

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 2626

**PRINTER'S NO.** 4226

**AMOUNT**

Minimal Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

September 5, 2012

**PRIME SPONSOR**

Representative Benninghoff

**HISTORY OF BILL**

Referred to FINANCE, Sept. 5, 2012

Reported as committed, Sept. 25, 2012

First consideration, Sept. 25, 2012

Laid on the table, Sept. 25, 2012

Removed from table, Oct. 1, 2012

Second consideration, with amendments, Oct. 2, 2012

Re-committed to APPROPRIATIONS, Oct. 2, 2012

(Remarks see House Journal Page ), Oct. 2, 2012

Re-reported as committed, Oct. 3, 2012

Third consideration and final passage, Oct. 15, 2012 (142-55)

(Remarks see House Journal Page ), Oct. 15, 2012

In the Senate

Referred to FINANCE, Oct. 15, 2012

Reported as amended, Oct. 15, 2012

First consideration, Oct. 15, 2012

Re-referred to APPROPRIATIONS, Oct. 15, 2012

Re-reported as committed, Oct. 16, 2012

Second consideration, Oct. 16, 2012

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 2626, as amended, is a freestanding act that establishes the Promoting Employment Across Pennsylvania Program ("PEP"). PEP incentivizes businesses to create jobs by providing tax benefits to qualified companies in the form of employee withholding tax relief.

Under the legislation, a qualified company that meets the requirements of the act shall be eligible to retain 95% of the personal income tax withheld from employees' paychecks under section 316 of the Tax Reform Code, and the remaining 5% will be remitted to the Commonwealth. In order to qualify for benefits under this act, a qualified company must be located in this Commonwealth and create new jobs.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

House Bill 2626 defines a “qualified company” as a for-profit entity that makes available to its full-time employees health insurance coverage and pays at least 50% of the premium for the health insurance.

The legislation provides that the term “qualified company” shall not include the following:

- The gambling industry;
- Religious organizations;
- Retail establishments;
- Educational establishments and service providers;
- Public administration organizations;
- Utility companies;
- Food service and drinking places;
- Companies that are delinquent in the payment of any federal, state or local taxes; and
- Companies that have filed or have publicly announced their intention to file for bankruptcy protection.

House Bill 2626 requires a qualified company to enter into an agreement with the Department of Community and Economic Development (“department”) to create at least 250 new jobs in the Commonwealth within a five year period. At least 100 jobs must be created within the first two years of the agreement.

A qualified company that meets the terms of the agreement shall be eligible to retain 95% of the qualified company’s withholding taxes for the individuals employed in new jobs for one of the following periods:

1. Seven years, if the individuals are compensated at a rate equal to at least 100% of the county average wage;
2. Eight years, if the individuals are compensated at a rate equal to at least 110% of the county average wage;
3. Nine years, if the individuals are compensated at a rate equal to at least 120% of the county average wage; or
4. Ten years, if the individuals are compensated at a rate equal to at least 140% of the county average wage.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

A qualified company meeting the requirements of the act may apply to the department for benefits, and the department may approve or deny the application. The agreement between a qualified company and the department shall be entered into before any benefits may be provided. If a qualified company fails to comply with the agreement, the department shall terminate the agreement and recapture the withholding taxes that were retained. If a qualified company relocates outside of the Commonwealth within five years after receiving benefits, a portion of the withholding taxes retained by the qualified company shall be refunded to the Commonwealth.

A qualified company shall provide a notice to each affected employee that the qualified company is receiving benefits under the act and explain that the employee's withholding taxes are being retained by the qualified company. An individual whose withholding tax is subject to the act shall be credited for 100% of the withholding tax withheld from the individual's paycheck as if the tax was remitted to the Commonwealth by the qualified company.

A qualified company must submit a quarterly report, which contains the following information:

1. The name and employer identification number of the qualified company;
2. The effective date of the agreement;
3. The reporting period end date;
4. Information relating to each individual employed in a new job as required by the Department of Revenue;
5. Information on amounts retained or remitted; and
6. Any other information required by the department.

A qualified company claiming benefits under this act may not participate in any program in which any portion of its withholding taxes have been pledged to finance indebtedness or transferred to or for the benefit of the qualified company.

The department shall submit an annual report to the General Assembly indicating the effectiveness of the act, including the names of all qualified companies utilizing the program, the types and locations of the companies, the number of new jobs created, the wages paid for the individuals employed in new jobs, and the estimated economic impact on the Commonwealth.

The act takes effect immediately.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

### **FISCAL IMPACT:**

House Bill 2626 will have a minimal fiscal impact in fiscal year 2012-13. The legislation is designed in such a way that the Commonwealth will not realize any negative fiscal impact because the program applies only to the creation of new jobs that otherwise would not exist in the state.

To the extent that these new jobs would not have been created without the benefits of this program, the Commonwealth will realize additional personal income tax revenues resulting from the collection of 5% of the PIT withheld from individuals employed in new jobs. In addition, the Department of Revenue may assess a fee of not more than \$15 per individual employed in a new job of the qualified company.

The aggregate annual amount of benefits retained under the program may not exceed \$5 million in any one year. Furthermore, no agreement under this act may be entered into after January 1, 2018.