

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2498 Session of 2000

INTRODUCED BY GLADECK, ARGALL, GRUITZA, ADOLPH, ALLEN, BARRAR, BELFANTI, CALTAGIRONE, CHADWICK, CLYMER, L. I. COHEN, M. COHEN, DAILEY, DALEY, DEMPSEY, FICHTER, GEIST, GODSHALL, HARHAI, HASAY, HENNESSEY, HERMAN, HERSHEY, MAHER, MAJOR, MCGILL, MCILHATTAN, PESCI, ROBERTS, RUBLEY, SAYLOR, SEYFERT, STEELMAN, E. Z. TAYLOR, TRELLO, TRUE, WILT, WOJNAROSKI, YOUNGBLOOD, PIPPY, HORSEY, MARSICO, THOMAS, MANN AND WASHINGTON, MAY 2, 2000

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, SEPTEMBER 25, 2000

AN ACT

1 ~~Amending the act of October 6, 1998 (P.L.705, No.92), entitled~~ <—
2 ~~"An act providing for the creation of keystone opportunity~~
3 ~~zones to foster economic opportunities in this Commonwealth,~~
4 ~~to facilitate economic development, stimulate industrial,~~
5 ~~commercial and residential improvements and prevent physical~~
6 ~~and infrastructure deterioration of geographic areas within~~
7 ~~this Commonwealth; authorizing expenditures; providing tax~~
8 ~~exemptions, tax deductions, tax abatements and tax credits;~~
9 ~~creating additional obligations of the Commonwealth and local~~
10 ~~governmental units; and prescribing powers and duties of~~
11 ~~certain State and local departments, agencies and officials,"~~
12 ~~further providing for applications, for residency, for~~
13 ~~personal income tax, for residency considerations, for~~
14 ~~employer information, for corporate net income tax, for~~
15 ~~capital stock franchise tax, for real property tax, for local~~
16 ~~earned income and net profits taxes and business privilege~~
17 ~~taxes, for transferability, for recapture, for delinquent~~
18 ~~taxes and for code compliance; providing for notice and for~~
19 ~~application time; and further providing for compliance.~~
20 AMENDING THE ACT OF OCTOBER 6, 1998 (P.L.705, NO.92), ENTITLED <—
21 "AN ACT PROVIDING FOR THE CREATION OF KEYSTONE OPPORTUNITY
22 ZONES TO FOSTER ECONOMIC OPPORTUNITIES IN THIS COMMONWEALTH,
23 TO FACILITATE ECONOMIC DEVELOPMENT, STIMULATE INDUSTRIAL,
24 COMMERCIAL AND RESIDENTIAL IMPROVEMENTS AND PREVENT PHYSICAL
25 AND INFRASTRUCTURE DETERIORATION OF GEOGRAPHIC AREAS WITHIN
26 THIS COMMONWEALTH; AUTHORIZING EXPENDITURES; PROVIDING TAX
27 EXEMPTIONS, TAX DEDUCTIONS, TAX ABATEMENTS AND TAX CREDITS;

1 CREATING ADDITIONAL OBLIGATIONS OF THE COMMONWEALTH AND LOCAL
2 GOVERNMENTAL UNITS; AND PRESCRIBING POWERS AND DUTIES OF
3 CERTAIN STATE AND LOCAL DEPARTMENTS, AGENCIES AND OFFICIALS,"
4 PROVIDING FOR KEYSTONE OPPORTUNITY EXPANSION ZONES AND
5 RELATED MATTERS; AND MAKING A REPEAL.

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

8 ~~Section 1. Sections 301, 306, 512, 513, 514, 515(d), 516,~~ <—
9 ~~702, 703, 901, 902, 903 and 904 of the act of October 6, 1998~~
10 ~~(P.L.705, No.92), known as the Pennsylvania Keystone Opportunity~~
11 ~~Zone Act, are amended to read:~~

12 ~~Section 301. Keystone opportunity zones.~~

13 ~~(a) Establishment. There is hereby established within the~~
14 ~~department a program providing for the designation of portions~~
15 ~~of this Commonwealth as keystone opportunity zones. A keystone~~
16 ~~opportunity zone shall be comprised of deteriorated property and~~
17 ~~shall not exceed a total of 5,000 acres.~~

18 ~~(b) Designation. The department shall designate not more~~
19 ~~than 12 keystone opportunity zones in this Commonwealth. Persons~~
20 ~~and businesses within a designated keystone opportunity zone~~
21 ~~that are qualified under this act shall be entitled to all tax~~
22 ~~exemptions, deductions, abatements or credits set forth in this~~
23 ~~act for a period not to exceed 12 years beginning January 1,~~
24 ~~1999, and ending on or before December 31, 2010.~~

25 ~~(c) Subzones. A keystone opportunity zone may be comprised~~
26 ~~of up to 12 clearly defined subzones containing a minimum of 20~~
27 ~~contiguous acres each. The subzones may or may not be contiguous~~
28 ~~to each other. The total number of subzones shall not exceed~~
29 ~~5,000 acres in the aggregate. The department may approve the use~~
30 ~~of a subzone containing a minimum of ten acres in an area that~~
31 ~~is not included in a metropolitan statistical area.~~

32 ~~(d) Authorization for local tax exemption. Every political~~

~~subdivision within which a proposed keystone opportunity zone is located, whether in whole or in part, is hereby authorized to provide tax exemptions, deductions, abatements or credits to persons and businesses qualified under this act. The political subdivision shall agree to provide exemptions, deductions, abatements or credits from all local taxes set forth in this act in order to qualify to be designated a keystone opportunity zone within that political subdivision. Except as provided in section 303(c), the exemptions, deductions, abatements or credits shall be effective January 1, 1999, if designation of a keystone opportunity zone within the political subdivision is granted by the department. The exemptions, deductions, abatements or credits shall be binding upon the political subdivision for the duration of the keystone opportunity zone designation.~~

~~(c) Authorization to extend State and local tax exemptions. A keystone opportunity zone which does not provide for the exemptions, deductions, abatements or credits set forth in this act for a period of 12 years, ending on December 31, 2010, may receive departmental designation to extend such State and local tax relief to the period ending December 31, 2010. A qualified political subdivision having an approved keystone opportunity subzone within its jurisdiction shall pass the required ordinances, resolutions or other required action of the qualified political subdivision for the necessary exemptions, deductions, abatements or credits pursuant to this act for the period after December 31, 2008, and before January 1, 2011, and shall submit copies to the department by December 31, 2000. The department shall approve or deny the extension of the duration of the keystone opportunity zone authorized under this subsection by February 28, 2001, and shall provide written~~

~~notice, irrespective of whether approved or denied, to each
qualified political subdivision, resident and qualified business
affected. Upon approval of the extension of the duration of the
keystone opportunity zone under this subsection, the exemptions,
deductions, abatements or credits shall be binding upon the
qualified political subdivision as provided in subsection (d)
and shall be nonrevocable.~~

~~Section 306. Residency.~~

~~In order to qualify each year for a tax exemption, deduction,
abatement or credit under this act, a person shall be domiciled
and shall reside in the keystone opportunity zone for a period
of 184 consecutive days during each taxable year, which may
begin on the date of designation by the department or on the
date the person first resides within the zone.~~

~~Section 512. Personal income tax.~~

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

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

~~(2) Net income from the operation of a qualified
business received by a resident or nonresident of a keystone
opportunity zone attributable to business activity conducted
within a keystone opportunity zone [after provision for all
costs and expenses incurred in the conduct thereof],
determined [either on a cash or accrual basis] in accordance
with [accepted accounting principles and practices but
without deduction of taxes based on income.] section 515 of
this act, provided that any business that operates both
within and outside this Commonwealth, before computing its~~

~~keystone opportunity zone exemption, shall first determine its Pennsylvania activity over its activity everywhere by applying the three factor apportionment formula as set forth in Department of Revenue personal income tax regulations applicable to income apportionment in connection with a business, trade or profession carried on both within and without this Commonwealth.~~

~~(3) All of the following:~~

~~(i) Net gains or income, less net losses, derived by a resident or nonresident of a keystone opportunity zone from the sale, exchange or disposition of real or tangible personal property located in a keystone opportunity 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 disposition of any stock of goods, merchandise or inventory, or any operational assets unless the transfer is in connection with the sale, exchange or disposition of all of the assets in complete liquidation of a qualified business located in a keystone opportunity zone. This subparagraph shall apply to intangible personal property employed in a trade, profession or business in a keystone opportunity 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 keystone opportunity zone.~~

~~(ii) Net gains, less net losses, realized by a resident of a keystone opportunity zone from the sale, exchange or disposition of intangible personal property~~

1 ~~or obligations issued on or after February 1, 1994, by~~
2 ~~the Commonwealth, a public authority, commission, board~~
3 ~~or other Commonwealth agency, political subdivision or~~
4 ~~authority created by a political subdivision or by the~~
5 ~~Federal Government as determined in accordance with~~
6 ~~accepted accounting principles and practices.~~

7 ~~(iii) The exemption from income for gain or loss~~
8 ~~provided for in this subparagraph shall be prorated based~~
9 ~~on [either] the following:~~

10 ~~(A) In the case of gains, less net losses, in~~
11 ~~subparagraph (i), the percentage of time, based on~~
12 ~~calendar days, the property located in a keystone~~
13 ~~opportunity zone was held by [the taxpayer while] a~~
14 ~~resident or nonresident of a keystone opportunity~~
15 ~~zone during the time period the keystone opportunity~~
16 ~~zone was in effect in relation to the total time the~~
17 ~~property was held [by the taxpayer; or].~~

18 ~~(B) In the case of gains, less net losses, in~~
19 ~~subparagraph (ii), the percentage of time, based on~~
20 ~~calendar days, the [real or tangible personal]~~
21 ~~property [located in the keystone opportunity zone]~~
22 ~~was held by the taxpayer while a [nonresident]~~
23 ~~resident of a keystone opportunity zone [during the~~
24 ~~time period the keystone opportunity zone was in~~
25 ~~effect] in relation to the total time the [real or~~
26 ~~tangible personal] property was held [by a~~
27 ~~nonresident].~~

28 ~~(4) Net gains or income derived from or in the form of~~
29 ~~rents received by a person, whether a resident or nonresident~~
30 ~~of a keystone opportunity zone, to the extent that income or~~

1 ~~loss from the rental of real or tangible personal property is~~
2 ~~allocable to a keystone opportunity zone. For purposes of~~
3 ~~calculating this exemption:~~

4 ~~(i) Net rents derived from real or tangible personal~~
5 ~~property located in a keystone opportunity zone are~~
6 ~~allocable to a keystone opportunity zone.~~

7 ~~(ii) If the tangible personal property was used both~~
8 ~~within and without the keystone opportunity zone during~~
9 ~~the taxable year, only the net income attributable to use~~
10 ~~in the keystone opportunity zone is exempt. The net~~
11 ~~rental income shall be multiplied by a fraction, the~~
12 ~~numerator of which is the number of days the property was~~
13 ~~used in the keystone opportunity zone and the denominator~~
14 ~~which is the total days of use.~~

15 ~~(5) Dividends received during the time the person was a~~
16 ~~resident of a keystone opportunity zone.~~

17 ~~(6) Interest received during the time period the person~~
18 ~~was a resident of a keystone opportunity zone.~~

19 ~~(7) [Net gains or income derived through estates or~~
20 ~~trusts received by a resident of a keystone opportunity zone~~
21 ~~at the time of such receipt.] For a resident beneficiary of~~
22 ~~an estate or trust, the part of the income or gains received~~
23 ~~by the estate or trust for its taxable year ending within or~~
24 ~~with the resident beneficiary's taxable year, which, under~~
25 ~~the governing instrument and applicable State law, is~~
26 ~~required to be distributed currently or is in fact paid or~~
27 ~~credited to the resident beneficiary and which would have~~
28 ~~been exempt under this act if received by a resident~~
29 ~~beneficiary directly.~~

30 ~~(a.1) Pass through entities. The exemptions provided for in~~

~~this section 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 ending within or with the partner's or member's 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 with the shareholder's taxable year.~~

~~(b) Limitation. A partnership, association, Subchapter S corporation, 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, Subchapter S corporation, resident or nonresident may not carry back or carry forward any exemption under this act from year to year.~~

~~(c) Section not applicable to certain entities. Any portion of net income or gain which is attributable to operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company, an entity which 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 and any entity activity which is associated or affiliated with any of these operations shall not be used to calculate an exemption under this section. This subsection shall not apply to the~~

~~exemption from tax provided in subsection (a)(5).~~

~~Section 513. Residency considerations.~~

~~If a person completes the residency requirements under section 306 or if a nonresident realizes income attributable to business activity or property within a keystone opportunity zone on or before the end of the tax year, the person may claim the exemptions from income for the items set forth in section 512 for that portion of the tax year that the person was a resident or for that portion of the tax year during which the area is designated as a keystone opportunity zone. [If the person meets the residency requirements under section 306 in a tax year subsequent to the tax year in which the person first resided in the keystone opportunity zone, the person may file an amended tax return within the applicable statute of limitations to claim an exemption from income for the period of residency within the keystone opportunity zone.~~

~~Section 514. Information for employer.~~

~~(a) Duty of employee. Every person who is an employee that qualifies as a resident of a keystone opportunity zone shall furnish to his or her employer information, as prescribed by the Department of Revenue, necessary for the employer to withhold the correct amount of tax. An employee shall furnish notification to his or her employer of any changes to the information within 20 days after the change. An employee shall notify his or her employer that the employee has completed the residency requirements under section 306.~~

~~(b) Duty of employer. Within 20 days after an employer receives information from an employee pursuant to subsection (a), the employer shall forward a copy of that information to the Department of Revenue. The information shall not be given~~

~~retroactive effect for withholding purposes. The employer shall not be required to withhold tax from the compensation paid to a resident of a keystone opportunity zone, if reasonable under the circumstances, unless directed by the Department of Revenue to withhold tax from the compensation on some other basis. If an employee fails or refuses to furnish the information or furnishes information that the employer reasonably and in good faith believes to be inaccurate, the employer shall withhold the full rate of tax from the employee's total compensation.]~~

~~Section 515. Corporate net income tax.~~

~~* * *~~

~~(d) Income apportionment. All taxable income of a qualified business shall be apportioned to the keystone opportunity zone by multiplying the Pennsylvania taxable income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is three[.] 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 keystone opportunity 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 keystone opportunity 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 keystone opportunity zone if:~~

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

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

~~(C) some of the service is performed in the keystone opportunity 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 keystone opportunity 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 keystone opportunity zone.~~

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

~~(i) Sales of tangible personal property are in the~~

1 ~~keystone opportunity zone if the property is delivered or~~
2 ~~shipped to a purchaser within the keystone opportunity~~
3 ~~zone regardless of the F.O.B. point or other conditions~~
4 ~~of the sale.~~

5 ~~(ii) Sales other than sales of tangible personal~~
6 ~~property are in the keystone opportunity zone if:~~

7 ~~(A) the income producing activity is performed~~
8 ~~in the keystone opportunity zone; or~~

9 ~~(B) the income producing activity is performed~~
10 ~~both within and without the keystone opportunity zone~~
11 ~~and a greater proportion of the income producing~~
12 ~~activity is performed in the keystone opportunity~~
13 ~~zone than in any other location, based on costs of~~
14 ~~performance.~~

15 ~~* * *~~

16 ~~Section 516. Capital stock franchise tax.~~

17 ~~(a) Credits. For tax years that begin on or after January~~
18 ~~1, 1999, a corporation that is a qualified business under~~
19 ~~section 307(a) may claim a credit against the tax imposed by~~
20 ~~Article VI of the Tax Reform Code of 1971 for the taxable year~~
21 ~~to the extent of the tax liability attributable to the capital~~
22 ~~employed within a keystone opportunity zone in the taxable year.~~

23 ~~(b) Tax liability. The corporation's tax liability~~
24 ~~attributable to capital employed within a keystone opportunity~~
25 ~~zone shall be determined by multiplying the corporation's~~
26 ~~taxable value attributable to capital employed within the~~
27 ~~keystone opportunity zone by the rate of tax imposed under~~
28 ~~Article VI of the Tax Reform Code of 1971 for the taxable year.~~
29 ~~The corporation shall compute its Pennsylvania taxable value in~~
30 ~~conformity with Article VI of the Tax Reform Code of 1971 with~~

~~no adjustments or subtractions for the capital employed in the keystone opportunity zone.~~

~~(c) Determination of attributable tax liability. The determination of the corporation's taxable value attributable to the capital employed within a keystone opportunity 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 keystone opportunity zone, the taxable value attributable to the capital employed within a keystone opportunity 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 keystone opportunity zone, the taxable value of a corporation in a keystone opportunity zone shall be determined upon such portion of the Pennsylvania taxable value attributable to the capital employed within the keystone opportunity zone by employing the apportionment factors set forth in [subsection (d)] section 515(d).~~

