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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**

**No. 1384** Session of  
1998

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SALVATORE, TARTAGLIONE, HUGHES, MELLOW AND O'PAKE,  
MARCH 23, 1998

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REFERRED TO FINANCE, MARCH 23, 1998

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AN ACT

1 Providing for the creation of keystone opportunity zones to  
2 foster economic opportunities in this Commonwealth, to  
3 facilitate economic development, stimulate industrial,  
4 commercial and residential improvements and prevent physical  
5 and infrastructure deterioration of geographic areas within  
6 this Commonwealth; authorizing expenditures; providing tax  
7 exemptions, tax deductions, tax abatements and tax credits;  
8 creating additional obligations of the Commonwealth and local  
9 governmental units; prescribing powers and duties of certain  
10 State and local departments, agencies and officials; and  
11 making appropriations.

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

15 CHAPTER 1

16 PRELIMINARY PROVISIONS

17 Section 101. Short title.

18 This act shall be known and may be cited as the Pennsylvania  
19 Keystone Opportunity Zone Act.

20 Section 102. Legislative findings.

21 (1) There exists in this Commonwealth areas of economic  
22 distress characterized by high unemployment, low investment  
23 of new capital, inadequate dwelling conditions, blighted  
24 conditions, underutilized, obsolete or abandoned industrial,  
25 commercial and residential structures and deteriorating tax  
26 bases.

27 (2) These areas require coordinated efforts by private  
28 and public entities to restore prosperity and enable the  
29 areas to make significant contributions to the economic and  
30 social life of this Commonwealth.

1           (3) Long-term economic viability of these areas requires  
2           the cooperative involvement of residents, businesses, State  
3           and local elected officials and community organizations. It  
4           is in the best interest of the Commonwealth to assist and  
5           encourage the creation of keystone opportunity zones and to  
6           provide temporary relief from certain taxes within the  
7           keystone opportunity zones to accomplish the purposes of this  
8           act.

9 Section 103. Definitions.

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

13          "Business." An association, partnership, corporation, sole  
14          proprietorship, limited liability corporation or employer.

15          "Department." The Department of Community and Economic  
16          Development of the Commonwealth.

17          "Deteriorated property." Any blighted, impoverished area  
18          containing residential, industrial, commercial or other real  
19          property that is abandoned, unsafe, vacant, undervalued,  
20          underutilized, overgrown, defective, condemned, demolished or  
21          which contains economically undesirable land use. The term  
22          includes property adjacent to deteriorated property that is  
23          significantly undervalued and underutilized due to the proximity  
24          of the deteriorated property.

25          "Domicile." The place where a person has a true and fixed  
26          home and principal establishment for an indefinite time and to  
27          which, whenever absent, that person intends to return. Domicile  
28          continues until another place of domicile is established.

29          "Keystone opportunity zone." A defined geographic area  
30          comprised of one or more political subdivisions or portions of

1 political subdivisions designated by the Department of Community  
2 and Economic Development under Chapter 3. A keystone opportunity  
3 zone may be comprised of not more than 12 subzones.

4 "Opportunity plan." A written plan that addresses the  
5 criteria and meets the requirements in section 302(a).

6 "Person." Any natural person.

7 "Political subdivision." A county, city, borough, township,  
8 town or school district with taxing jurisdiction in a defined  
9 geographic area within this Commonwealth.

10 "Qualified business." Any business authorized to do business  
11 in this Commonwealth that is located within a keystone  
12 opportunity zone and is engaged in the active conduct of a trade  
13 or business in accordance with the requirements of section 307.

14 "Qualified political subdivision." A political subdivision  
15 that has been designated as a keystone opportunity zone.

16 "Resident." A person who is domiciled and resides in an area  
17 that is designated a keystone opportunity zone who meets the  
18 requirements of section 306.

19 "Subzone." A clearly defined geographic area containing a  
20 minimum of 20 contiguous acres.

21 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,  
22 No.2), known as the Tax Reform Code of 1971, and any subsequent  
23 amendments thereto.

## 24 CHAPTER 3

### 25 KEYSTONE OPPORTUNITY ZONES

26 Section 301. Keystone opportunity zones.

27 (a) Establishment.--There is hereby established within the  
28 department a program providing for the designation of portions  
29 of this Commonwealth as keystone opportunity zones. A keystone  
30 opportunity zone shall be comprised of deteriorated property and

1 shall not exceed a total of 5,000 acres.

2 (b) Designation.--The department shall designate not more  
3 than 12 keystone opportunity zones in this Commonwealth. Persons  
4 and businesses within the designated keystone opportunity zone  
5 that are qualified under this act shall be entitled to all tax  
6 exemptions, deductions, abatements and credits set forth in this  
7 act for a period not to exceed 12 years beginning January 1,  
8 1999, and ending on or before December 31, 2010.

9 (c) Subzones.--A keystone opportunity zone may be comprised  
10 of up to 12 clearly defined subzones containing a minimum of 20  
11 contiguous acres each. The subzones may or may not be contiguous  
12 to each other. The total number of subzones shall not exceed  
13 5,000 acres in the aggregate.

14 (d) Authorization for local tax exemption.--Every political  
15 subdivision in which a proposed keystone opportunity zone is  
16 located is hereby authorized to provide tax exemptions,  
17 deductions, abatements or credits to persons and businesses  
18 qualified under this act. The political subdivision shall agree  
19 to provide exemptions, deductions, abatements or credits from  
20 all local taxes set forth in this act in order to qualify to be  
21 designated a keystone opportunity zone within that political  
22 subdivision. Except as provided in section 303(e), the  
23 exemptions, deductions, abatements or credits shall be effective  
24 January 1, 1999, if designation of a keystone opportunity zone  
25 within the political subdivisions is granted by the department.  
26 The exemptions, deductions, abatements or credits shall be  
27 binding upon the political subdivision for the duration of the  
28 keystone opportunity zone designation.

