AN ACT

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

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

CHAPTER 1
Preliminary Provisions

Section 101. Short title.

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

Section 102. Definitions.

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

"Authority." The Keystone Energy Authority established in section 201.

"Board." The board of the authority established in section 202.
"Butane." A colorless, odorless gaseous alkane, C4H10, which occurs as a constituent of natural gas and is used as the raw material in the manufacturing of ethylene and butadiene.


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

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

"Downstream business." Any business that uses natural gas and natural gas byproducts, chemical products or chemical compounds produced or extracted in this Commonwealth as raw materials in the business's production process.

"Ethane." A colorless, odorless gaseous alkane, C2H6, which occurs as a constituent of natural gas and is used as the raw material in the manufacturing of ethylene.

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

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

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

"Natural gas." A fossil fuel consisting of a mixture of hydrocarbon gases, primarily methane, and possibly including ethane, propane, butane, pentane, carbon dioxide, oxygen, nitrogen and hydrogen sulfide and other gas species. The term
includes natural gas from oil fields known as associated gas or
casing head gas, natural gas fields known as nonassociated gas,
coal beds, shale beds and other formations. The term does not
include coal bed methane.

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

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

"Propane." A colorless, odorless gaseous alkane, C3H8, which
occurs as a constituent of natural gas and is used as the raw
material in the manufacturing of propylene.


CHAPTER 2

KEYSTONE ENERGY AUTHORITY

Section 201. Authority established.

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

Section 202. Governing board.

(a) Composition of board.--

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

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

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

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

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

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

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

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

(b) Term and chairperson.--

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

(2) The appointed members shall select a chairperson from among the members at the initial organizational meeting of the board and upon any subsequent vacancy in the office of chairperson. The member selected as chairperson shall serve in that capacity for two years from the date of selection or for the duration of the chairperson's term on the board, whichever is less, and may be reelected to subsequent two-year terms.
(3) An appointed board member shall serve at the discretion of the member's appointing authority. If a vacancy occurs among the appointed members on the board prior to or on the expiration of a term, the appointing authority who originally appointed the board member whose seat has become vacant shall appoint a successor member within 30 days of the vacancy.

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

(d) Meetings.--

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

(2) A majority of the board shall constitute a quorum for the purpose of conducting the business of the board and for all other purposes. All actions of the board shall be taken by a majority of the board except as otherwise specifically noted. The provisions of 65 Pa.C.S. Ch. 7 (relating to open meetings) shall apply to meetings of the board.
(e) Employees and agents.--The board shall determine the necessary number of employees of the authority and their respective compensation and duties. The board may contract for or receive the loan of services of persons in the employ of other government agencies, and other government agencies shall be authorized to make the employees available. The board may designate an executive director upon a majority vote. The board may, by a majority vote, hire an independent general counsel to the authority and may engage consultants and contract for other professional services upon a majority vote. The board may, by a majority vote, delegate to the executive director powers of the board as the board deems necessary to carry out the purposes of the authority, subject to the supervision and control of the board.

(f) Public officials and party officers.--

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

(2) The following shall apply:

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

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

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

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

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

(3) 65 Pa.C.S. Ch. 11 (relating to ethics standards and financial disclosure).

Section 203. Powers and duties of authority.

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

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

(1) To administer this act.

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

(i) Act as a point of contact. The authority shall designate a point of contact to work directly with applicants who seek to develop or utilize a zone. The
(ii) Report. Within six months of the date of the final appointment to the authority, the authority shall compile and submit to the Governor and the General Assembly a report identifying the challenges which exist across this Commonwealth to expanded natural gas transmission and distribution infrastructure and recommendations on how to address the challenges that are identified, including legislative and regulatory policy changes necessary to facilitate the expansion of infrastructure and increased utilization of natural gas and natural gas liquids.

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

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

(ii) Coordinate with all relevant regulatory agencies, including, but not limited to, the Federal Energy Regulatory Commission, the Department of Environmental Protection and the Pennsylvania Public Utility Commission to provide recommendations to streamline the issuance of permits in a timely, predictable and efficient manner for natural gas
transmission and distribution line projects.

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

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

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

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

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

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

Section 204. Duties of other entities.

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


(a) Establishment.--The Keystone Energy Enhancement Fund is established in the State Treasury as a restricted account. The fund shall consist of money appropriated by the General
Continuing appropriation.--All money in the fund and the interest accruing on the money are appropriated to the authority on a continuing basis to carry out the provisions of this act.

Section 206. Transfer for initial funding.

The sum of $500,000 is transferred from the General Fund to the Keystone Energy Enhancement Fund for expenditure during the fiscal year July 1, 2019, to June 30, 2020, to carry out the provisions of this act.

Section 207. Term of existence.

The authority shall exist until December 31, 2032.

Section 208. Fiscal year.

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

Section 209. Sovereign immunity.