~~[(d) Capital stock and franchise tax apportionment. For purposes of apportionment of the capital stock and franchise tax, the apportionment fraction shall be the property factor plus the payroll factor plus the sales factor as the numerator, and the denominator shall be three. In determining the relevant apportionment factors, the numerator of the property, payroll and sales factors shall not include any property, payroll and sales attributable to manufacturing, processing, research and development activities conducted within a keystone opportunity zone, and the denominator of the property, payroll and sales~~

~~factors shall not include any property, payroll and sales attributable to manufacturing, processing and research and development activities conducted within this Commonwealth but without a keystone opportunity zone.]~~

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

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

~~Section 702. Real property tax.~~

~~(a) General rule. Notwithstanding the act of May 22, 1933 (P.L.853, No.155), known as The General County Assessment Law, and the act of May 21, 1943 (P.L.571, No.254), known as The Fourth to Eighth Class County Assessment Law, each qualified political subdivision for taxable years beginning on or after January 1, 1999, 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 keystone opportunity zone within this Commonwealth. The real property tax abatement provided for by this section shall apply to all real property located in a keystone opportunity zone, irrespective of~~

~~the business activity, if any, made of the realty by its owner,
when this act is in effect.~~

~~(b) Investment in lieu of tax payment.—~~

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

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

~~[(c) Application for tax abatement.— Any person requesting
real property tax abatement pursuant to ordinances or
resolutions adopted pursuant to this act shall notify each
county or other designated assessment office granting such
abatement in writing on a form provided by that assessment
office within 30 days of the designation as a keystone
opportunity zone or within 30 days of the transfer of ownership
of the real property subject to abatement. A copy of the
abatement request shall be forwarded by the county or other
designated assessment office to the political subdivision.]~~

~~(d) Annual real property report.— Every keystone opportunity
zone shall submit to the department an annual report by January
31 of each calendar year of all real property, and the owners
and addresses of that real property at any time during the~~

~~preceding year, which is located in a designated keystone
opportunity zone.~~

~~(c) Interest and penalties.— If the department or a
political subdivision finds that a person claimed an abatement
of real property tax to which the person was not entitled under
this act, the person 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
such increased value are not available to the school district
for general school district purposes.~~

~~Section 703.— Local earned income and net profits taxes;
business privilege taxes.~~

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

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

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

~~(3) The net profits of a qualified business [received by a resident or nonresident of a keystone opportunity zone] attributable to business activity conducted within a keystone opportunity zone when imposed by the qualified political subdivision where that qualified business is located.~~

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

~~(1) Pursuant to the act of August 5, 1932 (Sp.Sess. P.L.45, No.45), referred to as the Sterling Act, the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, the act of August 24, 1961 (P.L.1135, No.508), referred to as the First Class A School District Earned Income Tax Act, 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," the act of May 30, 1984 (P.L.345, No.69), known as the First Class City Business Tax Reform Act, or 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, enacted a tax on:~~

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

~~(ii) wages or compensation;~~

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

1 ~~(iv) the occupancy or use of real property.~~

2 ~~(2) The qualified political subdivision shall provide an~~
3 ~~exemption, deduction, abatement or credit from the imposition~~
4 ~~and operation of such local tax ordinance or resolution all~~
5 ~~of the following:~~

6 ~~(i) A person or qualified business, whether a~~
7 ~~resident or a nonresident of a keystone opportunity zone,~~
8 ~~for the privilege of engaging in a business or profession~~
9 ~~within a keystone opportunity zone.~~

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

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

17 ~~(iv) The occupancy or use of real property located~~
18 ~~within the keystone opportunity zone.~~

19 ~~[(c) Limitation on withholding. Every employer required to~~
20 ~~withhold any local tax on the earned income, wages or~~
21 ~~compensation of one or more persons within the particular~~
22 ~~political subdivision shall not withhold such tax on earned~~
23 ~~income, wages or compensation paid to any person or his personal~~
24 ~~representative during any period when the qualified political~~
25 ~~subdivision has by ordinance or resolution provided for the~~
26 ~~exemption from tax as provided in section 701 and the person is~~
27 ~~a resident of a keystone opportunity zone.~~

28 ~~(d) Information for employer. Every person who is an~~
29 ~~employee that qualifies as a resident of a keystone opportunity~~
30 ~~zone shall furnish to his or her employer information, as~~

~~prescribed by the political subdivision, necessary for the employer to withhold the correct amount of tax. An employee shall furnish notification to his or her employer of any changes to the information within 20 days after the change. An employee shall notify his or her employer that the employee has completed the residency requirements under section 306.~~

~~(c) Duty of employer. Within 20 days after an employer receives information from an employee pursuant to subsection (d), the employer shall forward a copy of that information to the political subdivision or other agency designated by the political subdivision. The information shall not be given retroactive effect for withholding purposes. The employer shall not be required to withhold tax from the wages, earned income or compensation paid to a resident of a keystone opportunity zone, if reasonable under the circumstances, unless directed by the political subdivision to withhold tax from the wages, earned income or compensation on some other basis. If an employee fails or refuses to furnish the information or furnishes information that the employer reasonably and in good faith believes to be inaccurate, the employer shall withhold the full rate of tax from the employee's total wages, earned income or compensation.]~~

~~(f) Calculation for education subsidy for school district. In determining the personal income valuation of a school district, the Secretary of Revenue shall exclude any increase in the 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, above the base value prior to the abatement of local taxes in a keystone opportunity zone located within the school district to the extent and during the period of time that personal income revenues attributable to the increase in the~~

~~personal income valuation are not available to the school district for general school district purposes.~~

~~Section 901. Transferability.~~

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

~~Section 902. Recapture.~~

~~(a) General rule. If any qualified business located within a keystone opportunity zone has received an exemption, deduction, abatement or credit under this act and subsequently relocates outside of the zone within the first five years of locating in a keystone opportunity zone, that business shall refund to the State and political subdivision which granted the exemption, deduction, abatement or credit received in accordance with the following:~~

~~(1) If a qualified business relocates within three years from the date of [any claim] first locating in a keystone opportunity zone, 66% of all the exemptions, deductions, abatements or credits [previously received due] attributed to that qualified business's participation in the keystone opportunity zone shall be refunded to the Commonwealth and the political subdivision.~~

~~(2) If a qualified business relocates within three to five years from the date of [any claim] first locating in a keystone opportunity zone, 33% of all exemptions, deductions, abatements or credits [previously received from] attributed to participation in the keystone opportunity zone shall be refunded to the Commonwealth and the political subdivision.~~

~~(3) 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, no exemption, deduction, abatement or credit shall be refunded.~~

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

~~(1) natural disaster;~~

~~(2) unforeseen industry trends; or~~

~~(3) loss of a major supplier or market.~~

~~[(c) Determination of claim date. For purposes of this section, an exemption, deduction, abatement or credit is deemed to be claimed on the later of:~~

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

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

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

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

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

~~(b) Qualified business.—~~

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

~~(2) No qualified business may claim or receive an~~

1 exemption, deduction, abatement or credit under this act if
2 any person or business with a 20% or greater interest in that
3 qualified business is not in full compliance with all State
4 and local tax laws, ordinances and resolutions.

5 ~~(c) Later compliance and eligibility. Any person or~~
6 ~~qualified business that is not eligible to claim an exemption,~~
7 ~~deduction, abatement or credit due to noncompliance with any~~
8 ~~State or local tax law may become eligible if that person or~~
9 ~~qualified business subsequently comes into full compliance with~~
10 ~~all State and local tax laws to the satisfaction of the~~
11 ~~Department of Revenue or the political subdivision within the~~
12 ~~calendar year in which the noncompliance first occurred. If full~~
13 ~~compliance is not attained by [December 31 of the calendar year~~
14 ~~in which] February 5 of the calendar year following the calendar~~
15 ~~year during which noncompliance first occurred, then that person~~
16 ~~or qualified business is precluded from claiming any exemption,~~
17 ~~deduction, abatement or credit for that calendar year, whether~~
18 ~~or not full compliance is achieved [in subsequent calendar~~
19 ~~years] subsequently.~~

20 Section 904. Code compliance.

21 ~~(a) General rule. A person or qualified business shall be~~
22 ~~precluded from claiming any exemption, deduction, abatement or~~
23 ~~credit provided for in this act if that person or qualified~~
24 ~~business owns real property in a keystone opportunity zone and~~
25 ~~the real property is not in compliance with all applicable State~~
26 ~~and local zoning, building and housing laws, ordinances or codes~~
27 ~~[and the real property owner has not filed an affidavit with the~~
28 ~~political subdivision attesting to compliance for that calendar~~
29 ~~year before December 31 with the political subdivision in which~~
30 ~~the real property is located].~~

~~(b) Opportunity to achieve compliance. The person or qualified business who 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 keystone opportunity zone to be in compliance in order to claim any State exemptions, deductions, abatements or credits for that year. If full compliance is not attained by December 31 of that calendar year, the person 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. The political subdivision may extend the time period in which a person or 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 that the person or qualified business has made and shall continue to make a good faith effort to come into compliance and that an extension will enable the person or qualified business to achieve full compliance. Qualified political subdivisions are required to notify the Department of Revenue in writing of all persons or qualified businesses not in compliance with this subsection within 30 days following the end of each calendar year.~~

~~Section 2. The act is amended by adding sections to read:~~
~~Section 906. Notice requirements; State and local authorities.~~

~~(a) Requirement. After compliance reviews have been conducted by appropriate Commonwealth and local authorities the department shall notify each keystone opportunity zone applicant by regular mail each year of the department approval or denial of the applicant's keystone opportunity zone application. No keystone opportunity zone applicant is entitled to any tax~~

~~benefits unless they receive approval from the department.~~

~~(b) Notice. In a form and manner prescribed by the department, the department shall provide a one time notification to every current keystone opportunity zone real property owner within 90 days of the effective date of this section. No benefits or rights shall accrue to any real property owner if notification is not received.~~

~~(c) Transmittal. The department, or its designated official, shall within 15 business days of receipt of a keystone opportunity zone application made under this act, forward a copy of the application to appropriate Commonwealth and local authorities for review and processing.~~

~~Section 907. Application time.~~

~~Any keystone opportunity zone applicant shall file a keystone opportunity zone application in a manner prescribed by the department by December 31 of each calendar year for which the applicant claims any exemption, deduction, abatement or credit under this act. No exemption, deduction, abatement or credit may be claimed or received for that calendar year until approval has been granted by the department.~~

~~Section 3. Section 1303 of the act is amended to read:~~

~~Section 1303. Compliance.~~

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

~~Section 4. This act shall apply as follows:~~

~~(1) The amendment of sections 512 and 703 of the act shall apply to taxable years beginning on or after January 1,~~

1 ~~1999.~~

2 ~~(2) The amendment of section 516 of the act shall apply~~
3 ~~to taxable years beginning on or after January 1, 2000.~~

4 ~~Section 5. This act shall take effect immediately.~~

5 SECTION 1. THE TITLE OF THE ACT OF OCTOBER 6, 1998 (P.L.705, <—
6 NO.92), KNOWN AS THE PENNSYLVANIA KEYSTONE OPPORTUNITY ZONE ACT,
7 IS AMENDED TO READ:

8 AN ACT

9 PROVIDING FOR THE CREATION OF KEYSTONE OPPORTUNITY ZONES AND
10 KEYSTONE OPPORTUNITY EXPANSION ZONES TO FOSTER ECONOMIC
11 OPPORTUNITIES IN THIS COMMONWEALTH, TO FACILITATE ECONOMIC
12 DEVELOPMENT, STIMULATE INDUSTRIAL, COMMERCIAL AND RESIDENTIAL
13 IMPROVEMENTS AND PREVENT PHYSICAL AND INFRASTRUCTURE
14 DETERIORATION OF GEOGRAPHIC AREAS WITHIN THIS COMMONWEALTH;
15 AUTHORIZING EXPENDITURES; PROVIDING TAX EXEMPTIONS, TAX
16 DEDUCTIONS, TAX ABATEMENTS AND TAX CREDITS; CREATING
17 ADDITIONAL OBLIGATIONS OF THE COMMONWEALTH AND LOCAL
18 GOVERNMENTAL UNITS; AND PRESCRIBING POWERS AND DUTIES OF
19 CERTAIN STATE AND LOCAL DEPARTMENTS, AGENCIES AND OFFICIALS.

20 SECTION 2. SECTIONS 101, 102, 103 AND 301 OF THE ACT ARE
21 AMENDED TO READ:

22 SECTION 101. SHORT TITLE.

23 THIS ACT SHALL BE KNOWN AND MAY BE CITED AS THE
24 [PENNSYLVANIA] KEYSTONE OPPORTUNITY ZONE AND KEYSTONE
25 OPPORTUNITY EXPANSION ZONE ACT.

26 SECTION 102. LEGISLATIVE FINDINGS.

27 (1) THERE EXIST IN THIS COMMONWEALTH AREAS OF ECONOMIC
28 DISTRESS CHARACTERIZED BY HIGH UNEMPLOYMENT, LOW INVESTMENT
29 OF NEW CAPITAL, INADEQUATE DWELLING CONDITIONS, BLIGHTED
30 CONDITIONS, UNDERUTILIZED, OBSOLETE OR ABANDONED INDUSTRIAL,

1 COMMERCIAL AND RESIDENTIAL STRUCTURES AND DETERIORATING TAX
2 BASES.

3 (2) THESE AREAS REQUIRE COORDINATED EFFORTS BY PRIVATE
4 AND PUBLIC ENTITIES TO RESTORE PROSPERITY AND ENABLE THE
5 AREAS TO MAKE SIGNIFICANT CONTRIBUTIONS TO THE ECONOMIC AND
6 SOCIAL LIFE OF THIS COMMONWEALTH.

7 (3) LONG-TERM ECONOMIC VIABILITY OF THESE AREAS REQUIRES
8 THE COOPERATIVE INVOLVEMENT OF RESIDENTS, BUSINESSES, STATE
9 AND LOCAL ELECTED OFFICIALS AND COMMUNITY ORGANIZATIONS. IT
10 IS IN THE BEST INTEREST OF THE COMMONWEALTH TO ASSIST AND
11 ENCOURAGE THE CREATION OF KEYSTONE OPPORTUNITY ZONES AND
12 KEYSTONE OPPORTUNITY EXPANSION ZONES AND TO PROVIDE TEMPORARY
13 RELIEF FROM CERTAIN TAXES WITHIN THE [KEYSTONE OPPORTUNITY]
14 ZONES TO ACCOMPLISH THE PURPOSES OF THIS ACT.

15 SECTION 103. DEFINITIONS.

16 THE FOLLOWING WORDS AND PHRASES WHEN USED IN THIS ACT SHALL
17 HAVE THE MEANINGS GIVEN TO THEM IN THIS SECTION UNLESS THE
18 CONTEXT CLEARLY INDICATES OTHERWISE:

19 "BUSINESS." AN ASSOCIATION, PARTNERSHIP, CORPORATION, SOLE
20 PROPRIETORSHIP, LIMITED LIABILITY [CORPORATION] COMPANY OR
21 EMPLOYER.

22 "DEPARTMENT." THE DEPARTMENT OF COMMUNITY AND ECONOMIC
23 DEVELOPMENT OF THE COMMONWEALTH.

24 "DETERIORATED PROPERTY." ANY BLIGHTED, IMPOVERISHED AREA
25 CONTAINING RESIDENTIAL, INDUSTRIAL, COMMERCIAL OR OTHER REAL
26 PROPERTY THAT IS ABANDONED, UNSAFE, VACANT, UNDERVALUED,
27 UNDERUTILIZED, OVERGROWN, DEFECTIVE, CONDEMNED, DEMOLISHED OR
28 WHICH CONTAINS ECONOMICALLY UNDESIRABLE LAND USE. THE TERM
29 INCLUDES PROPERTY ADJACENT TO DETERIORATED PROPERTY THAT IS
30 SIGNIFICANTLY UNDERVALUED AND UNDERUTILIZED DUE TO THE PROXIMITY

1 OF THE DETERIORATED PROPERTY.

2 "DOMICILE." THE PLACE WHERE A PERSON HAS A TRUE AND FIXED
3 HOME AND PRINCIPAL ESTABLISHMENT FOR AN INDEFINITE TIME AND TO
4 WHICH, WHENEVER ABSENT, THAT PERSON INTENDS TO RETURN. DOMICILE
5 CONTINUES UNTIL ANOTHER PLACE OF DOMICILE IS ESTABLISHED.