29 Section 302. Application.

30 (a) Initial application.--One or more political

1 subdivisions, or a designee of one or more political  
2 subdivisions, may apply to the department to designate a  
3 keystone opportunity zone within the political subdivision or  
4 portions thereof. The application shall contain the following:

5 (1) The geographic area of the proposed keystone  
6 opportunity zone. The geographic area shall be located within  
7 the boundaries of the political subdivision and shall not  
8 contain more than 5,000 acres.

9 (2) An opportunity plan that shall include the  
10 following:

11 (i) A detailed map of the proposed keystone  
12 opportunity zone, including all subzones, to include  
13 geographic boundaries, total area and present use and  
14 conditions of the land and structures.

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

19 (iii) A proposal to increase economic opportunity,  
20 reduce crime, improve education, facilitate  
21 infrastructure improvement, reduce the local regulating  
22 burden and identify potential jobs and job training  
23 opportunities.

24 (iv) A description of the current social, economic  
25 and demographic characteristics of the proposed keystone  
26 opportunity zone and anticipated improvements in  
27 education, health, human services, public safety and  
28 employment.

29 (v) A description of anticipated activity in the  
30 keystone opportunity zone and each subzone, including,

1 but not limited to, industrial use, industrial site re-  
2 use, commercial or retail use and residential use.

3 (vi) Evidence of potential private and public  
4 investment in the keystone opportunity zone.

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

7 (viii) Plans for the administration of the proposed  
8 keystone opportunity zone utilizing existing resources.

9 (ix) Any other information deemed appropriate by the  
10 department.

11 (3) A report on youth at risk to include issues relating  
12 to health, welfare and education.

13 (4) The proposed duration of the keystone opportunity  
14 zone, not to exceed 12 years.

15 (5) A formal, binding ordinance or resolution passed by  
16 every political subdivision in which the proposed keystone  
17 opportunity zone is located that specifically provides for  
18 all local tax exemptions, deductions, abatements or credits  
19 for persons and businesses set forth in this act if  
20 designation is received by the department, to be effective  
21 January 1, 1999.

22 (6) Evidence that the keystone opportunity zone meets  
23 the required criteria under section 304.

24 (b) Participation limitation.--A qualified political  
25 subdivision shall not be a part of more than one keystone  
26 opportunity zone.

27 (c) Application limitation.--A qualified political  
28 subdivision may submit only one application to the department  
29 for designation as a keystone opportunity zone.

30 Section 303. Review.

1 (a) Action of department.--The department in consultation  
2 with the Department of Revenue shall review all completed  
3 applications submitted under this act. An application for  
4 designation as a keystone opportunity zone shall be received by  
5 the department on or before September 30, 1998, in order to be  
6 considered by the department.

7 (b) Process.--The department shall do all of the following:

8 (1) Designate up to 12 keystone opportunity zones from  
9 applications meeting the criteria in section 304 based upon  
10 need and likelihood of success.

11 (2) The department shall not alter the geographic  
12 boundaries of the keystone opportunity zone or the duration  
13 of the keystone opportunity zone described in the  
14 application.

15 (c) Award of designations.--The department shall designate  
16 all keystone opportunity zones by November 30, 1998.

17 (d) Effective date of designation.--The designation of a  
18 keystone opportunity zone under this act shall take effect on  
19 January 1, 1999.

20 (e) Extension.--The department may extend the deadline for  
21 the receipt of applications under subsection (a) until December  
22 31, 1998, if all 12 zones have not been designated and the  
23 extension is necessary to allow eligible political subdivisions  
24 to apply. The department shall designate additional keystone  
25 opportunity zones under this subsection by February 28, 1999.  
26 The designation shall take effect January 1, 1999, or if the  
27 designation occurs after January 1, 1999, that subsequent  
28 designation shall for all purposes be retroactive to January 1,  
29 1999. The designation shall end as provided in section 301(b).  
30 Section 304. Criteria for designation of keystone opportunity

1 zone.

2 (a) Specific criteria.--In order to qualify for designation  
3 under this act, the proposed keystone opportunity zone shall  
4 meet at least two of the following criteria:

5 (1) At least 20% of the population is below the poverty  
6 level.

7 (2) The unemployment rate is 1.25 times the Statewide  
8 average.

9 (3) At least 20% of all real property within a five-mile  
10 radius of the proposed keystone opportunity zone or subzone  
11 is abandoned, unoccupied or underutilized.

12 (4) At least 20% of all occupied housing within a two-  
13 mile radius of the proposed keystone opportunity zone or  
14 subzone is deteriorated.

15 (5) In an urban area, the median family income is 80% or  
16 less of the Statewide urban median family income.

17 (6) In an area other than an urban area, the median  
18 family income is 80% or less of the Statewide nonurban median  
19 family income.

20 (7) The population loss exceeds 10% in an area that  
21 includes the proposed keystone opportunity zone and its  
22 surrounding area, but is not larger than the county or  
23 counties in which the keystone opportunity zone is located,  
24 based on census data for the period between 1980 and 1990 or  
25 census estimates since 1990 establishing a pattern of  
26 population loss.

27 (8) The political subdivision in which the proposed  
28 keystone opportunity zone is located has experienced a sudden  
29 or severe job loss.

30 (9) At least 33% of the real property in a proposed

1 keystone opportunity zone in a nonurban area would otherwise  
2 remain underdeveloped or nonperforming due to physical  
3 characteristics of the real property.

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

7 (1) Evidence of distress, including, but not limited to,  
8 unemployment, percentage of population below 80% of the State  
9 median income, poverty rate, deteriorated property and  
10 adverse economic and socioeconomic conditions in the proposed  
11 keystone opportunity zone.

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

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

16 (4) Local public and private commitment to the  
17 development of the keystone opportunity zone and the  
18 potential cooperation of surrounding communities.

19 (5) Existing resources available to the proposed  
20 keystone opportunity zone.

21 (6) How keystone opportunity zone designation or  
22 economic redevelopment relate to other current economic and  
23 community development projects and to regional initiatives or  
24 programs.

25 (7) How the local regulatory burden will be eased for  
26 businesses operating in the proposed keystone opportunity  
27 zone.

28 (8) Proposals to implement educational opportunities and  
29 improvements.

30 (9) Crime statistics and proposals to implement local

1 crime reduction measures.

