403 for that portion of the tax year that  
19 the individual was a resident or for that portion of the tax  
20 year during which the area is designated as a zone.

21 CHAPTER 5

22 LOCAL TAXES

23 Section 501. Local taxes.

24 (a) Requirement.--Every political subdivision in which a  
25 zone is located shall exempt, deduct, abate or credit local  
26 taxes in accordance with ordinances and resolutions adopted to  
27 comply with section 301(c).

28 (b) Noncompliance.--Failure to comply with subsection (a)  
29 shall result in the revocation of the zone designation.

30 Section 502. Real property tax.

1 (a) Abatement.--Notwithstanding the act of May 22, 1933  
2 (P.L.853, No.155), known as The General County Assessment Law,  
3 and 53 Pa.C.S. Ch. 88 (relating to consolidated accounting  
4 assessment), each qualified political subdivision for taxable  
5 years beginning after December 31, 2016, shall by ordinance or  
6 resolution abate 100% of the real property taxation on the  
7 assessed valuation of deteriorated property in an area  
8 designated as a zone within this Commonwealth.

9 (b) Applicability.--

10 (1) The real property tax abatement under this section  
11 shall apply to all real property located in a zone,  
12 irrespective of any business activity, made of the realty by  
13 its owner, when this act is in effect.

14 (2) An abatement may not be provided to deteriorated  
15 property prior to designation of the deteriorated property as  
16 part of a zone.

17 (c) Investment in lieu of tax payment.--

18 (1) A qualified political subdivision may require a  
19 resident of deteriorated real property, in order for the  
20 residents to be qualified for exemptions, deductions,  
21 abatements and credits under this act, to invest up to 25% of  
22 all real property taxes which would have been due if the real  
23 property was not located in a zone in improvements to the  
24 real property.

25 (2) A qualified political subdivision may require a  
26 nonresident owner of deteriorated real property who leases  
27 the real property to an individual for residential use to  
28 invest 50% of all real property taxes which would have been  
29 due if the real property was not located in a zone in  
30 improvements to the real property.

1 (d) Annual real property report.--By January 31, a political  
2 subdivision in which a zone is located shall submit to the  
3 authority an annual report listing the address of each real  
4 property in a designated zone and its owner of record.

5 (e) Interest and penalties.--A person that claims an  
6 abatement of real property tax to which the person is not  
7 entitled under this act shall be liable for the abated taxes and  
8 subject to the applicable interest and penalty provisions  
9 provided by law.

10 (f) Calculations for education subsidy for school  
11 districts.--In determining the market value of real property in  
12 each school district, the State Tax Equalization Board shall  
13 exclude any increase in value above the base value prior to the  
14 effect of the abatement of local taxes to the extent and during  
15 the period of time that real estate tax revenues attributable to  
16 the increased value are not available to the school district for  
17 general school district purposes.

18 Section 503. Local earned income and net profits taxes;  
19 business privilege taxes.

20 (a) General exemption.--

21 (1) If a political subdivision has enacted a tax on the  
22 privilege of engaging in a business or profession, measured  
23 by gross receipts or on a flat rate basis, by earned income  
24 or by net profits, imposed within the boundaries of a zone,  
25 except as set forth in paragraph (2), the qualified political  
26 subdivision shall exempt all of the following from the tax:

27 (i) Business gross receipts for operations conducted  
28 by a qualified business within a zone.

29 (ii) Earned income received by a resident of a zone.

30 (iii) Net profits of a qualified business

1           attributable to business activity conducted within the  
2           zone.

3           (2) An exemption may not be granted for operations  
4           conducted, for earned income received or for activities  
5           conducted prior to designation of the real property as part  
6           of a zone.

7           (b) Additional exemptions.--

8           (1) This subsection applies if a qualified political  
9           subdivision has enacted a tax on the privilege of engaging in  
10          a profession or business, on wages or compensation, on net  
11          profits from the operation of a business or profession or  
12          other activity or on the occupancy or use of real property  
13          under any of the following:

14               (i) The act of August 5, 1932 (Sp.Sess., P.L.45,  
15               No.45), referred to as the Sterling Act.