6 "KEYSTONE OPPORTUNITY EXPANSION ZONE." A DEFINED GEOGRAPHIC
7 AREA COMPRISED OF ONE OR MORE POLITICAL SUBDIVISIONS OR PORTIONS
8 OF POLITICAL SUBDIVISIONS DESIGNATED BY THE DEPARTMENT OF
9 COMMUNITY AND ECONOMIC DEVELOPMENT UNDER CHAPTER 3. A KEYSTONE
10 OPPORTUNITY EXPANSION ZONE MAY BE COMPRISED OF NOT MORE THAN
11 EIGHT SUBZONES.

12 "KEYSTONE OPPORTUNITY ZONE." A DEFINED GEOGRAPHIC AREA
13 COMPRISED OF ONE OR MORE POLITICAL SUBDIVISIONS OR PORTIONS OF
14 POLITICAL SUBDIVISIONS DESIGNATED BY THE DEPARTMENT OF COMMUNITY
15 AND ECONOMIC DEVELOPMENT UNDER CHAPTER 3. A KEYSTONE OPPORTUNITY
16 ZONE MAY BE COMPRISED OF NOT MORE THAN 12 SUBZONES.

17 "METROPOLITAN STATISTICAL AREA." A CORE AREA CONTAINING A
18 CITY WITH A POPULATION OF 50,000 OR MORE OR A BUREAU OF CENSUS
19 DEFINED URBANIZED AREA OF 50,000 WITH A TOTAL METROPOLITAN
20 POPULATION OF AT LEAST 100,000.

21 "OPPORTUNITY PLAN." A WRITTEN PLAN THAT ADDRESSES THE
22 CRITERIA AND MEETS THE REQUIREMENTS IN SECTION 302(A).

23 "PERSON." ANY NATURAL PERSON.

24 "POLITICAL SUBDIVISION." A COUNTY, CITY, BOROUGH, TOWNSHIP,
25 TOWN OR SCHOOL DISTRICT WITH TAXING JURISDICTION IN A DEFINED
26 GEOGRAPHIC AREA WITHIN THIS COMMONWEALTH.

27 "QUALIFIED BUSINESS." [ANY BUSINESS] A BUSINESS OR PORTION
28 THEREOF AUTHORIZED TO DO BUSINESS IN THIS COMMONWEALTH THAT IS
29 LOCATED WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
30 OPPORTUNITY EXPANSION ZONE AND IS ENGAGED IN THE ACTIVE CONDUCT

1 OF A TRADE OR BUSINESS IN ACCORDANCE WITH THE REQUIREMENTS OF
2 SECTION 307. AN AGENT, BROKER OR REPRESENTATIVE OF A BUSINESS IS
3 NOT ENGAGED IN THE ACTIVE CONDUCT OF TRADE OR BUSINESS FOR THE
4 BUSINESS.

5 "QUALIFIED POLITICAL SUBDIVISION." A POLITICAL SUBDIVISION
6 [THAT HAS BEEN DESIGNATED AS] THAT HAS REAL PROPERTY WITHIN ITS
7 JURISDICTION WHICH HAS BEEN DESIGNATED BY THE DEPARTMENT A
8 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
9 ZONE.

10 "RESIDENT." A PERSON WHO IS DOMICILED AND RESIDES IN AN AREA
11 THAT IS DESIGNATED A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
12 OPPORTUNITY EXPANSION ZONE AND WHO MEETS THE REQUIREMENTS OF
13 SECTION 306.

14 "SUBZONE." A CLEARLY DEFINED GEOGRAPHIC AREA CONTAINING A
15 MINIMUM OF 20 CONTIGUOUS ACRES OR A MINIMUM OF TEN CONTIGUOUS
16 ACRES IN A RURAL AREA.

17 "TAX REFORM CODE OF 1971." THE ACT OF MARCH 4, 1971 (P.L.6,
18 NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, AND ANY SUBSEQUENT
19 AMENDMENTS THERETO.

20 SECTION 301. KEYSTONE OPPORTUNITY ZONES.

21 (A) ESTABLISHMENT.--THERE IS HEREBY ESTABLISHED WITHIN THE
22 DEPARTMENT A PROGRAM PROVIDING FOR THE DESIGNATION OF PORTIONS
23 OF THIS COMMONWEALTH AS KEYSTONE OPPORTUNITY ZONES. A KEYSTONE
24 OPPORTUNITY ZONE SHALL BE COMPRISED OF DETERIORATED PROPERTY AND
25 SHALL NOT EXCEED A TOTAL OF 5,000 ACRES.

26 (B) [DESIGNATION] ZONE DESIGNATION.--THE DEPARTMENT SHALL
27 DESIGNATE NOT MORE THAN 12 KEYSTONE OPPORTUNITY ZONES IN THIS
28 COMMONWEALTH. PERSONS AND BUSINESSES WITHIN A DESIGNATED
29 KEYSTONE OPPORTUNITY ZONE THAT ARE QUALIFIED UNDER THIS ACT
30 SHALL BE ENTITLED TO ALL TAX EXEMPTIONS, DEDUCTIONS, ABATEMENTS

1 OR CREDITS SET FORTH IN THIS ACT FOR A PERIOD NOT TO EXCEED [12]
2 15 YEARS BEGINNING JANUARY 1, 1999, AND ENDING ON OR BEFORE
3 DECEMBER 31, [2010] 2013.

4 (C) [SUBZONES] SUBZONE DESIGNATION.--A KEYSTONE OPPORTUNITY
5 ZONE MAY BE COMPRISED OF UP TO 12 CLEARLY DEFINED SUBZONES
6 [CONTAINING A MINIMUM OF 20 CONTIGUOUS ACRES EACH. THE SUBZONES
7 MAY OR MAY NOT BE CONTIGUOUS TO EACH OTHER]. THE TOTAL NUMBER OF
8 [SUBZONES] SUBZONE ACRES IN A KEYSTONE OPPORTUNITY ZONE SHALL
9 NOT EXCEED 5,000 ACRES IN THE AGGREGATE. [THE DEPARTMENT MAY
10 APPROVE THE USE OF A SUBZONE CONTAINING A MINIMUM OF TEN ACRES
11 IN AN AREA THAT IS NOT INCLUDED IN A METROPOLITAN STATISTICAL
12 AREA.]

13 (D) AUTHORIZATION FOR LOCAL TAX EXEMPTION.--EVERY POLITICAL
14 SUBDIVISION WITHIN WHICH A PROPOSED KEYSTONE OPPORTUNITY ZONE IS
15 LOCATED, WHETHER IN WHOLE OR IN PART, IS HEREBY AUTHORIZED TO
16 PROVIDE TAX EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS TO
17 PERSONS AND BUSINESSES QUALIFIED UNDER THIS ACT. THE POLITICAL
18 SUBDIVISION SHALL AGREE TO PROVIDE EXEMPTIONS, DEDUCTIONS,
19 ABATEMENTS OR CREDITS FROM ALL LOCAL TAXES SET FORTH IN THIS ACT
20 IN ORDER TO QUALIFY TO BE DESIGNATED A KEYSTONE OPPORTUNITY ZONE
21 WITHIN THAT POLITICAL SUBDIVISION. EXCEPT AS PROVIDED IN SECTION
22 303(E), THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS SHALL
23 BE EFFECTIVE JANUARY 1, 1999, IF DESIGNATION OF A KEYSTONE
24 OPPORTUNITY ZONE WITHIN THE POLITICAL SUBDIVISION IS GRANTED BY
25 THE DEPARTMENT. THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR
26 CREDITS SHALL BE BINDING UPON THE POLITICAL SUBDIVISION FOR THE
27 DURATION OF THE KEYSTONE OPPORTUNITY ZONE DESIGNATION.

28 (E) AUTHORIZATION TO EXTEND STATE AND LOCAL TAX EXEMPTION.--
29 A QUALIFIED POLITICAL SUBDIVISION WHICH DOES NOT PROVIDE FOR THE
30 EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS SET FORTH IN THIS

1 ACT FOR A PERIOD OF 15 YEARS, ENDING DECEMBER 31, 2013, MAY
2 RECEIVE DEPARTMENTAL APPROVAL TO EXTEND THE STATE AND LOCAL TAX
3 RELIEF PROVIDED BY THIS ACT FOR THE PERIOD ENDING DECEMBER 31,
4 2013. A QUALIFIED POLITICAL SUBDIVISION HAVING AN APPROVED
5 KEYSTONE OPPORTUNITY SUBZONE WITHIN ITS JURISDICTION SHALL PASS
6 THE REQUIRED ORDINANCE, RESOLUTIONS OR OTHER REQUIRED ACTION OF
7 THE QUALIFIED POLITICAL SUBDIVISION FOR THE NECESSARY
8 EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS PURSUANT TO THIS
9 ACT FOR THE PERIOD BEGINNING AFTER DECEMBER 31, 2008, AND ENDING
10 ON DECEMBER 31, 2013, AND SHALL SUBMIT COPIES TO THE DEPARTMENT
11 OF THE ORDINANCE, RESOLUTIONS OR OTHER ACTION BY DECEMBER 31,
12 2000. THE DEPARTMENT SHALL APPROVE OR DENY THE REQUEST FOR
13 EXTENSION OF DURATION OF A KEYSTONE OPPORTUNITY ZONE BY FEBRUARY
14 28, 2001, AND SHALL PROVIDE WRITTEN NOTICE, IRRESPECTIVE OF
15 WHETHER APPROVED OR DENIED, TO EACH QUALIFIED POLITICAL
16 SUBDIVISION, RESIDENT AND QUALIFIED BUSINESS AFFECTED. UPON
17 APPROVAL OF A REQUEST FOR EXTENSION OF DURATION OF A KEYSTONE
18 OPPORTUNITY ZONE, THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR
19 CREDITS SHALL BE BINDING UPON THE QUALIFIED POLITICAL
20 SUBDIVISION AS PROVIDED IN SUBSECTION (D) AND SHALL BE
21 NONREVOCABLE.

22 SECTION 3. THE ACT IS AMENDED BY ADDING A SECTION TO READ:
23 SECTION 301.1. KEYSTONE OPPORTUNITY EXPANSION ZONES.

24 (A) ESTABLISHMENT.--THERE IS HEREBY ESTABLISHED WITHIN THE
25 DEPARTMENT A PROGRAM PROVIDING FOR THE DESIGNATION OF PORTIONS
26 OF THIS COMMONWEALTH AS KEYSTONE OPPORTUNITY EXPANSION ZONES. A
27 KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE COMPRISED OF
28 DETERIORATED PROPERTY AND SHALL NOT EXCEED A TOTAL OF 150 ACRES.

29 (B) DESIGNATION.--THE DEPARTMENT SHALL DESIGNATE NOT MORE
30 THAN 12 KEYSTONE OPPORTUNITY EXPANSION ZONES IN THIS

1 COMMONWEALTH. PERSONS AND BUSINESSES WITHIN A DESIGNATED
2 KEYSTONE OPPORTUNITY EXPANSION ZONE THAT ARE QUALIFIED UNDER
3 THIS ACT SHALL BE ENTITLED TO ALL TAX EXEMPTIONS, DEDUCTIONS,
4 ABATEMENTS OR CREDITS SET FORTH IN THIS ACT FOR A PERIOD OF 15
5 YEARS BEGINNING JANUARY 1, 2001, AND ENDING ON DECEMBER 31,
6 2013.

7 (C) SUBZONES.--A KEYSTONE OPPORTUNITY EXPANSION ZONE MAY BE
8 COMPRISED OF UP TO EIGHT CLEARLY DEFINED SUBZONES. THE TOTAL
9 NUMBER OF SUBZONE ACRES IN A KEYSTONE OPPORTUNITY EXPANSION ZONE
10 SHALL NOT EXCEED 150 ACRES IN THE AGGREGATE.

11 (D) AUTHORIZATION FOR LOCAL TAX EXEMPTION.--EVERY POLITICAL
12 SUBDIVISION WITHIN WHICH A PROPOSED KEYSTONE OPPORTUNITY
13 EXPANSION ZONE IS LOCATED, WHETHER IN WHOLE OR IN PART, IS
14 HEREBY AUTHORIZED TO PROVIDE TAX EXEMPTIONS, DEDUCTIONS,
15 ABATEMENTS OR CREDITS TO PERSONS AND BUSINESSES QUALIFIED UNDER
16 THIS ACT. THE POLITICAL SUBDIVISION SHALL AGREE TO PROVIDE
17 EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS FROM ALL LOCAL
18 TAXES SET FORTH IN THIS ACT IN ORDER TO QUALIFY TO BE DESIGNATED
19 A KEYSTONE OPPORTUNITY EXPANSION ZONE WITHIN THAT POLITICAL
20 SUBDIVISION. THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS
21 SHALL BE EFFECTIVE JANUARY 1, 2001, IF DESIGNATION OF A KEYSTONE
22 OPPORTUNITY EXPANSION ZONE WITHIN THE POLITICAL SUBDIVISION IS
23 GRANTED BY THE DEPARTMENT. THE EXEMPTIONS, DEDUCTIONS,
24 ABATEMENTS OR CREDITS SHALL BE BINDING UPON THE POLITICAL
25 SUBDIVISION FOR THE DURATION OF THE KEYSTONE OPPORTUNITY
26 EXPANSION ZONE DESIGNATION.

27 SECTION 4. SECTIONS 302, 303, 304, 305, 306, 307, 308, 501,
28 511, 512, 513, 514, 515 AND 516 OF THE ACT ARE AMENDED TO READ:
29 SECTION 302. APPLICATION.

30 (A) INITIAL APPLICATION.--ONE OR MORE POLITICAL

SUBDIVISIONS, OR A DESIGNEE OF ONE OR MORE POLITICAL
SUBDIVISIONS, MAY APPLY TO THE DEPARTMENT TO DESIGNATE [A
KEYSTONE OPPORTUNITY ZONE] DETERIORATED PROPERTY WITHIN THE
POLITICAL SUBDIVISION OR PORTIONS THEREOF A KEYSTONE OPPORTUNITY
ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE. THE APPLICATION
SHALL CONTAIN THE FOLLOWING:

(1) THE GEOGRAPHIC AREA OF THE PROPOSED KEYSTONE
OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION
ZONE. THE GEOGRAPHIC AREA SHALL BE LOCATED WITHIN THE
BOUNDARIES OF THE PARTICIPATING POLITICAL SUBDIVISION AND
SHALL NOT CONTAIN MORE THAN 5,000 ACRES IN THE CASE OF A
KEYSTONE OPPORTUNITY ZONE OR 150 ACRES IN THE CASE OF A
KEYSTONE OPPORTUNITY EXPANSION ZONE.

(2) AN OPPORTUNITY PLAN THAT SHALL INCLUDE THE
FOLLOWING:

(I) A DETAILED MAP OF THE PROPOSED KEYSTONE
OPPORTUNITY ZONE [AND SUBZONES] OR PROPOSED KEYSTONE
OPPORTUNITY EXPANSION ZONE, INCLUDING GEOGRAPHIC
BOUNDARIES, TOTAL AREA AND PRESENT USE AND CONDITIONS OF
THE LAND AND STRUCTURES OF THE PROPOSED KEYSTONE
OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
EXPANSION 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 CRIME, IMPROVE EDUCATION, FACILITATE
INFRASTRUCTURE IMPROVEMENT, REDUCE THE LOCAL REGULATING
BURDEN AND IDENTIFY POTENTIAL JOBS AND JOB TRAINING

1 OPPORTUNITIES AND WHICH STATES WHETHER OR NOT THE ZONE IS
2 LOCATED IN AN AREA WHICH HAS TAX REVENUE DEDICATED TO THE
3 PAYMENT OF DEBT.

4 (IV) A DESCRIPTION OF THE CURRENT SOCIAL, ECONOMIC
5 AND DEMOGRAPHIC CHARACTERISTICS OF THE PROPOSED KEYSTONE
6 OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
7 EXPANSION ZONE AND ANTICIPATED IMPROVEMENTS IN EDUCATION,
8 HEALTH, HUMAN SERVICES, PUBLIC SAFETY AND EMPLOYMENT THAT
9 WILL RESULT FROM KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
10 OPPORTUNITY EXPANSION ZONE DESIGNATION.

11 (V) A DESCRIPTION OF ANTICIPATED ACTIVITY IN THE
12 PROPOSED KEYSTONE OPPORTUNITY ZONE [AND EACH SUBZONE] OR
13 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE, INCLUDING,
14 BUT NOT LIMITED TO, INDUSTRIAL USE, INDUSTRIAL SITE
15 REUSE, COMMERCIAL OR RETAIL USE AND RESIDENTIAL USE.

16 (VI) EVIDENCE OF POTENTIAL PRIVATE AND PUBLIC
17 INVESTMENT IN THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR
18 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE.

19 (VII) THE ROLE OF THE PROPOSED KEYSTONE OPPORTUNITY
20 ZONE OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE IN
21 REGIONAL ECONOMIC AND COMMUNITY DEVELOPMENT.