2 (10) Proposals to establish and link job creation and  
3 job training.

4 (c) Tax exemption ordinances.--An area shall not be  
5 designated as a keystone opportunity zone unless, as a part of  
6 the application, each political subdivision in which the  
7 proposed keystone opportunity zone is to be located adopts and  
8 provides a copy of an ordinance, resolution or other required  
9 action from the governing body of each political subdivision  
10 that exempts or provides deductions, abatements or credits to  
11 qualified persons and qualified businesses from local taxes upon  
12 designation of the area as a keystone opportunity zone. All  
13 appropriate ordinances and resolutions shall be effective on or  
14 before January 1, 1999, if designation as a keystone opportunity  
15 is granted. The resolution, ordinance or other required action  
16 shall be binding and nonrevocable on the qualified political  
17 subdivisions for the duration of the opportunity plan.

18 (d) Urban areas.--The department shall promulgate guidelines  
19 which include the definition of "urban area" for the purposes of  
20 receiving applications for designation as a keystone opportunity  
21 zone.

22 Section 305. Zone limitation.

23 The department shall not designate more than 12 keystone  
24 opportunity zones within this Commonwealth.

25 Section 306. Residency.

26 In order to qualify each year for a tax exemption, deduction,  
27 abatement or credit under this act, a person shall be domiciled  
28 and shall reside in the keystone opportunity zone for a period  
29 of 183 consecutive days. The 183-day period may begin on the  
30 date of designation by the department or on the date the person

1 first resides within the zone.

2 Section 307. Qualified businesses.

3 (a) Qualifications.--In order to qualify each year for a tax  
4 exemption, deduction, abatement or credit under this act, a  
5 business shall own or lease real property in the keystone  
6 opportunity zone from which the business actively conducts a  
7 trade, profession or business. The qualified business shall  
8 receive certification from the department that the business is  
9 located, and is in the active conduct of a trade, profession or  
10 business, within the keystone opportunity zone. The business  
11 shall obtain annual renewal of the certification from the  
12 department to continue to qualify under this section.

13 (b) Relocation.--Any business that relocates from outside a  
14 keystone opportunity zone into a keystone opportunity zone shall  
15 not receive any of the exemptions, deductions, abatements or  
16 credits set forth in this act unless that business either:

17 (1) increases full-time employment by at least 20% in  
18 the first full year of operation within the keystone  
19 opportunity zone; or

20 (2) makes a capital investment equivalent to 10% of the  
21 gross revenues of that business in the immediately preceding  
22 calendar or fiscal year.

23 The department, in consultation with the Department of Revenue,  
24 may waive or modify the requirements of this subsection, as  
25 appropriate.

26 Section 308. Forms.

27 Applications for designation as a keystone opportunity zone  
28 shall be on forms prescribed by the department.

29 CHAPTER 5

30 STATE TAXES

1 SUBCHAPTER A

2 GENERAL PROVISIONS

3 Section 501. State taxes.

4 (a) General rule.--A person who is a resident of a keystone  
5 opportunity zone, a qualified business or a nonresident under  
6 section 514 shall receive the exemptions, deductions, abatements  
7 or credits as provided in this chapter and Chapter 7 for the  
8 duration of the keystone opportunity zone designation.

9 Exemptions, deductions, abatements or credits shall expire on  
10 the date of expiration of the keystone opportunity zone  
11 designation.

12 (b) Duties of Department of Revenue.--The Department of  
13 Revenue shall administer, construe and enforce the provisions of  
14 this chapter in conjunction with Articles II, III, IV and VI of  
15 the Tax Reform Code of 1971.

16 SUBCHAPTER B

17 PARTICULAR STATE TAXES

18 Section 511. Sales and use tax.

19 (a) Exemption.--Sales at retail of services or tangible  
20 personal property, other than motor vehicles, to a qualified  
21 business for the exclusive use, consumption and utilization of  
22 the tangible personal property or service by the qualified  
23 business at a facility located within a keystone opportunity  
24 zone are exempt from the sales and use tax imposed under Article  
25 II of the Tax Reform Code of 1971.

26 (b) Limitation.--Retail sales or use of tangible personal  
27 property or services to the tangible personal property that will  
28 become a permanent part of real property in accordance with  
29 Department of Revenue regulations shall not be eligible for  
30 sales or use tax exemption under this section.

1 Section 512. Personal income tax.

2 (a) General rule.--For the 1999 taxable year and each tax  
3 year after 1999 and to the extent and for the duration provided  
4 in this act a person shall be allowed an exemption for:

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

7 (2) Net income from the operation of a qualified  
8 business received by a resident or nonresident of a keystone  
9 opportunity zone attributable to business activity conducted  
10 within a keystone opportunity zone after provision for all  
11 costs and expenses incurred in the conduct thereof,  
12 determined either on a cash or accrual basis in accordance  
13 with accepted accounting principles and practices but without  
14 deduction of taxes based on income.

15 (3) (i) Net gains or income, less net losses, derived  
16 by a resident or nonresident of a keystone opportunity  
17 zone from the sale, exchange or disposition of real or  
18 tangible personal property located in a keystone  
19 opportunity zone as determined in accordance with  
20 accepted accounting principles and practices.

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

30 (iii) The exemption from income for gain or loss

1 provided for in this subparagraph shall be prorated based  
2 on either:

3 (A) the percentage of time, based on calendar  
4 days, the property was held by the taxpayer while a  
5 resident of a keystone opportunity zone in relation  
6 to the total time held by the taxpayer; or

7 (B) the percentage of time, based on calendar  
8 days, the real or tangible personal property located  
9 in the keystone opportunity zone was held by a  
10 nonresident of a keystone opportunity zone during the  
11 time period the keystone opportunity zone was in  
12 effect in relation to the total time held.

13 (4) Net gains or income derived from or in the form of  
14 rents received by a person, whether a resident or nonresident  
15 of a keystone opportunity zone, to the extent that income or  
16 loss from the rental of real or tangible personal property is  
17 allocable to a keystone opportunity zone. For purposes of  
18 calculating this exemption:

19 (i) Net rents derived from real or tangible personal  
20 property located in a keystone opportunity zone are  
21 allocable to a keystone opportunity zone.