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

CHAPTER 3

KEYSTONE ENERGY ENHANCEMENT ZONES


(a) Establishment.--There is established within the authority a program providing for Keystone Energy Enhancement Zones. A zone shall be comprised of deteriorated property and
shall not exceed a total of 500 acres.

(b) Zone designation.--The authority shall designate not more than 20 zones in this Commonwealth. Individuals and businesses within an authorized zone that are qualified under this act shall be entitled to all tax exemptions, deductions, abatements or credits set forth in this act for a period not to exceed 10 years beginning January 1, 2021, and ending before January 1, 2032.

(c) Authorization for local tax exemption.--Each political subdivision within which a proposed zone may be located in whole or in part is authorized to provide tax exemptions, deductions, abatements or credits to individuals and businesses qualified under this act. The political subdivision must agree to provide exemptions, deductions, abatements or credits from all local taxes set forth in this act in order for property to be included in a zone. Except as otherwise provided, the exemptions, deductions, abatements or credits shall take effect January 1, 2021, if designation of a zone within the political subdivision is granted by the authority. The exemptions, deductions, abatements or credits shall be binding upon the political subdivision for the duration of the zone designation.

Section 302. Application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Eligibility.--

(1) In order to be eligible for a zone designation, the
authority must receive an application from an individual,
business or political subdivision or a designee of a business
or political subdivision no later than June 30, 2020.

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

(3) The authority must act on an application for a
designation under this section by December 1, 2020.

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

(i) On a rolling basis during the application
period.

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

(A) not more than five zones may be reserved for counties of the first class;
(B) not more than three zones may be reserved for counties of the second class;
(C) not more than two zones per county may be reserved for counties of the second class A through eighth classes; and
(D) four zones must be reserved for counties of the fifth through eighth classes.

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

Section 303. Authorization.

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

(1) Have the potential to provide manufacturing business, petrochemical business or downstream business opportunities.
(2) Consist of deteriorated property.
(3) Have substantial real property with adequate infrastructure and access to natural gas and natural gas liquids to support new or expanded development.

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

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

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

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

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

(5) Existing resources available to the proposed zone.

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

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

(8) Proposals to implement energy enhancements.

(9) Proposals to maximize job creation.

(c) Tax exemption ordinances.--An area may not be authorized as a zone unless, as a part of the application, each political subdivision in which the proposed zone is to be located adopts and provides a copy of an ordinance, resolution or other required action from the governing body of each political subdivision that exempts or provides deductions, abatements or credits to qualified persons and qualified businesses from local taxes upon designation of the area as a zone. Each appropriate ordinance and resolution must take effect on or before January 1, 2021, if designation as a zone is granted. A resolution, ordinance or other required action shall be binding and
nonrevocable on the qualified political subdivisions for the
duration of the zone.

Section 304. Qualified businesses.

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

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

(2) provides support or services to a manufacturing
    business, petrochemical business or downstream business; or

(3) operates an apprenticeship program approved under
    the act of July 14, 1961 (P.L.604, No.304), known as The
    Apprenticeship and Training Act.

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

(1) The duration of the zone designation.

(2) The number of jobs created.

(3) The number of jobs retained.

(4) The amount of capital investment.

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

(6) Any other information, conditions or requirements
    reasonably required by the authority.
(c) Relocation.--A business that relocates from outside of a zone into a zone shall not receive any of the exemptions, deductions, abatements or credits provided under this act unless the business does one of the following:

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

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

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

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

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

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

Section 305. Forms.

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

(b) Authority assistance.--The authority shall assist political subdivisions in using the Internet as a tool for encouraging new business development, including assisting political subdivisions in making available, via the Internet, information, applications and other forms necessary under this act.
Section 306. Prohibition on illegal alien labor.

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

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

(c) Violations.--

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

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

   (ii) All of the following apply:

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

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

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

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

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

"Illegal alien." A noncitizen of the United States who is
violating Federal immigration laws and is providing compensated
labor within this Commonwealth.

Section 307. Requirement to exclusively use construction
contractors that participate in apprenticeship
programs that meet State standards.

(a) General rule.--An individual or business that receives a
tax exemption, deduction, abatement or credit under this act may
not enter into any agreement or contract with a contractor to
perform construction work with the contractor's employees or by
using a subcontractor unless the contractor and the contractor's
subcontractors provide an apprenticeship program which meets the
standards established by the State Apprenticeship and Training
Council under the act of July 14, 1961 (P.L.604, No.304), known
as The Apprenticeship and Training Act.

(b) Reimbursement.--As a condition of the receipt of a tax
exemption, deduction, abatement or credit under this act, the
authority or political subdivision that awards the exemption,
deduction, abatement or credit under this act must require full
repayment of the value or amount of the tax exemption,
deduction, abatement or credit if the individual or business
fails to meet the requirements under subsection (a).