22 (VIII) PLANS TO UTILIZE EXISTING RESOURCES FOR THE
23 ADMINISTRATION OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE
24 OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE.

25 (IX) ANY OTHER INFORMATION DEEMED APPROPRIATE BY THE
26 DEPARTMENT.

27 (3) A REPORT ON YOUTH AT RISK TO INCLUDE ISSUES RELATING
28 TO HEALTH, WELFARE AND EDUCATION.

29 (4) THE [PROPOSED] DURATION OF THE PROPOSED KEYSTONE
30 OPPORTUNITY ZONE [AND ALL SUBZONES] OR PROPOSED KEYSTONE

1 OPPORTUNITY EXPANSION ZONE. THE DURATION OF A KEYSTONE
2 OPPORTUNITY ZONE MAY NOT EXCEED [12] 15 YEARS. THE DURATION
3 OF A KEYSTONE OPPORTUNITY EXPANSION ZONE IS 15 YEARS.

4 (5) A FORMAL, BINDING ORDINANCE OR RESOLUTION PASSED BY
5 EVERY POLITICAL SUBDIVISION IN WHICH THE PROPOSED KEYSTONE
6 OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION
7 ZONE IS LOCATED THAT SPECIFICALLY PROVIDES FOR ALL LOCAL TAX
8 EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS FOR PERSONS AND
9 BUSINESSES SET FORTH IN THIS ACT [IF DESIGNATION IS RECEIVED
10 BY THE DEPARTMENT, TO BE EFFECTIVE JANUARY 1, 1999].

11 (6) EVIDENCE THAT THE PROPOSED KEYSTONE OPPORTUNITY ZONE
12 OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE MEETS THE
13 REQUIRED CRITERIA UNDER SECTION 304.

14 (B) PARTICIPATION LIMITATION.--A [QUALIFIED] POLITICAL
15 SUBDIVISION SHALL NOT BE A PART OF MORE THAN ONE PROPOSED
16 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
17 EXPANSION ZONE.

18 (C) APPLICATION LIMITATION.--A [QUALIFIED] POLITICAL
19 SUBDIVISION MAY SUBMIT ONLY ONE APPLICATION TO THE DEPARTMENT
20 FOR DESIGNATION AS A KEYSTONE OPPORTUNITY ZONE. A POLITICAL
21 SUBDIVISION MAY SUBMIT ONLY ONE APPLICATION TO THE DEPARTMENT
22 FOR DESIGNATION AS A KEYSTONE OPPORTUNITY EXPANSION ZONE.

23 SECTION 303. REVIEW.

24 (A) ACTION OF DEPARTMENT.--THE DEPARTMENT, IN CONSULTATION
25 WITH THE DEPARTMENT OF REVENUE, SHALL REVIEW ALL COMPLETED
26 APPLICATIONS SUBMITTED UNDER THIS ACT. AN APPLICATION FOR
27 DESIGNATION AS A KEYSTONE OPPORTUNITY ZONE SHALL BE RECEIVED BY
28 THE DEPARTMENT ON OR BEFORE SEPTEMBER 30, 1998, IN ORDER TO BE
29 CONSIDERED BY THE DEPARTMENT. AN APPLICATION FOR DESIGNATION AS
30 A KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE RECEIVED BY THE

1 DEPARTMENT ON OR BEFORE DECEMBER 31, 2000, IN ORDER TO BE
2 CONSIDERED BY THE DEPARTMENT.

3 (B) PROCESS.--THE DEPARTMENT SHALL DESIGNATE UP TO 12
4 KEYSTONE OPPORTUNITY ZONES FROM APPLICATIONS MEETING THE
5 CRITERIA IN SECTION 304 BASED UPON NEED AND LIKELIHOOD OF
6 SUCCESS. THE DEPARTMENT SHALL DESIGNATE UP TO 12 KEYSTONE
7 OPPORTUNITY EXPANSION ZONES FROM APPLICATIONS MEETING THE
8 CRITERIA IN SECTION 304 BASED UPON NEED AND LIKELIHOOD OF
9 SUCCESS. ADDITIONALLY, THE DEPARTMENT SHALL NOT ALTER THE
10 GEOGRAPHIC BOUNDARIES OF A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
11 OPPORTUNITY EXPANSION ZONE OR THE DURATION OF A KEYSTONE
12 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
13 DESCRIBED IN [THE] AN APPLICATION.

14 (C) AWARD OF DESIGNATIONS.--THE DEPARTMENT SHALL DESIGNATE
15 ALL KEYSTONE OPPORTUNITY ZONES BY NOVEMBER 30, 1998. THE
16 DEPARTMENT SHALL DESIGNATE ALL KEYSTONE OPPORTUNITY EXPANSION
17 ZONES BY FEBRUARY 28, 2001.

18 (D) EFFECTIVE DATE OF DESIGNATION.--THE DESIGNATION OF A
19 KEYSTONE OPPORTUNITY ZONE UNDER THIS ACT SHALL TAKE EFFECT ON
20 JANUARY 1, 1999. THE DESIGNATION OF A KEYSTONE OPPORTUNITY
21 EXPANSION ZONE UNDER THIS ACT SHALL TAKE EFFECT ON JANUARY 1,
22 2001.

23 (E) EXTENSION.--THE DEPARTMENT MAY EXTEND THE DEADLINE FOR
24 THE RECEIPT OF APPLICATIONS [UNDER SUBSECTION (A)] FOR KEYSTONE
25 OPPORTUNITY ZONES UNTIL DECEMBER 31, 1998, IF ALL 12 ZONES HAVE
26 NOT BEEN DESIGNATED AND THE EXTENSION IS NECESSARY TO ALLOW
27 ELIGIBLE POLITICAL SUBDIVISIONS TO APPLY. THE DEPARTMENT SHALL
28 DESIGNATE ADDITIONAL KEYSTONE OPPORTUNITY ZONES UNDER THIS
29 SUBSECTION BY FEBRUARY 28, 1999. THE DESIGNATION SHALL TAKE
30 EFFECT JANUARY 1, 1999, OR IF THE DESIGNATION OCCURS AFTER

1 JANUARY 1, 1999, THAT SUBSEQUENT DESIGNATION SHALL FOR ALL
2 PURPOSES BE RETROACTIVE TO JANUARY 1, 1999. THE KEYSTONE
3 OPPORTUNITY ZONE DESIGNATION SHALL END AS PROVIDED IN SECTION
4 301(B).

5 SECTION 304. CRITERIA FOR DESIGNATION OF KEYSTONE OPPORTUNITY
6 ZONE.

7 (A) SPECIFIC CRITERIA.--IN ORDER TO QUALIFY FOR DESIGNATION
8 UNDER THIS ACT, THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR
9 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL MEET AT LEAST
10 TWO OF THE FOLLOWING CRITERIA:

11 (1) AT LEAST 20% OF THE POPULATION IS BELOW THE POVERTY
12 LEVEL.

13 (2) THE UNEMPLOYMENT RATE IS 1.25 TIMES THE STATEWIDE
14 AVERAGE.

15 (3) AT LEAST 20% OF ALL REAL PROPERTY WITHIN A FIVE-MILE
16 RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE, PROPOSED
17 KEYSTONE OPPORTUNITY EXPANSION ZONE OR SUBZONE IN A NONURBAN
18 AREA IS DETERIORATED OR UNDERUTILIZED.

19 (4) AT LEAST 20% OF ALL REAL PROPERTY WITHIN A ONE-MILE
20 RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE, PROPOSED
21 KEYSTONE OPPORTUNITY EXPANSION ZONE OR SUBZONE IN AN URBAN
22 AREA IS DETERIORATED OR UNDERUTILIZED.

23 (5) AT LEAST 20% OF ALL OCCUPIED HOUSING WITHIN A TWO-
24 MILE RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE, PROPOSED
25 KEYSTONE OPPORTUNITY EXPANSION ZONE OR SUBZONE IN A
26 NONURBAN AREA IS DETERIORATED.

27 (6) AT LEAST 20% OF ALL OCCUPIED HOUSING WITHIN A ONE-
28 MILE RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE, PROPOSED
29 KEYSTONE OPPORTUNITY EXPANSION ZONE OR SUBZONE IN AN
30 URBAN AREA IS DETERIORATED.

1 (7) IN AN URBAN AREA, THE MEDIAN FAMILY INCOME IS 80% OR
2 LESS OF THE URBAN MEDIAN FAMILY INCOME FOR THAT METROPOLITAN
3 STATISTICAL AREA.

4 (8) IN AN AREA OTHER THAN AN URBAN AREA, THE MEDIAN
5 FAMILY INCOME IS 80% OR LESS OF THE STATEWIDE NONURBAN MEDIAN
6 FAMILY INCOME.

7 (9) THE POPULATION LOSS EXCEEDS 10% IN AN AREA THAT
8 INCLUDES THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR PROPOSED
9 KEYSTONE OPPORTUNITY EXPANSION ZONE AND ITS SURROUNDING AREA
10 BUT IS NOT LARGER THAN THE COUNTY OR COUNTIES IN WHICH THE
11 PROPOSED KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE
12 OPPORTUNITY EXPANSION ZONE IS LOCATED, BASED ON CENSUS DATA
13 FOR THE PERIOD BETWEEN 1980 AND 1990 OR CENSUS ESTIMATES
14 SINCE 1990 ESTABLISHING A PATTERN OF POPULATION LOSS.

15 (10) THE POLITICAL SUBDIVISION IN WHICH THE PROPOSED
16 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
17 EXPANSION ZONE IS LOCATED HAS EXPERIENCED A SUDDEN AND/OR
18 SEVERE JOB LOSS.

19 (11) AT LEAST 33% OF THE REAL PROPERTY IN A PROPOSED
20 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
21 EXPANSION ZONE IN A NONURBAN AREA WOULD OTHERWISE REMAIN
22 UNDERDEVELOPED OR NONPERFORMING DUE TO PHYSICAL
23 CHARACTERISTICS OF THE REAL PROPERTY.

24 (12) THE AREA HAS SUBSTANTIAL REAL PROPERTY WITH
25 ADEQUATE INFRASTRUCTURE AND ENERGY TO SUPPORT NEW OR EXPANDED
26 DEVELOPMENT.

27 (B) ADDITIONAL CRITERIA.--IN ADDITION TO THE REQUIRED
28 CRITERIA UNDER SUBSECTION (A), THE DEPARTMENT SHALL CONSIDER THE
29 FOLLOWING CRITERIA:

30 (1) EVIDENCE OF DISTRESS, INCLUDING, BUT NOT LIMITED TO,

1 UNEMPLOYMENT, PERCENTAGE OF POPULATION BELOW 80% OF THE STATE
2 MEDIAN INCOME, POVERTY RATE, DETERIORATED PROPERTY AND
3 ADVERSE ECONOMIC AND SOCIOECONOMIC CONDITIONS IN THE PROPOSED
4 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
5 EXPANSION ZONE.

6 (2) THE STRENGTH AND VIABILITY OF THE PROPOSED GOALS,
7 OBJECTIVES AND STRATEGIES IN THE OPPORTUNITY PLAN.

8 (3) WHETHER THE OPPORTUNITY PLAN IS CREATIVE AND
9 INNOVATIVE IN COMPARISON TO OTHER APPLICATIONS.

10 (4) LOCAL PUBLIC AND PRIVATE COMMITMENT TO THE
11 DEVELOPMENT OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR
12 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE AND THE
13 POTENTIAL COOPERATION OF SURROUNDING COMMUNITIES.

14 (5) EXISTING RESOURCES AVAILABLE TO THE PROPOSED
15 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
16 EXPANSION ZONE.

17 (6) HOW KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
18 OPPORTUNITY EXPANSION ZONE DESIGNATION OR ECONOMIC
19 REDEVELOPMENT RELATES TO OTHER CURRENT ECONOMIC AND COMMUNITY
20 DEVELOPMENT PROJECTS AND TO REGIONAL INITIATIVES OR PROGRAMS.

21 (7) HOW THE LOCAL REGULATORY BURDEN WILL BE EASED FOR
22 BUSINESSES OPERATING IN THE PROPOSED KEYSTONE OPPORTUNITY
23 ZONE OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE.

24 (8) PROPOSALS TO IMPLEMENT EDUCATIONAL OPPORTUNITIES AND
25 IMPROVEMENTS.

26 (9) CRIME STATISTICS AND PROPOSALS TO IMPLEMENT LOCAL
27 CRIME REDUCTION MEASURES.

28 (10) PROPOSALS TO ESTABLISH AND LINK JOB CREATION AND
29 JOB TRAINING.

30 (C) TAX EXEMPTION ORDINANCES.--AN AREA SHALL NOT BE

1 DESIGNATED AS A KEYSTONE OPPORTUNITY ZONE OR A PROPOSED KEYSTONE
2 OPPORTUNITY EXPANSION ZONE UNLESS, AS A PART OF THE APPLICATION,
3 EACH POLITICAL SUBDIVISION IN WHICH THE PROPOSED KEYSTONE
4 OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE
5 IS TO BE LOCATED ADOPTS AND PROVIDES A COPY OF AN ORDINANCE,
6 RESOLUTION OR OTHER REQUIRED ACTION FROM THE GOVERNING BODY OF
7 EACH POLITICAL SUBDIVISION THAT EXEMPTS OR PROVIDES DEDUCTIONS,
8 ABATEMENTS OR CREDITS TO QUALIFIED PERSONS AND QUALIFIED
9 BUSINESSES FROM LOCAL TAXES UPON DESIGNATION OF THE AREA AS A
10 KEYSTONE OPPORTUNITY ZONE OR PROPOSED KEYSTONE OPPORTUNITY
11 EXPANSION ZONE. ALL APPROPRIATE ORDINANCES AND RESOLUTIONS SHALL
12 BE EFFECTIVE ON OR BEFORE JANUARY 1, 1999, IF DESIGNATION AS A
13 KEYSTONE OPPORTUNITY ZONE IS GRANTED. ALL APPROPRIATE ORDINANCES
14 AND RESOLUTIONS SHALL BE EFFECTIVE ON JANUARY 1, 2001, IF
15 DESIGNATION AS A KEYSTONE OPPORTUNITY EXPANSION ZONE IS GRANTED.
16 THE RESOLUTION, ORDINANCE OR OTHER REQUIRED ACTION SHALL BE
17 BINDING AND NONREVOCABLE ON THE QUALIFIED POLITICAL SUBDIVISIONS
18 FOR THE DURATION OF THE OPPORTUNITY PLAN.

19 (D) URBAN AREAS.--THE DEPARTMENT SHALL PROMULGATE GUIDELINES
20 [WHICH] THAT INCLUDE THE DEFINITION OF "URBAN AREA" FOR THE
21 PURPOSES OF RECEIVING APPLICATIONS FOR DESIGNATION AS A KEYSTONE
22 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE.

23 SECTION 305. ZONE LIMITATIONS.

24 THE DEPARTMENT SHALL NOT DESIGNATE MORE THAN 12 KEYSTONE
25 OPPORTUNITY ZONES WITHIN THIS COMMONWEALTH. NO KEYSTONE
26 OPPORTUNITY ZONE SHALL ENCOMPASS AN ENTIRE POLITICAL
27 SUBDIVISION. THE DEPARTMENT SHALL NOT DESIGNATE MORE THAN 12
28 KEYSTONE OPPORTUNITY EXPANSION ZONES WITHIN THIS COMMONWEALTH.
29 NO KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL ENCOMPASS AN ENTIRE
30 POLITICAL SUBDIVISION.

1 SECTION 306. RESIDENCY.

2 IN ORDER TO QUALIFY EACH YEAR FOR A TAX EXEMPTION, DEDUCTION,
3 ABATEMENT OR CREDIT UNDER THIS ACT, A PERSON SHALL BE DOMICILED
4 AND SHALL RESIDE IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
5 OPPORTUNITY EXPANSION ZONE FOR A PERIOD OF 184 CONSECUTIVE DAYS
6 DURING EACH TAXABLE YEAR, WHICH MAY BEGIN ON THE DATE OF
7 DESIGNATION BY THE DEPARTMENT OR ON THE DATE THE PERSON FIRST
8 RESIDES WITHIN THE ZONE.

9 SECTION 307. QUALIFIED BUSINESSES.

10 (A) QUALIFICATIONS.--IN ORDER TO QUALIFY EACH YEAR FOR A TAX
11 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT UNDER THIS ACT, A
12 BUSINESS SHALL OWN OR LEASE REAL PROPERTY IN THE KEYSTONE
13 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE FROM
14 WHICH THE BUSINESS ACTIVELY CONDUCTS A TRADE, PROFESSION OR
15 BUSINESS. THE QUALIFIED BUSINESS SHALL RECEIVE CERTIFICATION
16 FROM THE DEPARTMENT THAT THE BUSINESS IS LOCATED, AND IS IN THE
17 ACTIVE CONDUCT OF A TRADE, PROFESSION OR BUSINESS, WITHIN THE
18 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
19 ZONE. THE BUSINESS SHALL OBTAIN ANNUAL RENEWAL OF THE
20 CERTIFICATION FROM THE DEPARTMENT TO CONTINUE TO QUALIFY UNDER
21 THIS SECTION.