22 (ii) If the tangible personal property was used both  
23 within and without the keystone opportunity zone during  
24 the taxable year, only the net income attributable to use  
25 in the keystone opportunity zone is exempt. The net  
26 rental income shall be multiplied by a fraction, the  
27 numerator of which is the number of days the property was  
28 used in the keystone opportunity zone and the denominator  
29 which is the total days of use.

30 (5) Dividends received during the time the person was a

1 resident of a keystone opportunity zone.

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

4 (7) Net gains or income derived through estates or  
5 trusts received by a resident of a keystone opportunity zone  
6 at the time of such receipt.

7 (b) Limitation.--A resident or nonresident may not apply an  
8 exemption from income under this act for any class of income  
9 against any other classes of income or gain. A resident or  
10 nonresident may not carry back or carry forward any exemption  
11 under this act from year to year.

12 Section 513. Residency considerations.

13 If a person completes the residency requirements under  
14 section 306 or if a nonresident realizes income attributable to  
15 business activity or property within a keystone opportunity zone  
16 on or before the end of the tax year, the person may claim the  
17 exemptions from income for the items set forth in section 512  
18 for that portion of the tax year that the person was a resident  
19 or for that portion of the tax year during which the area is  
20 designated as a keystone opportunity zone. If the person  
21 completes the residency requirements under section 306 in a tax  
22 year subsequent to the tax year in which the person first  
23 resided in the keystone opportunity zone, the person may file an  
24 amended tax return within the applicable statute of limitations  
25 to claim an exemption from income for the period of residency  
26 within the keystone opportunity zone.

27 Section 514. Information for employer.

28 (a) Duty of employee.--Every person who is an employee that  
29 qualifies as a resident of a keystone opportunity zone shall  
30 furnish to his or her employer information, as prescribed by the

1 Department of Revenue, necessary for the employer to withhold  
2 the correct amount of tax. An employee shall furnish  
3 notification to his or her employer of any changes to the  
4 information within 20 days after the change. An employee shall  
5 notify his or her employer that the employee has completed the  
6 residency requirements under section 306.

7 (b) Duty of employer.--Within 20 days after an employer  
8 receives information from an employee pursuant to subsection  
9 (a), the employer shall forward a copy of that information to  
10 the Department of Revenue. The information shall not be given  
11 retroactive effect for withholding purposes. The employer shall  
12 not be required to withhold tax from the compensation paid to a  
13 resident of a keystone opportunity zone, if reasonable under the  
14 circumstances, unless directed by the Department of Revenue to  
15 withhold tax from the compensation on some other basis. If an  
16 employee fails or refuses to furnish the information, or  
17 furnishes information that the employer reasonably and in good  
18 faith believes to be inaccurate, the employer shall withhold the  
19 full rate of tax from the employee's total compensation.

20 Section 515. Corporate net income tax.

21 (a) Credits.--For the tax years that begin on or after  
22 January 1, 1999, a corporation that qualifies as a qualified  
23 business under this act may claim a credit against the tax  
24 imposed by Article IV of the Tax Reform Code of 1971 for the  
25 taxable year to the extent of the tax liability attributable to  
26 business activity conducted within a keystone opportunity zone  
27 in the taxable year.

28 (b) Tax liability determinations.--The corporate tax  
29 liability attributable to business activity conducted within a  
30 keystone opportunity zone shall be determined by multiplying the

1 corporation's taxable income that is attributable to business  
2 activity conducted within the keystone opportunity zone by the  
3 rate of tax imposed under Article IV of the Tax Reform Code of  
4 1971 for the taxable year.

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

11 (1) If the entire business of the corporation in this  
12 Commonwealth is transacted wholly within the keystone  
13 opportunity zone, the taxable income attributable to business  
14 activity within a keystone opportunity zone shall consist of  
15 the Pennsylvania taxable income as determined under Article  
16 IV of the Tax Reform Code of 1971.

17 (2) If the entire business of the corporation in this  
18 Commonwealth is not transacted wholly within the keystone  
19 opportunity zone, the taxable income of a corporation in a  
20 keystone opportunity zone shall be determined upon such  
21 portion of the Pennsylvania taxable income of such  
22 corporation attributable to business activity conducted  
23 within the keystone opportunity zone and apportioned in  
24 accordance with subsection (d).

25 (d) Income apportionment.--All taxable income of a qualified  
26 business shall be apportioned to the keystone opportunity zone  
27 by multiplying the Pennsylvania taxable income by a fraction,  
28 the numerator of which is the property factor plus the payroll  
29 factor plus the sales factor and the denominator of which is  
30 three.

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

14          (2) (i) The payroll factor is a fraction, the numerator  
15          of which is the total amount paid in the keystone  
16          opportunity zone during the tax period by the taxpayer  
17          for compensation and the denominator of which is the  
18          total compensation paid in this Commonwealth during the  
19          tax period.

20          (ii) Compensation is paid in the keystone  
21          opportunity zone if:

22                  (A) the person's service is performed entirely  
23                  within the keystone opportunity zone;

24                  (B) the person's service is performed both  
25                  within and without the keystone opportunity zone, but  
26                  the service performed without the keystone  
27                  opportunity zone is incidental to the person's  
28                  service within the keystone opportunity zone; or

29                  (C) some of the service is performed in the  
30                  keystone opportunity zone and the base of operations

1 or, if there is no base of operations, the place from  
2 which the service is directed or controlled is in the  
3 keystone opportunity zone, or the base of operations  
4 or the place from which the service is directed or  
5 controlled is not in any location in which some part  
6 of the service is performed, but the person's  
7 residence is in the keystone opportunity zone.

8 (3) The sales factor is a fraction, the numerator of  
9 which is the total sales of the taxpayer in the keystone  
10 opportunity zone during the tax period, and the denominator  
11 of which is the total sales of the taxpayer in this  
12 Commonwealth during the tax period.