(c) Ineligibility period.--An individual or business who is
required to repay the authority or a political subdivision under
this section shall be ineligible to apply for a tax exemption,
deduction, abatement or credit under this act for a period of
two years after the individual or business has established that
the individual or business has complied with the repayment
requirements under section (b).

CHAPTER 4

STATE TAXES

SUBCHAPTER A

GENERAL PROVISIONS

Section 401. State taxes.

(a) General rule.--An individual who is a resident of a
zone, a qualified business or a nonresident shall receive the
exemptions, deductions, abatements or credits as provided in
this chapter and Chapter 5 for the duration of the zone
designation. Exemptions, deductions, abatements or credits shall expire on the date of expiration of the zone designation.

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

SUBCHAPTER B
PARTICULAR STATE TAXES

Section 402. Sales and use tax.

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

Section 403. Personal income tax.

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

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

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

(3) All of the following:

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

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

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

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

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

(4) Net gains or income derived from or in the form of
rents received by a person, whether or not a resident of a
zone, to the extent that income or loss from the rental of
real or tangible personal property is allocable to a zone.

For purposes of calculating this exemption:

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

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

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

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

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

(b) Exemption.—Beginning in taxable year 2021, a person located in a designated zone shall be allowed an exemption under subsection (a) from the tax imposed by Article III of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, for the classes of income set forth under subsection (a). A person shall not be allowed an exemption for activities conducted prior to designation of the real property as part of a zone.

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

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

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

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

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

(e) Nonapplicability.--Any portion of net income or gain that is attributable to operation of a railroad, truck, bus or airline company or entity that would qualify as a regulated investment company under Article IV of the Tax Reform Code of 1971 or would qualify as a holding company under Article VI of
the Tax Reform Code of 1971 shall not be used to calculate an
exemption under this section. This subsection shall not apply to
the exemption from tax provided under subsection (a)(5).

Section 404. Corporate net income tax.

(a) Credits.--For the tax years beginning on or after
January 1, 2021, a corporation that is a qualified business
under this act may claim a credit against the tax imposed by
Article IV of the act of March 4, 1971 (P.L.6, No.2), known as
the Tax Reform Code of 1971, for tax liability attributable to
business activity conducted within the zone in the taxable year.
A credit may not be claimed for activities conducted prior to
designation of the real property as part of a zone. The business
activity must be conducted directly by a corporation in the zone
in order for the corporation to claim the tax credit.

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

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

(1) If the entire business of the corporation in this
Commonwealth is transacted wholly within the zone, the
taxable income attributable to business activity within the
zone shall consist of the Pennsylvania taxable income as
determined under Article IV of the Tax Reform Code of 1971.
(2) If the entire business of the corporation in this Commonwealth is not transacted wholly within the zone, the taxable income of a corporation in the zone shall be determined upon the portion of the Pennsylvania taxable income of the corporation attributable to business activity conducted within the zone and apportioned in accordance with subsection (d).

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

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

(2) (i) The payroll factor is a fraction, the numerator of which is the total amount paid in the zone during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid in this Commonwealth during the tax period.
(ii) Compensation is paid in the zone if:

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

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

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

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

(f) Limitation on amount of credit.--The credit allowed under this section shall not exceed the tax liability of the taxpayer under Article IV of the Tax Reform Code of 1971 for the tax year.
be claimed for capital employed prior to designation of the real
capital as part of a zone. The business activity must be
capital employed directly by a corporation in the zone in order for the
corporation to claim the tax credit.

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

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

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

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

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

CHAPTER 5

LOCAL TAXES

Section 501. Local taxes.

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

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

Section 502. Real property tax.

(a) Abatement.--Notwithstanding the act of May 22, 1933
(P.L.853, No.155), known as The General County Assessment Law,
and 53 Pa.C.S. Ch. 88 (relating to consolidated county
assessment), each qualified political subdivision for taxable
years beginning after December 31, 2020, shall by ordinance or
resolution abate 100% of the real property taxation on the
assessed valuation of deteriorated property in an area
designated as a zone within this Commonwealth.

(b) Applicability.--

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

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

(c) Investment in lieu of tax payment.--
(1) A qualified political subdivision may require a resident of deteriorated real property, in order for the residents to be qualified for exemptions, deductions, abatements and credits under this act, to invest up to 25% of all real property taxes which would have been due if the deteriorated real property was not located in a zone in improvements to the deteriorated real property.

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

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

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

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

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

(a) General exemption.--

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

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

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

(iii) Net profits of a qualified business attributable to business activity conducted within the zone.

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

(b) Additional exemptions.--

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


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


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


(vi) The act of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class.

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

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

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

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

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

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

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

(2) An exemption under this section may not be granted to an individual or qualified business prior to designation of the real property as part of a zone.

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

(1) Business gross receipts.