22 (B) RELOCATION.--ANY BUSINESS THAT RELOCATES FROM OUTSIDE A
23 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
24 INTO A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
25 EXPANSION ZONE SHALL NOT RECEIVE ANY OF THE EXEMPTIONS,
26 DEDUCTIONS, ABATEMENTS OR CREDITS SET FORTH IN THIS ACT UNLESS
27 THAT BUSINESS EITHER:

28 (1) INCREASES FULL-TIME EMPLOYMENT BY AT LEAST 20% IN
29 THE FIRST FULL YEAR OF OPERATION WITHIN THE KEYSTONE
30 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE; OR

(2) MAKES A CAPITAL INVESTMENT IN THE PROPERTY LOCATED
WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
EXPANSION ZONE EQUIVALENT TO 10% OF THE GROSS REVENUES OF
THAT BUSINESS IN THE IMMEDIATELY PRECEDING CALENDAR OR FISCAL
YEAR.

THE DEPARTMENT, IN CONSULTATION WITH THE DEPARTMENT OF REVENUE,
MAY WAIVE OR MODIFY THE REQUIREMENTS OF THIS SUBSECTION, AS
APPROPRIATE.

SECTION 308. FORMS.

(A) APPLICATION FORMS.--APPLICATIONS FOR DESIGNATION AS A
KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
SHALL BE ON FORMS PRESCRIBED BY THE DEPARTMENT.

(B) DEPARTMENT ASSISTANCE.--THE DEPARTMENT 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 501. STATE TAXES.

(A) GENERAL RULE.--A PERSON WHO IS A RESIDENT OF A KEYSTONE
OPPORTUNITY ZONE OR A KEYSTONE OPPORTUNITY EXPANSION ZONE, A
QUALIFIED BUSINESS OR A NONRESIDENT UNDER SECTION 513 SHALL
RECEIVE THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS AS
PROVIDED IN THIS CHAPTER AND CHAPTER 7 FOR THE DURATION OF THE
KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
DESIGNATION. EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS SHALL
EXPIRE ON THE DATE OF EXPIRATION OF THE KEYSTONE OPPORTUNITY
ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE DESIGNATION.

(B) CONSTRUCTION.--THE DEPARTMENT OF REVENUE SHALL
ADMINISTER, CONSTRUE AND ENFORCE THE PROVISIONS OF THIS CHAPTER

1 IN CONJUNCTION WITH ARTICLES II, III, IV [AND], VI, VII, VII-A,
2 IX AND XV OF THE TAX REFORM CODE OF 1971.

3 SECTION 511. SALES AND USE TAX.

4 (A) EXEMPTION.--SALES AT RETAIL OF SERVICES OR TANGIBLE
5 PERSONAL PROPERTY, OTHER THAN MOTOR VEHICLES, TO A QUALIFIED
6 BUSINESS FOR THE EXCLUSIVE USE, CONSUMPTION AND UTILIZATION OF
7 THE TANGIBLE PERSONAL PROPERTY OR SERVICE BY THE QUALIFIED
8 BUSINESS AT ITS FACILITY LOCATED WITHIN A KEYSTONE OPPORTUNITY
9 ZONE OR A KEYSTONE OPPORTUNITY EXPANSION ZONE ARE EXEMPT FROM
10 THE SALES AND USE TAX IMPOSED UNDER ARTICLE II OF THE TAX REFORM
11 CODE OF 1971.

12 [(B) LIMITATION.--SALES AT RETAIL OR USE OF TANGIBLE
13 PERSONAL PROPERTY OR SERVICES TO THE TANGIBLE PERSONAL PROPERTY
14 THAT WILL BECOME A PERMANENT PART OF REAL PROPERTY IN ACCORDANCE
15 WITH DEPARTMENT OF REVENUE REGULATIONS SHALL NOT BE ELIGIBLE FOR
16 SALES OR USE TAX EXEMPTION UNDER THIS SECTION.]

17 (B) CONSTRUCTION CONTRACTS.--FOR ANY CONSTRUCTION CONTRACT
18 PERFORMED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
19 EXPANSION ZONE, THE EXEMPTION PROVIDED IN SUBSECTION (A) SHALL
20 ONLY APPLY TO THE SALE AT RETAIL OR USE OF BUILDING MACHINERY
21 AND EQUIPMENT TO A QUALIFIED BUSINESS, OR TO A CONSTRUCTION
22 CONTRACTOR PURSUANT TO A CONSTRUCTION CONTRACT WITH A QUALIFIED
23 BUSINESS, FOR THE EXCLUSIVE USE, CONSUMPTION AND UTILIZATION BY
24 THE QUALIFIED BUSINESS AT ITS FACILITY IN A KEYSTONE OPPORTUNITY
25 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE. FOR THE PURPOSES OF
26 THE KEYSTONE OPPORTUNITY ZONE AND KEYSTONE OPPORTUNITY EXPANSION
27 ZONE EXEMPTION, BUILDING MACHINERY AND EQUIPMENT SHALL INCLUDE
28 DISTRIBUTION EQUIPMENT PURCHASED FOR THE EXCLUSIVE USE,
29 CONSUMPTION AND UTILIZATION IN A KEYSTONE OPPORTUNITY ZONE OR
30 KEYSTONE OPPORTUNITY EXPANSION ZONE FACILITY.

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] 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 OR
7 KEYSTONE OPPORTUNITY EXPANSION ZONE.

8 (2) NET INCOME FROM THE OPERATION OF A QUALIFIED
9 BUSINESS RECEIVED BY A RESIDENT OR NONRESIDENT OF A KEYSTONE
10 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
11 ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A KEYSTONE
12 OPPORTUNITY ZONE [AFTER PROVISION FOR ALL COSTS AND EXPENSES
13 INCURRED IN THE CONDUCT THEREOF] OR KEYSTONE OPPORTUNITY
14 EXPANSION ZONE, DETERMINED [EITHER ON A CASH OR ACCRUAL
15 BASIS] IN ACCORDANCE WITH [ACCEPTED ACCOUNTING PRINCIPLES AND
16 PRACTICES BUT WITHOUT DEDUCTION OF TAXES BASED ON INCOME.]
17 SECTION 515 OF THIS ACT, EXCEPT THAT ANY BUSINESS THAT
18 OPERATES BOTH WITHIN AND OUTSIDE THIS COMMONWEALTH, BEFORE
19 COMPUTING ITS KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
20 OPPORTUNITY EXPANSION ZONE EXEMPTION, SHALL FIRST DETERMINE
21 ITS PENNSYLVANIA ACTIVITY OVER ITS ACTIVITY EVERYWHERE BY
22 APPLYING THE THREE-FACTOR APPORTIONMENT FORMULA AS SET FORTH
23 IN DEPARTMENT OF REVENUE PERSONAL INCOME TAX REGULATIONS
24 APPLICABLE TO INCOME APPORTIONMENT IN CONNECTION WITH A
25 BUSINESS, TRADE OR PROFESSION CARRIED ON BOTH WITHIN AND
26 OUTSIDE THIS COMMONWEALTH.

27 (3) ALL OF THE FOLLOWING:

28 (I) NET GAINS OR INCOME, LESS NET LOSSES, DERIVED BY
29 A RESIDENT OR NONRESIDENT OF A KEYSTONE OPPORTUNITY ZONE
30 OR KEYSTONE OPPORTUNITY EXPANSION ZONE FROM THE SALE,

1 EXCHANGE OR OTHER DISPOSITION OF REAL OR TANGIBLE
2 PERSONAL PROPERTY LOCATED IN A KEYSTONE OPPORTUNITY ZONE
3 OR KEYSTONE OPPORTUNITY EXPANSION ZONE AS DETERMINED IN
4 ACCORDANCE WITH ACCEPTED ACCOUNTING PRINCIPLES AND
5 PRACTICES. THE EXEMPTION PROVIDED IN THIS SUBPARAGRAPH
6 SHALL NOT APPLY TO THE SALE, EXCHANGE OR OTHER
7 DISPOSITION OF ANY STOCK OF GOODS, MERCHANDISE OR
8 INVENTORY, OR ANY OPERATIONAL ASSETS UNLESS THE TRANSFER
9 IS IN CONNECTION WITH THE SALE, EXCHANGE OR OTHER
10 DISPOSITION OF ALL OF THE ASSETS IN COMPLETE LIQUIDATION
11 OF A QUALIFIED BUSINESS LOCATED IN A KEYSTONE OPPORTUNITY
12 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE. THIS
13 SUBPARAGRAPH SHALL APPLY TO INTANGIBLE PERSONAL PROPERTY
14 EMPLOYED IN A TRADE, PROFESSION OR BUSINESS IN A KEYSTONE
15 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
16 BY A QUALIFIED BUSINESS, BUT ONLY WHEN TRANSFERRED IN
17 CONNECTION WITH A SALE, EXCHANGE OR OTHER DISPOSITION OF
18 ALL OF THE ASSETS IN COMPLETE LIQUIDATION OF THE
19 QUALIFIED BUSINESS IN THE KEYSTONE OPPORTUNITY ZONE OR
20 KEYSTONE OPPORTUNITY EXPANSION ZONE.

21 (II) NET GAINS, LESS NET LOSSES, REALIZED BY A
22 RESIDENT OF A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
23 OPPORTUNITY EXPANSION ZONE FROM THE SALE, EXCHANGE OR
24 DISPOSITION OF INTANGIBLE PERSONAL PROPERTY OR
25 OBLIGATIONS ISSUED ON OR AFTER FEBRUARY 1, 1994, BY THE
26 COMMONWEALTH, A PUBLIC AUTHORITY, COMMISSION, BOARD OR
27 OTHER COMMONWEALTH AGENCY, POLITICAL SUBDIVISION OR
28 AUTHORITY CREATED BY A POLITICAL SUBDIVISION OR BY THE
29 FEDERAL GOVERNMENT AS DETERMINED IN ACCORDANCE WITH
30 ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES.

(III) THE EXEMPTION FROM INCOME FOR GAIN OR LOSS PROVIDED FOR IN [THIS SUBPARAGRAPH] SUBPARAGRAPHS (I) AND (II) SHALL BE PRORATED BASED ON [EITHER] 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 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE WAS HELD BY [THE TAXPAYER WHILE] A RESIDENT OR NONRESIDENT OF [A KEYSTONE OPPORTUNITY] THE ZONE DURING THE TIME PERIOD THE ZONE WAS IN EFFECT IN RELATION TO THE TOTAL TIME THE PROPERTY WAS HELD [BY THE TAXPAYER; OR].

(B) IN THE CASE OF GAINS, LESS NET LOSSES, IN SUBPARAGRAPH (II), THE PERCENTAGE OF TIME, BASED ON CALENDAR DAYS, THE [REAL OR TANGIBLE PERSONAL] PROPERTY [LOCATED IN THE KEYSTONE OPPORTUNITY ZONE] WAS HELD BY THE TAXPAYER WHILE A [NONRESIDENT] RESIDENT OF A KEYSTONE OPPORTUNITY ZONE [DURING THE TIME PERIOD THE KEYSTONE OPPORTUNITY ZONE WAS IN EFFECT] OR KEYSTONE OPPORTUNITY EXPANSION ZONE IN RELATION TO THE TOTAL TIME THE [REAL OR TANGIBLE PERSONAL] PROPERTY WAS HELD [BY A NONRESIDENT].

(4) NET GAINS OR INCOME DERIVED FROM OR IN THE FORM OF RENTS RECEIVED BY A PERSON, WHETHER A RESIDENT OR NONRESIDENT OF A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, TO THE EXTENT THAT INCOME OR LOSS FROM THE RENTAL OF REAL OR TANGIBLE PERSONAL PROPERTY IS ALLOCABLE TO A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE. FOR PURPOSES OF CALCULATING THIS EXEMPTION:

(I) NET RENTS DERIVED FROM REAL OR TANGIBLE PERSONAL

1 PROPERTY LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR
2 KEYSTONE OPPORTUNITY EXPANSION ZONE ARE ALLOCABLE TO A
3 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
4 EXPANSION ZONE.

5 (II) IF THE TANGIBLE PERSONAL PROPERTY WAS USED BOTH
6 WITHIN AND WITHOUT THE KEYSTONE OPPORTUNITY ZONE OR
7 KEYSTONE OPPORTUNITY EXPANSION ZONE DURING THE TAXABLE
8 YEAR, ONLY THE NET INCOME ATTRIBUTABLE TO USE IN THE
9 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
10 EXPANSION ZONE IS EXEMPT. THE NET RENTAL INCOME SHALL BE
11 MULTIPLIED BY A FRACTION, THE NUMERATOR OF WHICH IS THE
12 NUMBER OF DAYS THE PROPERTY WAS USED IN THE KEYSTONE
13 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
14 AND THE DENOMINATOR WHICH IS THE TOTAL DAYS OF USE.

15 (5) DIVIDENDS RECEIVED DURING THE TIME THE PERSON WAS A
16 RESIDENT OF A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
17 OPPORTUNITY EXPANSION ZONE.

18 (6) INTEREST RECEIVED DURING THE TIME PERIOD THE PERSON
19 WAS A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
20 OPPORTUNITY EXPANSION ZONE.

21 (7) [NET GAINS OR INCOME DERIVED THROUGH ESTATES OR
22 TRUSTS RECEIVED BY A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE
23 AT THE TIME OF SUCH RECEIPT.] THE PART OF THE INCOME OR GAINS
24 RECEIVED BY AN ESTATE OR TRUST FOR ITS TAXABLE YEAR ENDING
25 WITHIN OR WITH THE RESIDENT-BENEFICIARY'S TAXABLE YEAR,
26 WHICH, UNDER THE GOVERNING INSTRUMENT AND APPLICABLE STATE
27 LAW, IS REQUIRED TO BE DISTRIBUTED CURRENTLY OR IS IN FACT
28 PAID OR CREDITED TO THE RESIDENT-BENEFICIARY AND WHICH WOULD
29 HAVE BEEN EXEMPT UNDER THIS ACT IF RECEIVED BY A RESIDENT-
30 BENEFICIARY DIRECTLY.

1 (A.1) EXEMPTION.--BEGINNING IN TAXABLE YEAR 1999, A PERSON
2 SHALL BE ALLOWED AN EXEMPTION UNDER SUBSECTION (A) FOR
3 ACTIVITIES IN A DESIGNATED KEYSTONE OPPORTUNITY ZONE FROM THE
4 TAX IMPOSED BY ARTICLE III OF THE TAX REFORM CODE OF 1971 FOR
5 THE CLASSES OF INCOME SET FORTH IN SUBSECTION (A). BEGINNING IN
6 TAXABLE YEAR 2001, A PERSON SHALL BE ALLOWED AN EXEMPTION UNDER
7 SUBSECTION (A) FOR ACTIVITIES IN A DESIGNATED KEYSTONE
8 OPPORTUNITY EXPANSION ZONE FROM THE TAX IMPOSED BY ARTICLE III
9 OF THE TAX REFORM CODE OF 1971 FOR THE CLASSES OF INCOME SET
10 FORTH IN SUBSECTION (A).

11 (A.2) PASS-THROUGH ENTITIES.--THE EXEMPTIONS PROVIDED FOR IN
12 THIS SECTION SHALL APPLY TO ALL OF THE FOLLOWING:

13 (1) THE INCOME OR GAIN OF A PARTNERSHIP OR ASSOCIATION.
14 THE PARTNER OR MEMBER SHALL BE ENTITLED TO THE EXEMPTIONS
15 UNDER THIS SECTION FOR THE PARTNER'S OR MEMBER'S SHARE,
16 WHETHER OR NOT DISTRIBUTED, OF THE INCOME OR GAIN RECEIVED BY
17 THE PARTNERSHIP OR ASSOCIATION FOR ITS TAXABLE YEAR.

18 (2) THE INCOME OR GAIN OF A PENNSYLVANIA S CORPORATION.
19 THE SHAREHOLDER SHALL BE ENTITLED TO THE EXEMPTIONS UNDER
20 THIS SECTION FOR THE SHAREHOLDER'S PRO RATA SHARE, WHETHER OR
21 NOT DISTRIBUTED, OF THE INCOME OR GAIN RECEIVED BY THE
22 CORPORATION FOR ITS TAXABLE YEAR ENDING WITHIN OR WITH THE
23 SHAREHOLDER'S TAXABLE YEAR.