13 (i) Sales of tangible personal property are in the  
14 keystone opportunity zone if the property is delivered or  
15 shipped to a purchaser within the keystone opportunity  
16 zone regardless of the F.O.B. point or other conditions  
17 of the sale.

18 (ii) Sales, other than sales of tangible personal  
19 property, are in the keystone opportunity zone if:

20 (A) the income-producing activity is performed  
21 in the keystone opportunity zone; or

22 (B) the income-producing activity is performed  
23 both within and without the keystone opportunity zone  
24 and a greater proportion of the income-producing  
25 activity is performed in the keystone opportunity  
26 zone than in any other location, based on costs of  
27 performance.

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

1 keystone opportunity zone taxable income.

2 (f) Credit.--The credit allowed under this section shall not  
3 exceed the corporate net income tax liability of the taxpayer  
4 for the tax year.

5 (g) Section not applicable to certain businesses.--Any  
6 portion of the taxpayer's taxable income that is attributable to  
7 the operation of a railroad, truck, bus or airline company,  
8 pipeline or natural gas company, water transportation company, a  
9 corporation that qualifies as a regulated investment company  
10 under Article IV of the Tax Reform Code of 1971, or holding  
11 company as defined in Article VI of the Tax Reform Code of 1971  
12 and any business activity that is associated or affiliated with  
13 the operation of these business activities shall not be used to  
14 calculate a credit under this section.

15 Section 516. Capital stock franchise tax.

16 (a) Credits.--For tax years that begin on or after January  
17 1, 1999, a corporation that is a qualified business under  
18 section 501(c) may claim a credit against the tax imposed by  
19 Article VI of the Tax Reform Code of 1971 for the taxable year  
20 to the extent of the tax liability attributable to the capital  
21 employed within a keystone opportunity zone in the taxable year.

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

1 keystone opportunity zone.

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

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

12 (2) If the entire business of the corporation in this  
13 Commonwealth is not wholly transacted within a keystone  
14 opportunity zone, the taxable value of a corporation in a  
15 keystone opportunity zone shall be determined upon such  
16 portion of the Pennsylvania taxable value attributable to the  
17 capital employed within the keystone opportunity zone by  
18 employing the apportionment factors set forth in subsection  
19 (d).

20 (d) Capital stock and franchise tax apportionment.--For  
21 purposes of apportionment of the capital stock and franchise  
22 tax, the apportionment fraction shall be the property factor  
23 plus the payroll factor plus the sales factor as the numerator  
24 and the denominator shall be three. In determining the relevant  
25 apportionment factors, the numerator of the property, payroll  
26 and sales factors shall not include any property, payroll and  
27 sales attributable to manufacturing, processing, research and  
28 development activities conducted within a keystone opportunity  
29 zone and the denominator of the property, payroll and sales  
30 factors shall not include any property, payroll and sales

1 attributable to manufacturing, processing and research and  
2 development activities conducted within this Commonwealth but  
3 without a keystone opportunity zone.

4 (e) Limitation on amount of credit.--The credit allowed  
5 under this section shall not exceed the capital stock franchise  
6 tax liability of the taxpayer for the tax year.

7 (f) Credit not available.--Any portion of the taxpayer's tax  
8 liability that is attributable to the capital employed in the  
9 operation of a railroad, truck, bus or airline company, pipeline  
10 or natural gas company, water transportation company, a  
11 corporation that qualifies, regulated investment company under  
12 Article IV of the Tax Reform Code of 1971, or holding company as  
13 defined in Article VI of the Tax Reform Code of 1971 and any  
14 capital employed in a business activity that is associated or  
15 affiliated with the operation of these business activities shall  
16 not be used to calculate a credit under this section.

17 CHAPTER 7

18 LOCAL TAXES

19 Section 701. Local taxes.

20 Every political subdivision in which a designated keystone  
21 opportunity zone is located shall exempt, deduct, abate or  
22 credit local taxes in accordance with ordinances and resolutions  
23 adopted under section 301(d). Failure to exempt, deduct, abate  
24 or credit local taxes shall result in the revocation of the  
25 keystone opportunity zone designation.

26 Section 702. Real property tax.

27 (a) General rule.--Notwithstanding the act of May 22, 1933  
28 (P.L.853, No.155), known as The General County Assessment Law,  
29 and the act of May 21, 1943 (P.L.571, No.254), known as The  
30 Fourth to Eighth Class County Assessment Law, each qualified

1 political subdivision for taxable years beginning on or after  
2 January 1, 1999, shall by ordinance or resolution abate 100% of  
3 the real property taxation on the assessed valuation of  
4 deteriorated property in an area designated as a keystone  
5 opportunity zone within this Commonwealth.

6 (b) Application for tax abatement.--Any person requesting  
7 real property tax abatement pursuant to ordinances or  
8 resolutions adopted pursuant to this act shall notify each  
9 political subdivision granting such abatement in writing on a  
10 form provided by that political subdivision within 30 days of  
11 the designation as a keystone opportunity zone or within 30 days  
12 of the transfer of ownership of the real property subject to  
13 abatement. A copy of the abatement request shall be forwarded by  
14 the political subdivision to the board of assessment or other  
15 appropriate assessment agency.

16 (c) Annual real property report.--Every qualified political  
17 subdivision shall submit to the department an annual report by  
18 December 31 of each calendar year of all real property and the  
19 owners and addresses of that real property at any time during  
20 the year which is located in a designated keystone opportunity  
21 zone.

22 (d) Interest and penalties.--If the department or a  
23 political subdivision finds that a person claimed an abatement  
24 of real property tax to which the person was not entitled under  
25 this act, the person shall be liable for the abated taxes and  
26 subject to the applicable interest and penalty provisions  
27 provided by law.

28 (e) Calculations for education subsidy for school  
29 districts.--In determining the market value of real property in  
30 each school district, the State Tax Equalization Board shall

1 exclude any increase in value above the base value prior to the  
2 effect of the abatement of local taxes to the extent and during  
3 the period of time that real estate tax revenues attributable to  
4 such increased value are not available to the school district  
5 for general school district purposes.