16               (ii) The act of March 10, 1949 (P.L.30, No.14),  
17               known as the Public School Code of 1949.

18               (iii) The act of August 24, 1961 (P.L.1135, No.508),  
19               referred to as the First Class A School District Earned  
20               Income Tax Act.

21               (iv) The act of August 9, 1963 (P.L.640, No.338),  
22               entitled "An act empowering cities of the first class,  
23               coterminous with school districts of the first class, to  
24               authorize the boards of public education of such school  
25               districts to impose certain additional taxes for school  
26               district purposes, and providing for the levy, assessment  
27               and collection of such taxes."

28               (v) The act of May 30, 1984 (P.L.345, No.69), known  
29               as the First Class City Business Tax Reform Act.

30               (vi) The act of June 5, 1991 (P.L.9, No.6), known as

1 the Pennsylvania Intergovernmental Cooperation Authority  
2 Act for Cities of the First Class.

3 (2) If there is an enactment under paragraph (1), the  
4 qualified political subdivision shall provide an exemption,  
5 deduction, abatement or credit from the imposition and  
6 operation of the local tax ordinance or resolution for all of  
7 the following:

8 (i) The privilege of engaging in a business or  
9 profession within a zone by an individual or a qualified  
10 business, whether a resident or nonresident of the zone.

11 (ii) Salaries, wages, commissions, compensation or  
12 other income received for services rendered or work  
13 performed by a resident of the zone.

14 (iii) The gross or net income or gross or net  
15 profits realized from the operation of a qualified  
16 business to the extent attributable to business activity  
17 conducted within the zone.

18 (iv) The occupancy or use of real property located  
19 within the zone.

20 (c) Calculation for education subsidy for school district.--

21 (1) Except as set forth in paragraph (2), in determining  
22 the personal income valuation of a school district, the  
23 Secretary of Revenue shall exclude any increase in personal  
24 income valuation above the base value prior to the abatement  
25 of local taxes in a zone located within the school district  
26 to the extent and during the period of time that personal  
27 income revenue attributable to the increase in the personal  
28 income valuation are not available to the school district for  
29 general school district purposes.

30 (2) An exemption under this section may not be granted

1 to an individual or qualified business prior to designation  
2 of the real property as part of a zone.

3 (d) Determination of exemption.--For the purposes of  
4 determining an exemption under this section, a tax on or  
5 measured by any of the following shall be attributed to business  
6 activity conducted within a zone by applying the apportionment  
7 factors under section 404(d):

8 (1) Business gross receipts.

9 (2) Gross or net income.

10 (3) Gross or net profits.

11 (e) Definitions.--As used in this section, the following  
12 words and phrases shall have the meanings given to them in this  
13 subsection unless the context clearly indicates otherwise:

14 "Earned income." As defined in section 501 of the act of  
15 December 31, 1965 (P.L.1257, No.511), known as The Local Tax  
16 Enabling Act.

17 "Net profits." As defined in section 501 of The Local Tax  
18 Enabling Act.

19 "Personal income valuation." As defined in section 2501(9.1)  
20 of the act of March 10, 1949 (P.L.30, No.14), known as the  
21 Public School Code of 1949.

22 Section 504. Mercantile license tax.

23 An individual or qualified business in a zone may not be  
24 required to pay any fee authorized pursuant to a mercantile  
25 license tax imposed under the act of June 20, 1947 (P.L.745,  
26 No.320), entitled "An act to provide revenue for school  
27 districts of the first class A by imposing a temporary  
28 mercantile license tax on persons engaging in certain  
29 occupations and businesses therein; providing for its levy and  
30 collection; for the issuance of mercantile licenses upon the

1 payment of fees therefor; conferring and imposing powers and  
2 duties on boards of public education, receivers of school taxes  
3 and school treasurers in such districts; saving certain  
4 ordinances of council of certain cities, and providing  
5 compensation for certain officers, and employes and imposing  
6 penalties."

7 Section 505. Local sales and use tax.

8 (a) Applicable taxes.--This section applies to a tax imposed  
9 by a political subdivision under any of the following:

10 (1) Subarticle E of Article XXXI-B of the act of July  
11 28, 1953 (P.L.723, No.230), known as the Second Class County  
12 Code.