24 (B) LIMITATION.--A PARTNERSHIP, ASSOCIATION, SUBCHAPTER S
25 CORPORATION, RESIDENT OR NONRESIDENT MAY NOT APPLY AN EXEMPTION
26 FROM INCOME UNDER THIS ACT FOR ANY CLASS OF INCOME AGAINST ANY
27 OTHER CLASSES OF INCOME OR GAIN. A PARTNERSHIP, ASSOCIATION,
28 SUBCHAPTER S CORPORATION, RESIDENT OR NONRESIDENT MAY NOT CARRY
29 BACK OR CARRY FORWARD ANY EXEMPTION UNDER THIS ACT FROM YEAR TO
30 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.

(C) SECTION NOT APPLICABLE TO CERTAIN ENTITIES.--ANY PORTION
OF NET INCOME OR GAIN THAT IS ATTRIBUTABLE TO OPERATION OF A
RAILROAD, TRUCK, BUS OR AIRLINE COMPANY, PIPELINE OR NATURAL GAS
COMPANY, WATER TRANSPORTATION COMPANY, AN ENTITY WHICH 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 AND ANY
ENTITY ACTIVITY WHICH IS ASSOCIATED OR AFFILIATED WITH ANY OF
THESE OPERATIONS SHALL NOT BE USED TO CALCULATE AN EXEMPTION
UNDER THIS SECTION. THIS SUBSECTION SHALL NOT APPLY TO THE
EXEMPTION FROM TAX PROVIDED IN SUBSECTION (A)(5).

SECTION 513. RESIDENCY CONSIDERATIONS.

IF A PERSON COMPLETES THE RESIDENCY REQUIREMENTS UNDER
SECTION 306 OR IF A NONRESIDENT REALIZES INCOME ATTRIBUTABLE TO
BUSINESS ACTIVITY OR PROPERTY WITHIN A KEYSTONE OPPORTUNITY ZONE
OR KEYSTONE OPPORTUNITY EXPANSION ZONE ON OR BEFORE THE END OF
THE TAX YEAR, THE PERSON MAY CLAIM THE EXEMPTIONS FROM INCOME
FOR THE ITEMS SET FORTH IN SECTION 512 FOR THAT PORTION OF THE
TAX YEAR THAT THE PERSON WAS A RESIDENT OR FOR THAT PORTION OF
THE TAX YEAR DURING WHICH THE AREA IS DESIGNATED AS A KEYSTONE
OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE. [IF THE
PERSON MEETS THE RESIDENCY REQUIREMENTS UNDER SECTION 306 IN A
TAX YEAR SUBSEQUENT TO THE TAX YEAR IN WHICH THE PERSON FIRST
RESIDED IN THE KEYSTONE OPPORTUNITY ZONE, THE PERSON MAY FILE AN
AMENDED TAX RETURN WITHIN THE APPLICABLE STATUTE OF LIMITATIONS
TO CLAIM AN EXEMPTION FROM INCOME FOR THE PERIOD OF RESIDENCY
WITHIN THE KEYSTONE OPPORTUNITY ZONE.

SECTION 514. INFORMATION FOR EMPLOYER.

1 (A) DUTY OF EMPLOYEE.--EVERY PERSON WHO IS AN EMPLOYEE THAT
2 QUALIFIES AS A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE SHALL
3 FURNISH TO HIS OR HER EMPLOYER INFORMATION, AS PRESCRIBED BY THE
4 DEPARTMENT OF REVENUE, NECESSARY FOR THE EMPLOYER TO WITHHOLD
5 THE CORRECT AMOUNT OF TAX. AN EMPLOYEE SHALL FURNISH
6 NOTIFICATION TO HIS OR HER EMPLOYER OF ANY CHANGES TO THE
7 INFORMATION WITHIN 20 DAYS AFTER THE CHANGE. AN EMPLOYEE SHALL
8 NOTIFY HIS OR HER EMPLOYER THAT THE EMPLOYEE HAS COMPLETED THE
9 RESIDENCY REQUIREMENTS UNDER SECTION 306.

10 (B) DUTY OF EMPLOYER.--WITHIN 20 DAYS AFTER AN EMPLOYER
11 RECEIVES INFORMATION FROM AN EMPLOYEE PURSUANT TO SUBSECTION
12 (A), THE EMPLOYER SHALL FORWARD A COPY OF THAT INFORMATION TO
13 THE DEPARTMENT OF REVENUE. THE INFORMATION SHALL NOT BE GIVEN
14 RETROACTIVE EFFECT FOR WITHHOLDING PURPOSES. THE EMPLOYER SHALL
15 NOT BE REQUIRED TO WITHHOLD TAX FROM THE COMPENSATION PAID TO A
16 RESIDENT OF A KEYSTONE OPPORTUNITY ZONE, IF REASONABLE UNDER THE
17 CIRCUMSTANCES, UNLESS DIRECTED BY THE DEPARTMENT OF REVENUE TO
18 WITHHOLD TAX FROM THE COMPENSATION ON SOME OTHER BASIS. IF AN
19 EMPLOYEE FAILS OR REFUSES TO FURNISH THE INFORMATION OR
20 FURNISHES INFORMATION THAT THE EMPLOYER REASONABLY AND IN GOOD
21 FAITH BELIEVES TO BE INACCURATE, THE EMPLOYER SHALL WITHHOLD THE
22 FULL RATE OF TAX FROM THE EMPLOYEE'S TOTAL COMPENSATION.]
23 SECTION 515. CORPORATE NET INCOME TAX.

24 (A) CREDITS.--FOR THE TAX YEARS THAT BEGIN ON OR AFTER
25 JANUARY 1, 1999, A CORPORATION THAT [QUALIFIES AS] A QUALIFIED
26 BUSINESS OR THAT IS AN OWNER, PARTNER OR MEMBER OF A PASS-
27 THROUGH ENTITY THAT IS A QUALIFIED BUSINESS UNDER THIS ACT MAY
28 CLAIM A CREDIT AGAINST THE TAX IMPOSED BY ARTICLE IV OF THE TAX
29 REFORM CODE OF 1971 [FOR THE TAXABLE YEAR TO THE EXTENT OF THE]
30 TAX LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN

1 [A] THE KEYSTONE OPPORTUNITY ZONE IN THE TAXABLE YEAR. FOR THE
2 TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 2001, A CORPORATION
3 THAT IS A QUALIFIED BUSINESS OR THAT IS AN OWNER, PARTNER OR
4 MEMBER OF A PASS-THROUGH ENTITY THAT IS A QUALIFIED BUSINESS
5 UNDER THIS ACT MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED BY
6 ARTICLE IV OF THE TAX REFORM CODE OF 1971 FOR TAX LIABILITY
7 ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN THE KEYSTONE
8 OPPORTUNITY EXPANSION ZONE IN THE TAXABLE YEAR. THE BUSINESS
9 ACTIVITY MUST BE CONDUCTED DIRECTLY BY A CORPORATION OR A PASS-
10 THROUGH ENTITY IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
11 OPPORTUNITY EXPANSION ZONE IN ORDER FOR THE CORPORATION TO CLAIM
12 THE TAX CREDIT.

13 (B) TAX LIABILITY DETERMINATIONS.--THE CORPORATE TAX
14 LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A
15 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
16 SHALL BE DETERMINED BY MULTIPLYING THE CORPORATION'S TAXABLE
17 INCOME THAT IS ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED
18 WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
19 EXPANSION ZONE BY THE RATE OF TAX IMPOSED UNDER ARTICLE IV OF
20 THE TAX REFORM CODE OF 1971 FOR THE TAXABLE YEAR.

21 (C) DETERMINATIONS OF ATTRIBUTABLE TAX LIABILITY.--TAX
22 LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A
23 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
24 SHALL BE COMPUTED, CONSTRUED, ADMINISTERED AND ENFORCED IN
25 CONFORMITY WITH ARTICLE IV OF THE TAX REFORM CODE OF 1971 AND
26 WITH SPECIFIC REFERENCE TO THE FOLLOWING:

27 (1) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS
28 COMMONWEALTH IS TRANSACTED WHOLLY WITHIN THE KEYSTONE
29 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
30 TAXABLE INCOME ATTRIBUTABLE TO BUSINESS ACTIVITY WITHIN A

1 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
2 ZONE SHALL CONSIST OF THE PENNSYLVANIA TAXABLE INCOME AS
3 DETERMINED UNDER ARTICLE IV OF THE TAX REFORM CODE OF 1971.

4 (2) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS
5 COMMONWEALTH IS NOT TRANSACTED WHOLLY WITHIN THE KEYSTONE
6 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
7 TAXABLE INCOME OF A CORPORATION IN A KEYSTONE OPPORTUNITY
8 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE
9 DETERMINED UPON SUCH PORTION OF THE PENNSYLVANIA TAXABLE
10 INCOME OF SUCH CORPORATION ATTRIBUTABLE TO BUSINESS ACTIVITY
11 CONDUCTED WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
12 OPPORTUNITY EXPANSION ZONE AND APPORTIONED IN ACCORDANCE WITH
13 SUBSECTION (D).

14 (D) INCOME APPORTIONMENT.--[ALL TAXABLE INCOME OF] THE
15 TAXABLE INCOME OF A CORPORATION THAT IS A QUALIFIED BUSINESS
16 SHALL BE APPORTIONED TO THE KEYSTONE OPPORTUNITY ZONE OR
17 KEYSTONE OPPORTUNITY EXPANSION ZONE BY MULTIPLYING THE
18 PENNSYLVANIA TAXABLE INCOME BY A FRACTION, THE NUMERATOR OF
19 WHICH IS THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS THE
20 SALES FACTOR AND THE DENOMINATOR OF WHICH IS THREE[.], IN
21 ACCORDANCE WITH THE FOLLOWING:

22 (1) THE PROPERTY FACTOR IS A FRACTION, THE NUMERATOR OF
23 WHICH IS THE AVERAGE VALUE OF THE TAXPAYER'S REAL AND
24 TANGIBLE PERSONAL PROPERTY OWNED OR RENTED AND USED IN THE
25 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
26 ZONE DURING THE TAX PERIOD AND THE DENOMINATOR OF WHICH IS
27 THE AVERAGE VALUE OF ALL THE TAXPAYER'S REAL AND TANGIBLE
28 PERSONAL PROPERTY OWNED OR RENTED AND USED IN THIS
29 COMMONWEALTH DURING THE TAX PERIOD BUT SHALL NOT INCLUDE THE
30 SECURITY INTEREST OF ANY CORPORATION AS SELLER OR LESSOR IN

1 PERSONAL PROPERTY SOLD OR LEASED UNDER A CONDITIONAL SALE,
2 BAILMENT LEASE, CHATTEL MORTGAGE OR OTHER CONTRACT PROVIDING
3 FOR THE RETENTION OF A LIEN OR TITLE AS SECURITY FOR THE
4 SALES PRICE OF THE PROPERTY.

5 (2) (I) THE PAYROLL FACTOR IS A FRACTION, THE NUMERATOR
6 OF WHICH IS THE TOTAL AMOUNT PAID IN THE KEYSTONE
7 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
8 DURING THE TAX PERIOD BY THE TAXPAYER FOR COMPENSATION
9 AND THE DENOMINATOR OF WHICH IS THE TOTAL COMPENSATION
10 PAID IN THIS COMMONWEALTH DURING THE TAX PERIOD.

11 (II) COMPENSATION IS PAID IN THE KEYSTONE
12 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
13 IF:

14 (A) THE PERSON'S SERVICE IS PERFORMED ENTIRELY
15 WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
16 OPPORTUNITY EXPANSION ZONE;

17 (B) THE PERSON'S SERVICE IS PERFORMED BOTH
18 WITHIN AND WITHOUT THE KEYSTONE OPPORTUNITY ZONE OR
19 KEYSTONE OPPORTUNITY EXPANSION ZONE, BUT THE SERVICE
20 PERFORMED WITHOUT THE KEYSTONE OPPORTUNITY ZONE OR
21 KEYSTONE OPPORTUNITY EXPANSION ZONE IS INCIDENTAL TO
22 THE PERSON'S SERVICE WITHIN THE KEYSTONE OPPORTUNITY
23 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE; OR

24 (C) SOME OF THE SERVICE IS PERFORMED IN THE
25 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
26 EXPANSION ZONE AND THE BASE OF OPERATIONS OR, IF
27 THERE IS NO BASE OF OPERATIONS, THE PLACE FROM WHICH
28 THE SERVICE IS DIRECTED OR CONTROLLED IS IN THE
29 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
30 EXPANSION ZONE, OR THE BASE OF OPERATIONS OR THE

1 PLACE FROM WHICH THE SERVICE IS DIRECTED OR
2 CONTROLLED IS NOT IN ANY LOCATION IN WHICH SOME PART
3 OF THE SERVICE IS PERFORMED, BUT THE PERSON'S
4 RESIDENCE IS IN THE KEYSTONE OPPORTUNITY ZONE OR
5 KEYSTONE OPPORTUNITY EXPANSION ZONE.

6 (3) THE SALES FACTOR IS A FRACTION, THE NUMERATOR OF
7 WHICH IS THE TOTAL SALES OF THE TAXPAYER IN THE KEYSTONE
8 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
9 DURING THE TAX PERIOD AND THE DENOMINATOR OF WHICH IS THE
10 TOTAL SALES OF THE TAXPAYER IN THIS COMMONWEALTH DURING THE
11 TAX PERIOD.

12 (I) SALES OF TANGIBLE PERSONAL PROPERTY ARE IN THE
13 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
14 EXPANSION ZONE IF THE PROPERTY IS DELIVERED OR SHIPPED TO
15 A PURCHASER WITHIN THE KEYSTONE OPPORTUNITY ZONE OR
16 KEYSTONE OPPORTUNITY EXPANSION ZONE REGARDLESS OF THE
17 F.O.B. POINT OR OTHER CONDITIONS OF THE SALE.

18 (II) SALES OTHER THAN SALES OF TANGIBLE PERSONAL
19 PROPERTY ARE IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
20 OPPORTUNITY EXPANSION ZONE IF:

21 (A) THE INCOME-PRODUCING ACTIVITY IS PERFORMED
22 IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
23 OPPORTUNITY EXPANSION ZONE; OR

24 (B) THE INCOME-PRODUCING ACTIVITY IS PERFORMED
25 BOTH WITHIN AND WITHOUT THE KEYSTONE OPPORTUNITY ZONE
26 OR KEYSTONE OPPORTUNITY EXPANSION ZONE AND A GREATER
27 PROPORTION OF THE INCOME-PRODUCING ACTIVITY IS
28 PERFORMED IN THE KEYSTONE OPPORTUNITY ZONE OR
29 KEYSTONE OPPORTUNITY EXPANSION ZONE THAN IN ANY OTHER
30 LOCATION, BASED ON COSTS OF PERFORMANCE.

(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 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE TAXABLE INCOME.

(F) [CREDIT] LIMITATION ON AMOUNT OF CREDIT.--THE CREDIT ALLOWED UNDER THIS SECTION SHALL NOT EXCEED THE [CORPORATE NET INCOME] TAX LIABILITY OF THE TAXPAYER UNDER ARTICLE IV OF THE TAX REFORM CODE OF 1971 FOR THE TAX YEAR.

(G) SECTION NOT APPLICABLE TO CERTAIN BUSINESSES.--ANY PORTION OF THE TAXPAYER'S TAXABLE INCOME THAT IS ATTRIBUTABLE TO THE OPERATION OF A RAILROAD, TRUCK, BUS OR AIRLINE COMPANY, PIPELINE OR NATURAL GAS COMPANY, WATER TRANSPORTATION COMPANY, A CORPORATION THAT QUALIFIES AS A REGULATED INVESTMENT COMPANY UNDER ARTICLE IV OF THE TAX REFORM CODE OF 1971 OR HOLDING COMPANY AS DEFINED IN ARTICLE VI OF THE TAX REFORM CODE OF 1971 AND ANY BUSINESS ACTIVITY THAT IS ASSOCIATED OR AFFILIATED WITH THE OPERATION OF THESE BUSINESS ACTIVITIES SHALL NOT BE USED TO CALCULATE A CREDIT UNDER THIS SECTION.

(H) PASS-THROUGH ENTITY.--FOR PURPOSES OF THIS SECTION, "PASS-THROUGH ENTITY" MEANS AN ASSOCIATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY THAT FOR FEDERAL INCOME TAX PURPOSES IS CLASSIFIED AS A PARTNERSHIP.

SECTION 516. CAPITAL STOCK FRANCHISE TAX.