6 Section 703. Local earned income and net profits taxes;  
7 business privilege taxes.

8 (a) General exemption.--To the extent that a qualified  
9 political subdivision has enacted any tax on the privilege of  
10 engaging in any business or profession, measured by gross  
11 receipts or on a flat rate basis, earned income or net profits,  
12 as defined in the act of December 31, 1965 (P.L.1257, No.511),  
13 known as The Local Tax Enabling Act, imposed within the  
14 boundaries of a keystone opportunity zone, such qualified  
15 political subdivision shall exempt from the imposition or  
16 operation of such local tax ordinances, statutes, regulations or  
17 otherwise:

18 (1) The business gross receipts for operations conducted  
19 by a qualified business within a keystone opportunity zone.

20 (2) The earned income received by a resident of a  
21 keystone opportunity zone.

22 (3) The net profits of a qualified business received by  
23 a resident or nonresident of a keystone opportunity zone  
24 attributable to business activity conducted within a keystone  
25 opportunity zone.

26 (b) Additional exemptions.--To the extent that a qualified  
27 political subdivision has:

28 (1) pursuant to the act of August 5, 1932, (Sp.Sess.  
29 P.L.45, No.45), referred to as the Sterling Act, the act of  
30 March 10, 1949 (P.L.30, No.14), known as the Public School

1 Code of 1949, the act of August 24, 1961 (P.L.1135, No.508),  
2 referred to as the First Class A School District Earned  
3 Income Tax Act, the act of August 9, 1963 (P.L.640, No.338)  
4 entitled, "An act empowering cities of the first class,  
5 coterminous with school districts of the first class, to  
6 authorize the boards of public education of such school  
7 districts to impose certain additional taxes for school  
8 district purposes, and providing for the levy, assessment and  
9 collection of such taxes," the act of May 30, 1984 (P.L.345,  
10 No.69), known as the First Class City Business Tax Reform  
11 Act, or the act of June 5, 1991 (P.L.9, No.6), known as the  
12 Pennsylvania Intergovernmental Cooperation Authority Act for  
13 Cities of the First Class, enacted a tax on:

14 (i) the privilege of engaging in a profession or  
15 business;

16 (ii) wages or compensation;

17 (iii) net profits from the operation of a business,  
18 profession or other activity; or

19 (iv) the occupancy or use of real property.

20 (2) The qualified political subdivision shall provide an  
21 exemption, deduction, abatement or credit from the imposition  
22 and operation of such local tax ordinance or resolution any  
23 of the following:

24 (i) a person or qualified business, whether a  
25 resident or a nonresident of a keystone opportunity zone,  
26 for the privilege of engaging in a business or profession  
27 within a keystone opportunity zone;

28 (ii) salaries, wages, commissions, compensation or  
29 other income received for services rendered or work  
30 performed by a resident of a keystone opportunity zone;

1 (iii) the gross or net income or gross or net  
2 profits realized from the operation of a qualified  
3 business to the extent attributable to business activity  
4 conducted within a keystone opportunity zone; or

5 (iv) the occupancy or use of real property located  
6 within the keystone opportunity zone.

7 (c) Limitation on withholding.--Every employer required to  
8 withhold any local tax on the earned income, wages or  
9 compensation of one or more persons within the particular  
10 political subdivision shall not withhold such tax on earned  
11 income, wages or compensation paid to any person or his personal  
12 representative during any period when the qualified political  
13 subdivision has by ordinance or resolution provided for the  
14 exemption from tax as provided in section 701 and the person is  
15 a resident of a keystone opportunity zone.

16 (d) Information for employer.--Every person who is an  
17 employee that qualifies as a resident of a keystone opportunity  
18 zone shall furnish to his or her employer information, as  
19 prescribed by the political subdivision, necessary for the  
20 employer to withhold the correct amount of tax. An employee  
21 shall furnish notification to his or her employer of any changes  
22 to the information within 20 days after the change. An employee  
23 shall notify his or her employer that the employee has completed  
24 the residency requirements under section 306.

25 (e) Duty of employer.--Within 20 days after an employer  
26 receives information from an employee pursuant to subsection  
27 (a), the employer shall forward a copy of that information to  
28 the political subdivision. The information shall not be given  
29 retroactive effect for withholding purposes. The employer shall  
30 not be required to withhold tax from the compensation paid to a

1 resident of a keystone opportunity zone, if reasonable under the  
2 circumstances, unless directed by the political subdivision to  
3 withhold tax from the compensation on some other basis. If an  
4 employee fails or refuses to furnish the information, or  
5 furnishes information that the employer reasonably and in good  
6 faith believes to be inaccurate, the employer shall withhold the  
7 full rate of tax from the employee's total compensation.

8 (f) Calculation for education subsidy for school district.--  
9 In determining the personal income valuation of a school  
10 district, the Secretary of Revenue shall exclude any increase in  
11 the valuation as defined in section 2501(9.1) of the act of  
12 March 10, 1949 (P.L.30, No.14), known as the Public School Code  
13 of 1949, above the base value prior to the abatement of local  
14 taxes in a keystone opportunity zone located within the school  
15 district to the extent and during the period of time that  
16 personal income revenues attributable to the increase in the  
17 personal income valuation are not available to the school  
18 district for general school district purposes.

19 Section 704. Mercantile license tax.

20 No person or qualified business in a keystone opportunity  
21 zone shall be required to pay any fee authorized pursuant to a  
22 mercantile license tax imposed under the act of June 20, 1947  
23 (P.L.745, No.320), entitled, as amended, "An act to provide  
24 revenue for school districts of the first class A by imposing a  
25 temporary mercantile license tax on persons engaging in certain  
26 occupations and businesses therein; providing for its levy and  
27 collection; for the issuance of mercantile licenses upon the  
28 payment of fees therefor; conferring and imposing powers and  
29 duties on boards of public education, receivers of school taxes  
30 and school treasurers in such districts; saving certain

1 ordinances of council of certain cities, and providing  
2 compensation for certain officers, and employes and imposing  
3 penalties."