(2) Gross or net income.

(3) Gross or net profits.

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

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

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

Section 504. Mercantile license tax.

An individual or qualified business in a zone may not be required to pay any fee authorized pursuant to a mercantile license tax imposed under the act of June 20, 1947 (P.L.745, No.320), entitled "An act to provide revenue for school districts of the first class A by imposing a temporary mercantile license tax on persons engaging in certain occupations and businesses therein; providing for its levy and collection; for the issuance of mercantile licenses upon the payment of fees therefor; conferring and imposing powers and duties on boards of public education, receivers of school taxes and school treasurers in such districts; saving certain ordinances of council of certain cities, and providing compensation for certain officers, and employes and imposing penalties."

Section 505. Local sales and use tax.

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

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

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

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

(c) Exception.--

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

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

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

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

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

CHAPTER 6

ADMINISTRATION OF TAX PROVISIONS

Section 601. Transferability.

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

Section 602. Recapture.

(a) Refund.--Except as set forth in subsection (c), if a
(b) Amount.--The refund under subsection (a) shall be in the amount of the following percentages of the exemptions, deductions, abatements or credits attributed to the qualified business's participation in the zone:

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

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

(c) Exceptions.--

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

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

(i) Natural disaster.

(ii) Unforeseen industry trends.

(iii) Loss of a major supplier or market.
exemption, deduction, abatement or credit under this act unless
that individual is in full compliance with tax statutes,
ordinances and resolutions.

(b) Qualified business.--

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

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

(c) Later compliance and eligibility.--

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

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

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

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

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

Section 604. Zoning, building and housing compliance.

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

(b) Opportunity to achieve compliance.--

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

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

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

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

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

Section 605. Notice requirements; State and local authorities.

(a) Requirement.--

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

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

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

Section 606. Application time.

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

(b) Extension or waiver.--Upon request of the applicant, the
authority may extend or waive the application deadline for good

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cause if the political subdivision does not object to the waiver or extension.

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

CHAPTER 7

PROCEDURES FOR ZONES

Section 701. Relation to other programs.

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

(b) Priority consideration.--Projects in a zone shall receive priority consideration for State assistance under State economic, community and economic development programs and community building initiatives.

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

(d) Local governments.--The Center for Local Government Services in the Department of Community and Economic Development shall do all of the following:

(1) Provide technical assistance to political subdivisions relating to:

(i) taxation;

(ii) implementation of the strategic plan; and

(iii) establishment of annual benchmarks and reporting requirements to the authority.
(2) Provide political subdivisions with property designated as a zone with technical assistance to encourage the implementation of best practices in achieving efficient and effective local government administration.

(3) Coordinate activities with other Commonwealth agencies providing various assistance to communities.

Section 702. Reporting.

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

Section 703. Other Commonwealth tax credits.

(a) Prohibition.—An individual or a qualified business that is entitled to claim an exemption, deduction, abatement or credit under this act may not claim or accumulate any of the following tax credits:


(b) Outside of zone.—

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

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

Section 704. Monitoring data.
The authority shall monitor all of the following:

(1) Verifiable job creation and job retention data.
(2) Information on the types of jobs created and average hourly wages.
(3) Number of years in the program.
(4) Annual, unduplicated public and private capital investment amounts.
(5) Business type and description.
(6) Types and amounts of other economic development assistance received from the Commonwealth.
(7) Documentation that proper participants identified as relocations meet the requirements of this act.

CHAPTER 13
MISCELLANEOUS PROVISIONS

Section 1301. Illegal activity.

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

Section 1302. Regulations.

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

Section 1303. Compliance.

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

Section 1304. Reports.
(a) State zone report.--By June 15 following the baseline year and each year thereafter, each qualified business shall file a report with the department in a form or manner required by the department which shall include the following:

(1) Amount of each eligible tax which was paid to the Commonwealth by the qualified business in the prior calendar year.

(2) Amount of each eligible tax refund received from the Commonwealth in the prior calendar year by the qualified business.

(b) Local zone report.--By June 15 following the baseline year and for each year thereafter, each qualified business shall file a report with the local taxing authority which shall include the following:

(1) Amount of each eligible tax which was paid to the local taxing authority by the qualified business in the prior calendar year.

(2) Amount of each eligible tax refund received from the local taxing authority in the prior calendar year by the qualified business.

Section 1305. Penalties.

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

(b) Criminal penalty.--In addition to a criminal penalty under the Tax Reform Code of 1971, a person that knowingly violates this act commits a misdemeanor of the third degree.
Section 1306. Construction.

This act shall be interpreted to ensure that all provisions relating to State and local tax exemptions, deductions, abatements and credits are strictly construed in favor of the Commonwealth.

Section 1307. Applicability.

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

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

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

Section 1308. Repeals.

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

Section 1309. Effective date.

This act shall take effect immediately.