13 (2) Chapter 5 of the act of June 5, 1991 (P.L.9, No.6),  
14 known as the Pennsylvania Intergovernmental Cooperation  
15 Authority Act for Cities of the First Class.

16 (b) Exemption.--Except as set forth in subsection (c), a  
17 political subdivision which enacts a tax specified in subsection  
18 (a) shall exempt from the tax sales at retail of services or  
19 tangible personal property, to a qualified business or a  
20 construction contractor pursuant to a construction contract with  
21 a qualified business, landowner or lessee for the exclusive use,  
22 consumption and utilization of the tangible personal property or  
23 service by the qualified business at the qualified business',  
24 landowner's or lessee's facility located within a zone.

25 (c) Exception.--

26 (1) This subsection does not apply to the sale at retail  
27 of a motor vehicle.

28 (2) An exemption may not be granted for sales occurring  
29 prior to designation of the real property as part of a zone.

30 (d) Definitions.--As used in this section, the following

1 words and phrases shall have the meanings given to them in this  
2 subsection unless the context clearly indicates otherwise:

3 "Sale at retail." As defined in section 201(k) of the act of  
4 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
5 1971.

6 "Tangible personal property." As defined in section 201(m)  
7 of the Tax Reform Code of 1971.

8 CHAPTER 6

9 ADMINISTRATION OF TAX PROVISIONS

10 Section 601. Transferability.

11 Any exemption, deduction, abatement or credit provided to an  
12 individual or a qualified business under Chapter 4 or 5 is  
13 nontransferable and may not be applied, used or assigned to any  
14 other person, business or tax account.

15 Section 602. Recapture.

16 (a) Refund.--Except as set forth in subsection (c), if a  
17 qualified business located within a zone has received an  
18 exemption, deduction, abatement or credit under this act and  
19 subsequently relocates outside of the zone within the first five  
20 years of locating in a zone, the business shall refund to the  
21 Commonwealth and the political subdivision which granted the  
22 exemption, deduction, abatement or credit received.

23 (b) Amount.--The refund under subsection (a) shall be in the  
24 amount of the following percentages of the exemptions,  
25 deductions, abatements or credits attributed to the qualified  
26 business' participation in the zone:

27 (1) If the qualified business relocates within three  
28 years from the date of first locating in a zone, 66%.

29 (2) If the qualified business relocates within three to  
30 five years from the date of first locating in a zone, 33%.

1 (c) Exceptions.--

2 (1) If the qualified business was located within a  
3 facility operated by a nonprofit organization to assist in  
4 the creation and development of a start-up business, an  
5 exemption, deduction, abatement or credit may not be  
6 refunded.

7 (2) The authority, in consultation with the department  
8 and the political subdivision, may waive or modify recapture  
9 requirements under this section if the authority determines  
10 that the business relocation was due to circumstances beyond  
11 the control of the business. This paragraph includes:

12 (i) Natural disaster.

13 (ii) Unforeseen industry trends.

14 (iii) Loss of a major supplier or market.

15 Section 603. Delinquent or deficient State or local taxes.

16 (a) Individuals.--An individual may not claim or receive an  
17 exemption, deduction, abatement or credit under this act unless  
18 that individual is in full compliance with tax statutes,  
19 ordinances and resolutions.

20 (b) Qualified business.--

21 (1) A qualified business may not claim or receive an  
22 exemption, deduction, abatement or credit under this act  
23 unless that qualified business is in full compliance with  
24 tax statutes, ordinances and resolutions.

25 (2) A qualified business may not claim or receive an  
26 exemption, deduction, abatement or credit under this act if a  
27 person or business with a 20% or greater interest in that  
28 qualified business is not in full compliance with tax  
29 statutes, ordinances and resolutions.

30 (c) Later compliance and eligibility.--

1           (1) Subject to paragraph (2), an individual or a  
2 qualified business that is not eligible to claim an  
3 exemption, deduction, abatement or credit due to  
4 noncompliance under subsection (b) may become eligible if the  
5 individual or qualified business subsequently comes into full  
6 compliance to the satisfaction of the authority and  
7 department or the political subdivision within the calendar  
8 year in which the noncompliance first occurred.