4 Section 705. Local sales and use tax.

5 (a) General rule.--The political subdivision shall exempt  
6 sales at retail of services or tangible personal property,  
7 except motor vehicles, to a qualified business for the exclusive  
8 use, consumption and utilization of the tangible personal  
9 property or service, by the qualified business at its facility  
10 located within a keystone opportunity zone from a city or county  
11 tax on purchase price authorized under Article XXXI-B of the act  
12 of July 28, 1953 (P.L.723, No.230), known as the Second Class  
13 County Code, as amended, and the act of June 5, 1991 (P.L.9,  
14 No.6), known as the Pennsylvania Intergovernmental Cooperation  
15 Authority Act for Cities of the First Class, as amended.

16 (b) Exclusion.--Sales at retail or use of tangible personal  
17 property or services to that tangible personal property that  
18 will become a permanent part of the real property in accordance  
19 with Department of Revenue regulations shall not be eligible for  
20 the exclusion provided for under this subsection.

21 (c) Definition.--Sales at retail of tangible personal  
22 property and services shall be defined in accordance with  
23 Article II of the Tax Reform Code of 1971.

24 CHAPTER 9

25 ADMINISTRATION OF TAX PROVISIONS

26 Section 901. Transferability.

27 Any exemption, deduction, abatement or credit provided to any  
28 person under Chapter 5 or 7 is nontransferable and cannot be  
29 applied, used or assigned to any other person or tax account.

30 Section 902. Recapture.

1 (a) General rule.--If any qualified business located within  
2 a keystone opportunity zone has received an exemption,  
3 deduction, abatement or credit under this act and subsequently  
4 relocates outside of the zone, that business shall refund to the  
5 State and political subdivision which granted the exemption,  
6 deduction, abatement or credit received in accordance with the  
7 following:

8 (1) If a qualified business relocates within three years  
9 from the date of any claim, 66% of all the exemptions,  
10 deductions, abatements or credits previously received due to  
11 that qualified business's participation in the keystone  
12 opportunity zone shall be refunded.

13 (2) If a qualified business relocates within three to  
14 five years from the date of any claim, 33% of all exemptions,  
15 deductions, abatements or credits previously received from  
16 participation in the keystone opportunity zone shall be  
17 refunded.

18 (3) If the qualified business was located within a  
19 facility operated by a nonprofit organization to assist in  
20 the creation and development of a start-up business, no  
21 exemption, deduction, abatement or credit shall be required.

22 (b) Waiver.--The department, in consultation with the  
23 Department of Revenue, may waive or modify recapture  
24 requirements under this section if the department determines  
25 that the business relocation was due to circumstances beyond the  
26 control of the business including, but not limited to:

- 27 (1) natural disaster;
- 28 (2) unforeseen industry trends; or
- 29 (3) loss of a major supplier or market.

30 (c) Determination of claim date.--For purposes of this

1 section, an exemption, deduction, abatement or credit is deemed  
2 to be claimed on the later of:

3 (1) the date the return or other report for the tax or  
4 fee is due;

5 (2) the date the return is filed; or

6 (3) the date the tax or fee would be paid.

7 Section 903. Delinquent or deficient State or local taxes.

8 (a) Persons.--No person may claim or receive an exemption,  
9 deduction, abatement or credit under this act unless that person  
10 is in full compliance with all State and local tax laws, and  
11 related ordinances and resolutions.

12 (b) Qualified business.--

13 (1) No qualified business may claim or receive an  
14 exemption, deduction, abatement or credit under this act  
15 unless that qualified business is in full compliance with all  
16 State and local tax laws, ordinances and resolutions.

17 (2) No qualified business may claim or receive an  
18 exemption, deduction, abatement or credit under this act if  
19 any person or business with a 20% or greater interest in that  
20 qualified business is not in full compliance with all State  
21 and local tax laws, ordinances and resolutions.

22 (c) Later compliance and eligibility.--Any person or  
23 qualified business that is not eligible to claim an exemption,  
24 deduction, abatement or credit due to noncompliance with any  
25 State or local tax law may become eligible if that person  
26 subsequently comes into full compliance with all State and local  
27 tax laws to the satisfaction of the Department of Revenue or the  
28 political subdivision within the calendar year in which the  
29 noncompliance first occurred. If full compliance is not attained  
30 by December 31 of the calendar year in which noncompliance first

1 occurred, then that person or qualified business is precluded  
2 from claiming any exemption, deduction, abatement or credit for  
3 that calendar year, whether or not full compliance is achieved  
4 in subsequent calendar years.

5 Section 904. Code compliance.

6 (a) General rule.--A person or qualified business shall be  
7 precluded from claiming any exemption, deduction, abatement or  
8 credit provided for in this act if that person or qualified  
9 business owns real property in a keystone opportunity zone and  
10 the real property is not in compliance with all applicable State  
11 and local zoning, building and housing laws, ordinances or codes  
12 and the real property owner has not filed an affidavit with the  
13 political subdivision attesting to compliance for that calendar  
14 year before December 31 with the political subdivision in which  
15 the real property is located.

16 (b) Opportunity to achieve compliance.--The person or  
17 qualified business who is not in compliance under subsection (a)  
18 shall have until December 31 of the calendar year that the  
19 noncompliance first occurred to be in compliance in order to  
20 claim any State exemptions, deductions, abatements or credits  
21 for that year. If full compliance is not attained by December 31  
22 of that calendar year, the person is precluded from claiming any  
23 exemption, deduction or credit for that calendar year, whether  
24 or not compliance is achieved in a subsequent calendar year.  
25 Qualified political subdivisions are required to notify the  
26 Department of Revenue in writing of all persons or qualified  
27 businesses not in compliance with this subsection within 30 days  
28 following the end of each calendar year.

29 Section 905. Appeals.

30 A person shall be deemed to be in noncompliance with any

1 State or local tax for purposes of this section if that person  
2 had made a timely administrative or judicial appeal for that  
3 particular tax or has entered into and is in compliance with a  
4 duly authorized deferred payment plan with the Department of  
5 Revenue or political subdivision for that particular tax.