(A) CREDITS.--FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY 1, 1999, A CORPORATION THAT IS A QUALIFIED BUSINESS OR THAT IS A PARTNER IN A PARTNERSHIP THAT'S A QUALIFIED BUSINESS UNDER [SECTION 307(A)] THIS ACT MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED BY ARTICLE VI OF THE TAX REFORM CODE OF 1971 FOR [THE TAXABLE YEAR TO THE EXTENT OF THE] TAX LIABILITY ATTRIBUTABLE TO

1 THE CAPITAL EMPLOYED WITHIN [A] THE KEYSTONE OPPORTUNITY ZONE IN
2 THE TAXABLE YEAR. FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY
3 1, 2001, A CORPORATION THAT IS A QUALIFIED BUSINESS OR THAT IS A
4 PARTNER IN A PARTNERSHIP THAT IS A QUALIFIED BUSINESS UNDER THIS
5 ACT MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED BY ARTICLE VI OF
6 THE TAX REFORM CODE OF 1971 FOR TAX LIABILITY ATTRIBUTABLE TO
7 THE CAPITAL EMPLOYED WITHIN THE KEYSTONE OPPORTUNITY EXPANSION
8 ZONE IN THE TAXABLE YEAR. THE BUSINESS ACTIVITY MUST BE
9 CONDUCTED DIRECTLY BY A CORPORATION OR A PARTNERSHIP IN THE
10 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
11 IN ORDER FOR THE CORPORATION TO CLAIM THE TAX CREDIT.

12 (B) TAX LIABILITY.--THE CORPORATION'S TAX LIABILITY
13 ATTRIBUTABLE TO CAPITAL EMPLOYED WITHIN A KEYSTONE OPPORTUNITY
14 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE DETERMINED
15 BY MULTIPLYING THE CORPORATION'S TAXABLE VALUE ATTRIBUTABLE TO
16 CAPITAL EMPLOYED WITHIN THE KEYSTONE OPPORTUNITY ZONE OR
17 KEYSTONE OPPORTUNITY EXPANSION ZONE BY THE RATE OF TAX IMPOSED
18 UNDER ARTICLE VI OF THE TAX REFORM CODE OF 1971 FOR THE TAXABLE
19 YEAR. THE CORPORATION SHALL COMPUTE ITS PENNSYLVANIA TAXABLE
20 VALUE IN CONFORMITY WITH ARTICLE VI OF THE TAX REFORM CODE OF
21 1971 WITH NO ADJUSTMENTS OR SUBTRACTIONS FOR THE CAPITAL
22 EMPLOYED IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
23 OPPORTUNITY EXPANSION ZONE.

24 (C) DETERMINATION OF ATTRIBUTABLE TAX LIABILITY.--THE
25 DETERMINATION OF THE CORPORATION'S TAXABLE VALUE ATTRIBUTABLE TO
26 THE CAPITAL EMPLOYED WITHIN A KEYSTONE OPPORTUNITY ZONE OR
27 KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE DETERMINED WITH
28 SPECIFIC REFERENCE TO THE FOLLOWING:

29 (1) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS
30 COMMONWEALTH IS TRANSACTED WHOLLY WITHIN A KEYSTONE

1 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
2 TAXABLE VALUE ATTRIBUTABLE TO THE CAPITAL EMPLOYED WITHIN A
3 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
4 ZONE SHALL CONSIST OF THE PENNSYLVANIA TAXABLE VALUE AS
5 DETERMINED UNDER ARTICLE VI OF THE TAX REFORM CODE OF 1971.

6 (2) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS
7 COMMONWEALTH IS NOT WHOLLY TRANSACTED WITHIN A KEYSTONE
8 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
9 TAXABLE VALUE OF A CORPORATION IN A KEYSTONE OPPORTUNITY ZONE
10 OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE DETERMINED
11 UPON SUCH PORTION OF THE PENNSYLVANIA TAXABLE VALUE
12 ATTRIBUTABLE TO THE CAPITAL EMPLOYED WITHIN THE KEYSTONE
13 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE BY
14 EMPLOYING THE APPORTIONMENT FACTORS SET FORTH IN [SUBSECTION
15 (D)] SECTION 515(D).

16 [(D) CAPITAL STOCK AND FRANCHISE TAX APPORTIONMENT.--FOR
17 PURPOSES OF APPORTIONMENT OF THE CAPITAL STOCK AND FRANCHISE
18 TAX, THE APPORTIONMENT FRACTION SHALL BE THE PROPERTY FACTOR
19 PLUS THE PAYROLL FACTOR PLUS THE SALES FACTOR AS THE NUMERATOR,
20 AND THE DENOMINATOR SHALL BE THREE. IN DETERMINING THE RELEVANT
21 APPORTIONMENT FACTORS, THE NUMERATOR OF THE PROPERTY, PAYROLL
22 AND SALES FACTORS SHALL NOT INCLUDE ANY PROPERTY, PAYROLL AND
23 SALES ATTRIBUTABLE TO MANUFACTURING, PROCESSING, RESEARCH AND
24 DEVELOPMENT ACTIVITIES CONDUCTED WITHIN A KEYSTONE OPPORTUNITY
25 ZONE, AND THE DENOMINATOR OF THE PROPERTY, PAYROLL AND SALES
26 FACTORS SHALL NOT INCLUDE ANY PROPERTY, PAYROLL AND SALES
27 ATTRIBUTABLE TO MANUFACTURING, PROCESSING AND RESEARCH AND
28 DEVELOPMENT ACTIVITIES CONDUCTED WITHIN THIS COMMONWEALTH BUT
29 WITHOUT A KEYSTONE OPPORTUNITY ZONE.]

30 (E) LIMITATION ON AMOUNT OF CREDIT.--THE CREDIT ALLOWED

1 UNDER THIS SECTION SHALL NOT EXCEED THE [CAPITAL STOCK
2 FRANCHISE] TAX LIABILITY OF THE TAXPAYER UNDER ARTICLE VI OF THE
3 TAX REFORM CODE OF 1971 FOR THE TAX YEAR.

4 (F) CREDIT NOT AVAILABLE.--ANY PORTION OF THE TAXPAYER'S TAX
5 LIABILITY THAT IS ATTRIBUTABLE TO THE CAPITAL EMPLOYED IN THE
6 OPERATION OF A RAILROAD, TRUCK, BUS OR AIRLINE COMPANY, PIPELINE
7 OR NATURAL GAS COMPANY, WATER TRANSPORTATION COMPANY, A
8 CORPORATION THAT QUALIFIES[,] AS A REGULATED INVESTMENT COMPANY
9 UNDER ARTICLE IV OF THE TAX REFORM CODE OF 1971 OR HOLDING
10 COMPANY AS DEFINED IN ARTICLE VI OF THE TAX REFORM CODE OF 1971
11 AND ANY CAPITAL EMPLOYED IN A BUSINESS ACTIVITY THAT IS
12 ASSOCIATED OR AFFILIATED WITH THE OPERATION OF THESE BUSINESS
13 ACTIVITIES SHALL NOT BE USED TO CALCULATE A CREDIT UNDER THIS
14 SECTION.

15 SECTION 5. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:
16 SECTION 517. BANK AND TRUST COMPANY SHARES TAX, ALTERNATIVE
17 BANK AND TRUST COMPANY SHARES TAX AND MUTUAL
18 THRIFT INSTITUTIONS TAX.

19 (A) CREDITS.--FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY
20 1, 2001, AN INSTITUTION THAT IS A QUALIFIED BUSINESS OR THAT IS
21 AN OWNER, PARTNER OR MEMBER OF A PASS-THROUGH ENTITY THAT IS A
22 QUALIFIED BUSINESS UNDER THIS ACT MAY CLAIM A CREDIT AGAINST THE
23 TAX IMPOSED BY ARTICLE VII, VII-A OR XV OF THE TAX REFORM CODE
24 OF 1971, FOR TAX LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY
25 CONDUCTED WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
26 OPPORTUNITY EXPANSION ZONE IN THE TAXABLE YEAR. THE BUSINESS
27 ACTIVITY MUST BE CONDUCTED DIRECTLY BY AN INSTITUTION OR A PASS-
28 THROUGH ENTITY IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
29 OPPORTUNITY EXPANSION ZONE IN ORDER FOR THE INSTITUTION TO CLAIM
30 THE TAX CREDIT.

1 (B) TAX LIABILITY.--THE INSTITUTION'S TAX LIABILITY
2 ATTRIBUTABLE TO BUSINESS CONDUCTED WITHIN A KEYSTONE OPPORTUNITY
3 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE DETERMINED
4 BY MULTIPLYING THE TAXABLE AMOUNT OF ITS SHARES OR NET INCOME
5 THAT IS ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN THE
6 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
7 BY THE RATE OF TAX IMPOSED UNDER ARTICLE VII, VII-A OR XV OF THE
8 TAX REFORM CODE OF 1971 FOR THE TAXABLE YEAR. THE INSTITUTION
9 SHALL COMPUTE THE PENNSYLVANIA TAXABLE AMOUNT OF ITS SHARES OR
10 NET INCOME IN CONFORMITY WITH ARTICLE VII, VII-A OR XV OF THE
11 TAX REFORM CODE OF 1971.

12 (C) DETERMINATION OF ATTRIBUTABLE TAXABLE LIABILITY.--TAX
13 LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A
14 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
15 SHALL BE COMPUTED, CONSTRUED, ADMINISTERED AND ENFORCED IN
16 CONFORMITY WITH ARTICLE VII, VII-A OR XV OF THE TAX REFORM CODE
17 OF 1971 AND WITH SPECIFIC REFERENCE TO THE FOLLOWING:

18 (1) IF THE ENTIRE BUSINESS OF THE INSTITUTION IN THIS
19 COMMONWEALTH IS TRANSACTED WHOLLY WITHIN THE KEYSTONE
20 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
21 TAXABLE AMOUNT OF ITS SHARES OR NET INCOME THAT IS
22 ATTRIBUTABLE TO BUSINESS ACTIVITY WITHIN A KEYSTONE
23 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL
24 CONSIST OF THE PENNSYLVANIA TAXABLE SHARES OR NET INCOME AS
25 DETERMINED UNDER ARTICLE VII, VII-A OR XV OF THE TAX REFORM
26 CODE OF 1971.

27 (2) IF THE ENTIRE BUSINESS OF THE INSTITUTION IN THIS
28 COMMONWEALTH IS NOT TRANSACTED WHOLLY WITHIN THE KEYSTONE
29 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE
30 TAXABLE SHARES OR NET INCOME OF AN INSURANCE COMPANY IN A

1 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
2 ZONE SHALL BE DETERMINED UPON SUCH PORTION OF THE
3 PENNSYLVANIA TAXABLE SHARES OR NET INCOME OF SUCH INSTITUTION
4 ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN THE
5 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
6 ZONE AND APPORTIONED IN ACCORDANCE WITH SUBSECTION (D).

7 (D) TAXABLE SHARES OR NET INCOME APPORTIONMENT.--THE TAXABLE
8 SHARES OR NET INCOME OF AN INSTITUTION THAT IS A QUALIFIED
9 BUSINESS SHALL BE APPORTIONED TO THE KEYSTONE OPPORTUNITY ZONE
10 OR KEYSTONE OPPORTUNITY EXPANSION ZONE BY MULTIPLYING
11 PENNSYLVANIA TAXABLE SHARES OR NET INCOME BY A FRACTION, THE
12 NUMERATOR OF WHICH IS THE PAYROLL FACTOR PLUS THE RECEIPTS
13 FACTOR PLUS THE DEPOSIT FACTOR AND THE DENOMINATOR OF WHICH IS
14 THREE.

15 (1) THE PAYROLL FACTOR IS A FRACTION, THE NUMERATOR OF
16 WHICH IS THE TOTAL WAGES PAID IN A KEYSTONE OPPORTUNITY ZONE
17 OR KEYSTONE OPPORTUNITY EXPANSION ZONE DURING THE TAX PERIOD
18 BY THE TAXPAYER AND THE DENOMINATOR OF WHICH IS THE TOTAL
19 WAGES PAID IN THIS COMMONWEALTH DURING THE TAX PERIOD. WAGES
20 ARE PAID IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
21 OPPORTUNITY EXPANSION ZONE IF THEY ARE PAID TO AN EMPLOYEE
22 HAVING A REGULAR PRESENCE IN THE KEYSTONE OPPORTUNITY ZONE OR
23 KEYSTONE OPPORTUNITY EXPANSION ZONE.

24 (2) THE RECEIPTS FACTOR IS A FRACTION, THE NUMERATOR OF
25 WHICH IS THE TOTAL RECEIPTS OF THE TAXPAYER IN A KEYSTONE
26 OPPORTUNITY ZONE OR THE KEYSTONE OPPORTUNITY EXPANSION ZONE
27 DURING THE TAX PERIOD AND THE DENOMINATOR OF WHICH IS THE
28 TOTAL RECEIPTS LOCATED IN THIS COMMONWEALTH. RECEIPTS DO NOT
29 INCLUDE PRINCIPAL REPAYMENTS ON LOANS OR CREDIT, TRAVEL AND
30 ENTERTAINMENT CARDS. RECEIPTS FROM THE SALE OR DISPOSITION OF

1 INTANGIBLE AND TANGIBLE PROPERTY INCLUDE ONLY THE NET GAIN
2 RECEIVED FROM THE SALE OR DISPOSITION. THE LOCATION OF
3 RECEIPTS SHALL BE DETERMINED AS FOLLOWS:

4 (I) RECEIPTS FROM LOANS PRIMARILY SECURED BY REAL
5 PROPERTY ARE LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR
6 KEYSTONE OPPORTUNITY EXPANSION ZONE IF THE PREDOMINANT
7 PART OF THE SECURITY REAL PROPERTY IS OR WILL BE LOCATED
8 IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
9 EXPANSION ZONE AND IF AT LEAST ONE OF THE FOLLOWING
10 ACTIVITIES OCCURS AT A QUALIFIED BUSINESS:

11 (A) APPLICATION FOR THE LOAN;

12 (B) NEGOTIATION FOR THE LOAN;

13 (C) APPROVAL OF THE LOAN; OR

14 (D) ADMINISTRATIVE RESPONSIBILITY FOR THE LOAN.

15 (II) RECEIPTS FROM LOANS NOT PRIMARILY SECURED BY
16 REAL PROPERTY ARE LOCATED IN A KEYSTONE OPPORTUNITY ZONE
17 OR KEYSTONE OPPORTUNITY EXPANSION ZONE IF THE BORROWER
18 RESIDES OR IS COMMERCIALY DOMICILED WITHIN A KEYSTONE
19 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
20 AND IF AT LEAST ONE OF THE FOLLOWING ACTIVITIES OCCURS AT
21 A QUALIFIED BUSINESS:

22 (A) APPLICATION FOR THE LOAN;

23 (B) NEGOTIATION FOR THE LOAN;

24 (C) APPROVAL OF THE LOAN; OR

25 (D) ADMINISTRATIVE RESPONSIBILITY FOR THE LOAN.

26 (III) RECEIPTS FROM PERFORMANCE OF SERVICES ARE
27 LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
28 OPPORTUNITY EXPANSION ZONE TO THE EXTENT THE SERVICES ARE
29 PERFORMED IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
30 OPPORTUNITY EXPANSION ZONE. IF SERVICES ARE PERFORMED

1 PARTLY WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
2 OPPORTUNITY EXPANSION ZONE AND PARTLY OUTSIDE THE
3 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
4 EXPANSION ZONE, THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
5 OPPORTUNITY EXPANSION ZONE RECEIPTS SHALL BE THE RATIO
6 THAT THE TIME SPENT IN PERFORMING THE SERVICES IN THE
7 KEYSTONE OPPORTUNITY ZONE OR THE KEYSTONE OPPORTUNITY
8 EXPANSION ZONE BEARS TO THE TOTAL TIME SPENT IN
9 PERFORMING THE SERVICES IN THIS COMMONWEALTH. TIME SPENT
10 IN PERFORMING SERVICES IN THE KEYSTONE OPPORTUNITY ZONE
11 OR THE KEYSTONE OPPORTUNITY EXPANSION ZONE IS THE TIME
12 SPENT BY EMPLOYEES HAVING A REGULAR PRESENCE IN THE
13 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
14 EXPANSION ZONE IN PERFORMING THE SERVICES.

15 (IV) RECEIPTS FROM LEASE TRANSACTIONS ARE LOCATED IN
16 A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
17 EXPANSION ZONE IF THE LEASED PROPERTY IS LOCATED IN THE
18 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
19 EXPANSION ZONE.

20 (V) RECEIPTS FROM INTEREST OR SERVICE CHARGES,
21 EXCLUDING MERCHANT DISCOUNTS, FROM CREDIT, TRAVEL AND
22 ENTERTAINMENT CARD RECEIVABLES AND CREDIT CARD HOLDERS'
23 FEES ARE LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR
24 KEYSTONE OPPORTUNITY EXPANSION ZONE IF THE CREDIT CARD
25 HOLDER, IN THE CASE OF AN INDIVIDUAL, RESIDES IN A
26 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
27 EXPANSION ZONE OR, IN THE CASE OF A CORPORATION, IF THE
28 CORPORATION'S COMMERCIAL DOMICILE IS LOCATED IN A
29 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
30 EXPANSION ZONE.