9           (2) If full compliance is not attained by February 5 of  
10 the calendar year following the calendar year when  
11 noncompliance first occurred, then the individual or  
12 qualified business is precluded from claiming any exemption,  
13 deduction, abatement or credit for that calendar year,  
14 whether or not full compliance is achieved subsequently.

15       (d) Tax appeals.--An individual or a qualified business  
16 shall be deemed to be in full compliance under this section if  
17 the individual or qualified business:

18           (1) makes a timely administrative or judicial appeal for  
19 the tax; or

20           (2) is in compliance with an authorized deferred payment  
21 plan with the department or a political subdivision for the  
22 tax.

23 Section 604. Zoning, building and housing compliance.

24       (a) General rule.--An individual or a qualified business  
25 shall be precluded from claiming any exemption, deduction,  
26 abatement or credit provided for in this act if the individual  
27 or qualified business owns real property in a zone and the real  
28 property is not in compliance with applicable zoning, building  
29 and housing statutes, regulations, ordinances and codes.

30       (b) Opportunity to achieve compliance.--

1           (1) Except as set forth in paragraph (2), an individual  
2 or a qualified business that is not in compliance under  
3 subsection (a) shall have until December 31 of the calendar  
4 year following designation of the real property as part of a  
5 zone to be in compliance in order to claim a State exemption,  
6 deduction, abatement or credit for that year. If the time  
7 limit under this paragraph is not met, the individual or  
8 qualified business is precluded from claiming any exemption,  
9 deduction or credit for that calendar year, whether or not  
10 compliance is achieved in a subsequent calendar year.

11           (2) The political subdivision may extend the time period  
12 in which an individual or a qualified business must come into  
13 compliance with a local ordinance or building code for a  
14 period not to exceed one year if the political subdivision  
15 determines all of the following:

16           (i) The individual or qualified business has made  
17 and will continue to make a good faith effort to come  
18 into compliance.

19           (ii) An extension will enable the individual or  
20 qualified business to achieve full compliance.

21           (c) Notice.--A qualified political subdivision shall  
22 annually notify the authority and the department in writing of  
23 all persons or qualified businesses that are not in compliance  
24 with this section by January 30.

25 Section 605. Notice requirements; State and local authorities.

26           (a) Requirement.--

27           (1) After compliance reviews have been conducted by  
28 appropriate Commonwealth and political subdivision  
29 authorities, the authority shall notify each zone applicant  
30 by regular mail each year of the authority's approval or

1 denial of the applicant's application.

2 (2) An applicant shall not be entitled to a tax benefit  
3 unless it receives approval from the authority.

4 (b) Transmittal.--The authority or its designated official  
5 shall, within 15 business days of receipt of an application made  
6 under this act, forward a copy of the application to appropriate  
7 Commonwealth and political subdivision authorities for review  
8 and processing.

9 Section 606. Application time.

10 (a) Requirement.--Except as set forth in subsection (b), an  
11 applicant must file an application in a manner prescribed by the  
12 department by December 31 of the year for which the applicant  
13 claims any exemption, deduction, abatement or credit under this  
14 act.

15 (b) Extension or waiver.--Upon request of the applicant, the  
16 authority may extend or waive the application deadline for good  
17 cause if the political subdivision does not object to the waiver  
18 or extension.

19 (c) Approval.--An exemption, deduction, abatement or credit  
20 may not be claimed or received for a calendar year until  
21 approval has been recommended by the department and granted by  
22 the authority.

23 CHAPTER 7

24 PROCEDURES FOR ZONES

25 Section 701. Relation to other programs.

26 (a) Reduced interest.--Projects in a zone which are approved  
27 for Pennsylvania Industrial Development Authority or the Small  
28 Business First financing shall receive the lowest interest rate  
29 extended to borrowers.

30 (b) Priority consideration.--Projects in a zone shall

1 receive priority consideration for State assistance under State  
2 economic, community and economic development programs and  
3 community building initiatives.

4 (c) Marketing.--The authority, in cooperation with political  
5 subdivisions, shall develop and implement a consolidated  
6 marketing strategy for a zone for use in job retention and  
7 attraction activities.