6 CHAPTER 11

7 PROCEDURES FOR ZONES

8 Section 1101. Community benefits.

9 (a) Implementation grant.--The department may provide a one-  
10 time \$250,000 grant to the keystone opportunity zone to  
11 implement the opportunity plan and to provide an annual update  
12 of real property ownership and other information to the  
13 Department of Revenue. The annual update shall describe progress  
14 on all proposals required as part of the opportunity plan and  
15 other information as required by the department. A separate  
16 application must be submitted to the department outlining a  
17 budget and implementation narrative. The grant shall be drawn  
18 down as needed over a period not to exceed the first five years  
19 of designation as a keystone opportunity zone. Grant funds shall  
20 be provided from the housing and redevelopment appropriations.  
21 Keystone opportunity zones shall comply with the provisions of  
22 the appropriation.

23 (b) Reduced interest.--Projects in designated keystone  
24 opportunity zones that are approved for Pennsylvania Industrial  
25 Development Authority (PIDA), or Small Business First financing  
26 shall receive the lowest interest rate extended to borrowers.

27 (c) Priority consideration.--Projects in keystone  
28 opportunity zones shall receive priority consideration for State  
29 assistance under State economic, community and economic  
30 development programs and community building initiatives.

1 (d) Marketing.--The department shall develop and implement a  
2 consolidated marketing strategy for the keystone opportunity  
3 zones for use in job retention and attraction activities.

4 (e) Education.--The Department of Education shall provide  
5 technical assistance to school districts located in or school  
6 districts having parts of their districts located in keystone  
7 opportunity zones.

8 (f) Local governments.--The Center for Local Government  
9 Services in the department shall provide technical assistance to  
10 political subdivisions relating to taxation, implementation of  
11 the opportunity plan, establishing annual benchmarks and annual  
12 reporting requirements to the departments. Additionally, the  
13 Center for Local Government Services shall provide political  
14 subdivisions in keystone opportunity zones with technical  
15 assistance to encourage the implementation of best practices in  
16 achieving efficient and effective local government  
17 administration and shall coordinate activities with other  
18 departments and agencies providing various assistance to  
19 communities.

20 (g) Community-based organizations.--The department shall  
21 provide technical assistance for capacity building of existing  
22 community-based organizations dealing with socio-economic needs,  
23 housing assistance and job training in the keystone opportunity  
24 zones.

25 Section 1102. Reporting.

26 The department shall report to the General Assembly on the  
27 economic effects of this act in each keystone opportunity zone  
28 by December 31, 2011.

29 Section 1103. Other Commonwealth tax credits.

30 A person or qualified business that is entitled to claim an

1 exemption, deduction, abatement or credit in accordance with the  
2 provisions of this act shall not be entitled to claim or  
3 accumulate any of the following exemptions, deductions,  
4 abatements or credits that it may otherwise have qualified for  
5 due to activity within a keystone opportunity zone:

6 (1) Tax Reform Code of 1971:

7 (i) Article XVII relating to economic revitalization  
8 tax credits;

9 (ii) Article XVII-A relating to employment incentive  
10 payments;

11 (iii) Article XVII-B relating to research and  
12 development tax credits; or

13 (iv) Article XIX-A relating to neighborhood  
14 assistance and enterprise zone tax credits;

15 (2) tax credits under section 109 of the act of December  
16 19, 1996 (P.L.1478, No.190), known as the Waste Tire  
17 Recycling Act;

18 (3) homeowners mortgage credits;

19 (4) insurance premiums tax credits; and

20 (5) job creation tax credit under the act of June 29,  
21 1996 (P.L.434, No.67), known as the Job Enhancement Act.

22 The person or qualified business may apply the exemptions,  
23 deductions, abatements or credits to income realized from  
24 activity or transactions outside the keystone opportunity zone,  
25 but only for the taxable year to which the exemptions,  
26 deductions, abatements or credits apply. The provisions of this  
27 section shall apply only to the taxes set forth in Chapters 5  
28 and 7.

29 Section 1104. Illegal activity.

30 Any funds or other forms of consideration received by a

1 person or business conducting any type of illegal activity shall  
2 not be eligible for any of the exemptions, deductions,  
3 abatements and credits or any other benefits that are created  
4 under this act.

5 Section 1105. Rules and regulations.

6 The Department of Revenue shall promulgate such rules and  
7 regulations as may be necessary to effectuate the provisions of  
8 this act. The department shall promulgate such rules and  
9 regulations as may be necessary to effectuate the provisions of  
10 this act.

11 Section 1106. Compliance.

12 Any person eligible for an exemption, deduction or credit  
13 under this act shall comply with all reporting, filing and  
14 compliance requirements pursuant to the Tax Reform Code of 1971,  
15 unless otherwise provided for in this act.

16 Section 1107. Penalties.

17 (a) Civil penalty.--

18 (1) In addition to any penalties authorized by the Tax  
19 Reform Code of 1971 for violations of that act, the  
20 Department of Revenue may impose an additional administrative  
21 penalty not to exceed \$10,000 for any act or violation of  
22 this act relating to State and local taxes, including the  
23 filing of any false statement, return or document.

24 (2) The department may impose a civil penalty not to  
25 exceed \$10,000 for a violation of this act, including the  
26 filing of any false statement, return or document.

27 (b) Criminal penalty.--In addition to any criminal penalty  
28 under the Tax Reform Code of 1971, any person who knowingly  
29 violates any of the provisions of this act commits a misdemeanor  
30 of the third degree.

1 Section 1108. Construction.

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

6 Section 1109. Applicability.

7 The provisions of this act shall be applied prospectively. No  
8 person or business may claim any exemption, deduction, abatement  
9 or credit until that person or business becomes qualified under  
10 this act, and, in the case of a business, receives certification  
11 from the department that the business is qualified.

12 Section 1110. Severability.

13 The provisions of this act are severable. If any provision of  
14 this act or its application to any person or circumstance is  
15 held invalid, the invalidity shall not affect other provisions  
16 or applications of this act which can be given effect without  
17 the invalid provision or application.

18 Section 1111. Repeals.

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

21 Section 1112. Expiration.

22 This act and all benefits associated with this act shall  
23 terminate December 31, 2010.

24 Section 1113. Effective date.

25 This act shall take effect immediately.