8 (d) Local governments.--

9 (1) The Center for Local Government Services in the  
10 Department of Community and Economic Development shall do all  
11 of the following:

12 (i) Provide technical assistance to political  
13 subdivisions relating to:

14 (A) taxation;

15 (B) implementation of the strategic plan; and

16 (C) establishment of annual benchmarks and  
17 reporting requirements to the authority.

18 (ii) Provide political subdivisions with property  
19 designated as a zone with technical assistance to  
20 encourage the implementation of best practices in  
21 achieving efficient and effective local government  
22 administration.

23 (iii) Coordinate activities with other Commonwealth  
24 agencies providing various assistance to communities.

25 Section 702. Reporting.

26 The authority shall report to the General Assembly on the  
27 economic effects of this act in each zone every four years.

28 Section 703. Other Commonwealth tax credits.

29 (a) Prohibition.--An individual or a qualified business that  
30 is entitled to claim an exemption, deduction, abatement or

1 credit under this act may not claim or accumulate any of the  
2 following tax credits:

3 (1) Research and development under Article XVII-B of the  
4 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
5 Code of 1971.

6 (2) Job creation under Article XVIII-B of the Tax Reform  
7 Code of 1971.

8 (3) Neighborhood assistance under Article XIX-A of the  
9 Tax Reform Code of 1971.

10 (b) Outside of zone.--

11 (1) An individual or a qualified business may apply an  
12 exemption, deduction, abatement or credit to income realized  
13 from activity or transactions outside the zone, but only for  
14 the taxable year to which the exemption, deduction, abatement  
15 or credit applies.

16 (2) This subsection applies only to the taxes set forth  
17 in Chapters 4 and 5.

18 Section 704. Monitoring data.

19 The authority shall monitor all of the following:

20 (1) Verifiable job creation and job retention data.

21 (2) Information on the types of jobs created and average  
22 hourly wages.

23 (3) Number of years in the program.

24 (4) Annual, unduplicated public and private capital  
25 investment amounts.

26 (5) Business type and description.

27 (6) Types and amounts of other economic development  
28 assistance received from the Commonwealth.

29 (7) Documentation that proper participants identified as  
30 relocations meet the requirements of this act.

1 CHAPTER 13

2 MISCELLANEOUS PROVISIONS

3 Section 1301. Illegal activity.

4 Money and other forms of consideration received by a person  
5 conducting illegal activity shall not be eligible for any  
6 exemption, deduction, abatement or credit or any other benefit  
7 created under this act.

8 Section 1302. Regulations.

9 The department, in consultation with the authority, may  
10 promulgate regulations necessary to effectuate the provisions of  
11 this act.

12 Section 1303. Compliance.

13 An individual or a qualified business eligible for an  
14 exemption, deduction or credit under this act shall comply with  
15 all reporting, filing and compliance requirements under the act  
16 of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
17 1971, unless otherwise provided for in this act.

18 Section 1304. Penalties.

19 (a) Civil penalty.--In addition to a penalty under the act  
20 of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
21 1971, the department may impose an additional administrative  
22 penalty not to exceed \$10,000 for any act or violation of this  
23 act relating to State and local tax, including the filing of any  
24 false statement, return or document.

25 (b) Criminal penalty.--In addition to a criminal penalty  
26 under the Tax Reform Code of 1971, a person that knowingly  
27 violates this act commits a misdemeanor of the third degree.

28 Section 1305. Construction.

29 This act shall be interpreted to ensure that all provisions  
30 relating to State and local tax exemptions, deductions,

1 abatements and credits are strictly construed in favor of the  
2 Commonwealth.

3 Section 1306. Applicability.

4 The provisions of this act shall be applied prospectively. An  
5 individual or qualified business may not claim any exemption,  
6 deduction, abatement or credit until:

7 (1) the individual or business becomes qualified under  
8 this act; and

9 (2) in the case of a business, receives certification  
10 from the authority that the business is qualified.

11 Section 1308. Repeals.

12 All acts and parts of acts are repealed insofar as they are  
13 inconsistent with this act.

14 Section 1309. Effective date.

15 This act shall take effect immediately.