1 (VI) RECEIPTS FROM INTEREST, DIVIDENDS AND NET GAINS
2 FROM THE SALE OR DISPOSITION OF INTANGIBLES, EXCLUSIVE OF
3 THOSE RECEIPTS DESCRIBED ELSEWHERE IN THIS SECTION, ARE
4 LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
5 OPPORTUNITY EXPANSION ZONE IF THE INSTITUTION MAINTAINS A
6 QUALIFIED BUSINESS THAT TREATS SUCH INTANGIBLES AS ASSETS
7 ON ITS BOOKS OR RECORDS.

8 (VII) RECEIPTS FROM FEES OR CHARGES FROM THE
9 ISSUANCE OF TRAVELER'S CHECKS AND MONEY ORDERS ARE
10 LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
11 OPPORTUNITY EXPANSION ZONE IF THE TRAVELER'S CHECKS OR
12 MONEY ORDERS ARE ISSUED IN THE KEYSTONE OPPORTUNITY ZONE
13 OR KEYSTONE OPPORTUNITY EXPANSION ZONE.

14 (VIII) RECEIPTS FROM SALES OF TANGIBLE PROPERTY ARE
15 LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
16 OPPORTUNITY EXPANSION ZONE IF THE PROPERTY IS DELIVERED
17 OR SHIPPED TO A PURCHASER LOCATED IN A KEYSTONE
18 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE,
19 REGARDLESS OF THE FREE ON-BOARD POINT OR OTHER CONDITIONS
20 OF THE SALE.

21 (IX) RECEIPTS NOT SPECIFICALLY TREATED UNDER THIS
22 SUBSECTION ARE LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR
23 KEYSTONE OPPORTUNITY EXPANSION ZONE IF THE GREATEST
24 PORTION OF THE INCOME-PRODUCING ACTIVITIES ARE PERFORMED
25 IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
26 EXPANSION ZONE, BASED ON COSTS OF PERFORMANCE.

27 (3) THE DEPOSITS FACTOR IS A FRACTION, THE NUMERATOR OF
28 WHICH IS THE AVERAGE VALUE OF DEPOSITS LOCATED IN A KEYSTONE
29 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
30 DURING THE TAXABLE YEAR AND DENOMINATOR OF WHICH IS THE

1 AVERAGE VALUE OF THE TOTAL DEPOSITS IN THIS COMMONWEALTH
2 DURING THE TAXABLE YEAR. THE AVERAGE VALUE OF DEPOSITS IS TO
3 BE COMPUTED IN A QUARTERLY BASIS. DEPOSITS ARE LOCATED IN THE
4 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
5 ZONE IF THE INSTITUTION MAINTAINS A QUALIFIED BUSINESS THAT
6 PROPERLY TREATS THE DEPOSITS AS A LIABILITY ON ITS BOOKS OR
7 RECORDS. A DEPOSIT IS CONSIDERED TO BE PROPERLY TREATED AS A
8 LIABILITY ON THE BOOKS OR RECORDS OF A QUALIFIED BUSINESS IF
9 IT HAS THE GREATER PORTION OF CONTACT. IN DETERMINING WHETHER
10 A DEPOSIT HAS A GREATER PORTION OF CONTACT WITH A QUALIFIED
11 BUSINESS, CONSIDERATION IS GIVEN TO:

12 (I) WHETHER THE DEPOSIT ACCOUNT WAS OPENED AT OR
13 TRANSFERRED TO THE QUALIFIED BUSINESS BY OR AT THE
14 DIRECTION OF THE DEPOSITOR, REGARDLESS OF WHERE
15 SUBSEQUENT DEPOSITS OR WITHDRAWALS ARE MADE.

16 (II) WHETHER EMPLOYEES REGULARLY CONNECTED WITH THE
17 QUALIFIED BUSINESS ARE PRIMARILY RESPONSIBLE FOR
18 SERVICING THE DEPOSITOR'S GENERAL BANKING AND OTHER
19 FINANCIAL NEEDS.

20 (III) WHETHER THE DEPOSIT WAS SOLICITED BY AN
21 EMPLOYEE REGULARLY CONNECTED WITH THE QUALIFIED BUSINESS,
22 REGARDLESS OF WHERE THE DEPOSIT WAS ACTUALLY SOLICITED.

23 (IV) WHETHER THE TERMS GOVERNING THE DEPOSIT WERE
24 NEGOTIATED BY EMPLOYEES REGULARLY CONNECTED WITH THE
25 QUALIFIED BUSINESS, REGARDLESS OF WHERE THE NEGOTIATIONS
26 WERE ACTUALLY CONDUCTED.

27 (V) WHETHER ESSENTIAL RECORDS RELATING TO THE
28 DEPOSIT ARE KEPT AT THE QUALIFIED BUSINESS AND WHETHER
29 THE DEPOSIT IS SERVICED AT THE QUALIFIED BUSINESS.

30 (4) PAYROLL, RECEIPTS AND DEPOSITS OF A PASS-THROUGH

1 ENTITY SHALL BE ALLOCATED IN THE SAME MANNER AS INCOME IS
2 ALLOCATED.

3 (E) PASS-THROUGH ENTITY.--FOR PURPOSES OF THIS SECTION,
4 "PASS-THROUGH ENTITY" MEANS AN ASSOCIATION, PARTNERSHIP OR
5 LIMITED LIABILITY COMPANY THAT FOR FEDERAL INCOME TAX PURPOSES
6 IS CLASSIFIED AS A PARTNERSHIP.

7 (F) LIMITATION ON AMOUNT OF CREDIT.--THE TAX CREDITS ALLOWED
8 UNDER THIS SECTION SHALL NOT EXCEED THE TAX LIABILITY OF THE
9 TAXPAYER UNDER ARTICLE VII, VIII-A OR XV OF THE TAX REFORM CODE
10 OF 1971 FOR THE TAX YEAR.

11 SECTION 518. INSURANCE PREMIUMS TAX.

12 (A) CREDITS.--FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY
13 1, 2001, AN INSURANCE COMPANY THAT IS A QUALIFIED BUSINESS OR
14 THAT IS AN OWNER, PARTNER OR MEMBER OF A PASS-THROUGH ENTITY
15 THAT IS A QUALIFIED BUSINESS UNDER THIS ACT MAY CLAIM A CREDIT
16 AGAINST THE TAX IMPOSED BY ARTICLE IX OF THE TAX REFORM CODE OF
17 1971 AS PROVIDED BY THIS SECTION. THE TOTAL AMOUNT OF CREDITS
18 WILL NOT EXCEED \$1,000,000 ANNUALLY. IF CREDITS FOR QUALIFIED
19 INSURANCE COMPANIES EXCEED THE \$1,000,000 CAP IN A GIVEN YEAR,
20 CREDITS WILL BE ALLOCATED ON A PRO-RATA BASIS TO QUALIFYING
21 INSURERS.

22 (B) TAX CREDIT DETERMINATIONS.--THE TAX CREDIT SHALL BE
23 CALCULATED ON AN ANNUAL BASIS AS FOLLOWS:

24 (1) A TAX CREDIT OF 7 1/2% OF THE TOTAL AMOUNT PAID IN
25 THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
26 EXPANSION ZONE DURING THE TAX PERIOD BY THE TAXPAYER FOR
27 COMPENSATION.

28 (2) COMPENSATION IS PAID IN THE KEYSTONE OPPORTUNITY
29 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE UNDER THE
30 CRITERIA IN SECTION 515(D)(2)(II).

1 (3) COMPENSATION OF A PASS-THROUGH ENTITY SHALL BE
2 ALLOCATED IN THE SAME MANNER AS INCOME IS ALLOCATED.

3 (C) PASS-THROUGH ENTITIES.--FOR PURPOSES OF THIS SECTION,
4 "PASS-THROUGH ENTITY" MEANS AN ASSOCIATION, PARTNERSHIP OR
5 LIMITED LIABILITY COMPANY THAT FOR FEDERAL INCOME TAX PURPOSES
6 IS CLASSIFIED AS A PARTNERSHIP.

7 (D) LIMITATION ON AMOUNT OF CREDIT.--THE TAX CREDITS ALLOWED
8 UNDER THIS SECTION SHALL NOT EXCEED 50% OF THE TAX LIABILITY OF
9 THE TAXPAYER UNDER ARTICLE IX OF THE TAX REFORM CODE OF 1971 FOR
10 THE TAX YEAR.

11 (E) RELIEF FROM ADDITIONAL RETALIATORY TAX.--THE TAX CREDITS
12 TAKEN BY AN INSURANCE COMPANY UNDER THIS SECTION SHALL NOT BE
13 INCLUDED IN DETERMINING LIABILITY FOR RETALIATORY TAXES IMPOSED
14 UNDER SECTION 212 OF THE ACT OF MAY 17, 1921 (P.L.789, NO.285),
15 KNOWN AS THE INSURANCE DEPARTMENT ACT OF 1921.

16 (F) HOLD-HARMLESS CLAUSE.--THE TAX CREDITS ALLOWED BY THIS
17 SECTION SHALL NOT REDUCE THE AMOUNTS WHICH WOULD OTHERWISE BE
18 PAYABLE FOR FIREMEN'S RELIEF PENSION OR RETIREMENT PURPOSES OR
19 FOR POLICE PENSION RETIREMENT OR DISABILITY PURPOSES. THE
20 DEPARTMENT OF REVENUE SHALL TRANSFER BY JUNE 30 OF EACH FISCAL
21 YEAR AN AMOUNT EQUAL TO THE TAX CREDITS TAKEN UNDER THIS SECTION
22 BY FOREIGN FIRE AND CASUALTY INSURANCE COMPANIES FROM THE
23 GENERAL FUND TO THE MUNICIPAL PENSION AID FUND AND THE FIRE
24 INSURANCE TAX FUND, AS APPROPRIATE.

25 SECTION 6. SECTIONS 701, 702, 703, 704, 705, 901, 902, 903,
26 904 AND 905 OF THE ACT ARE AMENDED TO READ:
27 SECTION 701. LOCAL TAXES.

28 (A) GENERAL RULE.--EVERY POLITICAL SUBDIVISION IN WHICH A
29 DESIGNATED KEYSTONE OPPORTUNITY ZONE IS LOCATED SHALL EXEMPT,
30 DEDUCT, ABATE OR CREDIT LOCAL TAXES IN ACCORDANCE WITH

ORDINANCES AND RESOLUTIONS ADOPTED UNDER SECTION 301(D). FAILURE TO EXEMPT, DEDUCT, ABATE OR CREDIT LOCAL TAXES SHALL RESULT IN THE REVOCATION OF THE KEYSTONE OPPORTUNITY ZONE DESIGNATION.

(B) EXPANSION RULE.--EVERY POLITICAL SUBDIVISION IN WHICH A DESIGNATED KEYSTONE OPPORTUNITY EXPANSION ZONE IS LOCATED SHALL EXEMPT, DEDUCT, ABATE OR CREDIT LOCAL TAXES IN ACCORDANCE WITH ORDINANCE AND RESOLUTIONS ADOPTED UNDER SECTION 301.1(D). FAILURE TO EXEMPT, DEDUCT, ABATE OR CREDIT LOCAL TAXES SHALL RESULT IN THE REVOCATION OF THE KEYSTONE OPPORTUNITY EXPANSION ZONE DESIGNATION.

SECTION 702. REAL PROPERTY TAX.

(A) GENERAL RULE.--NOTWITHSTANDING THE ACT OF MAY 22, 1933 (P.L.853, NO.155), KNOWN AS THE GENERAL COUNTY ASSESSMENT LAW, AND THE ACT OF MAY 21, 1943 (P.L.571, NO.254), KNOWN AS THE FOURTH TO EIGHTH CLASS COUNTY ASSESSMENT LAW, EACH QUALIFIED POLITICAL SUBDIVISION FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 1999, 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 KEYSTONE OPPORTUNITY ZONE WITHIN THIS COMMONWEALTH. THE REAL PROPERTY TAX ABATEMENT PROVIDED FOR IN THIS SECTION SHALL APPLY TO ALL REAL PROPERTY LOCATED IN A KEYSTONE OPPORTUNITY ZONE, IRRESPECTIVE OF THE BUSINESS ACTIVITY, IF ANY, MADE OF THE REALTY BY ITS OWNER, WHEN THIS ACT IS IN EFFECT.

(A.1) EXPANSION RULE.--NOTWITHSTANDING THE ACT OF MAY 22, 1933 (P.L.853, NO.155), KNOWN AS THE GENERAL COUNTY ASSESSMENT LAW, AND THE ACT OF MAY 21, 1943 (P.L.571, NO.254), KNOWN AS THE FOURTH TO EIGHTH CLASS COUNTY ASSESSMENT LAW, EACH POLITICAL SUBDIVISION FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY 1, 2001, SHALL BY ORDINANCE OR RESOLUTION ABATE 100% OF THE REAL

1 PROPERTY TAXATION ON THE ASSESSED VALUATION OF DETERIORATED
2 PROPERTY IN AN AREA DESIGNATED AS A KEYSTONE OPPORTUNITY
3 EXPANSION ZONE WITHIN THIS COMMONWEALTH. THE REAL PROPERTY TAX
4 ABATEMENT PROVIDED FOR THIS SECTION SHALL APPLY TO ALL REAL
5 PROPERTY LOCATED IN A KEYSTONE OPPORTUNITY EXPANSION ZONE,
6 IRRESPECTIVE OF THE BUSINESS ACTIVITY, IF ANY, MADE OF THE
7 REALTY BY ITS OWNER, WHEN THIS ACT IS IN EFFECT.

8 (B) INVESTMENT IN LIEU OF TAX PAYMENT.--

9 (1) A QUALIFIED POLITICAL SUBDIVISION MAY REQUIRE A
10 RESIDENT OF DETERIORATED REAL PROPERTY TO INVEST UP TO 25% OF
11 ALL REAL PROPERTY TAXES WHICH WOULD HAVE BEEN DUE IF THE REAL
12 PROPERTY WAS NOT LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR
13 KEYSTONE OPPORTUNITY EXPANSION ZONE IN IMPROVEMENTS TO THE
14 REAL PROPERTY IN ORDER FOR THE RESIDENTS TO BE QUALIFIED FOR
15 EXEMPTIONS, CREDITS AND ABATEMENTS UNDER THIS ACT.

16 (2) A QUALIFIED POLITICAL SUBDIVISION MAY REQUIRE A
17 NONRESIDENT OWNER OF DETERIORATED REAL PROPERTY WHO LEASES
18 THE REAL PROPERTY TO A PERSON FOR RESIDENTIAL USE [SHALL] TO
19 INVEST 50% OF ALL REAL PROPERTY TAXES WHICH WOULD HAVE BEEN
20 DUE IF THE REAL PROPERTY WAS NOT LOCATED IN A KEYSTONE
21 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, IN
22 IMPROVEMENTS TO THE REAL PROPERTY.

23 [(C) APPLICATION FOR TAX ABATEMENT.--ANY PERSON REQUESTING
24 REAL PROPERTY TAX ABATEMENT PURSUANT TO ORDINANCES OR
25 RESOLUTIONS ADOPTED PURSUANT TO THIS ACT SHALL NOTIFY EACH
26 COUNTY OR OTHER DESIGNATED ASSESSMENT OFFICE GRANTING SUCH
27 ABATEMENT IN WRITING ON A FORM PROVIDED BY THAT ASSESSMENT
28 OFFICE WITHIN 30 DAYS OF THE DESIGNATION AS A KEYSTONE
29 OPPORTUNITY ZONE OR WITHIN 30 DAYS OF THE TRANSFER OF OWNERSHIP
30 OF THE REAL PROPERTY SUBJECT TO ABATEMENT. A COPY OF THE

1 ABATEMENT REQUEST SHALL BE FORWARDED BY THE COUNTY OR OTHER
2 DESIGNATED ASSESSMENT OFFICE TO THE POLITICAL SUBDIVISION.]

3 (D) ANNUAL REAL PROPERTY REPORT.--[EVERY KEYSTONE
4 OPPORTUNITY ZONE] BY JANUARY 31 OF EACH CALENDAR YEAR A
5 POLITICAL SUBDIVISION IN WHICH A KEYSTONE OPPORTUNITY ZONE OR
6 KEYSTONE OPPORTUNITY EXPANSION ZONE IS LOCATED SHALL SUBMIT TO
7 THE DEPARTMENT [AN ANNUAL] A REPORT [BY JANUARY 31 OF EACH
8 CALENDAR YEAR OF ALL] LISTING THE ADDRESS OF EACH REAL PROPERTY,
9 [AND THE OWNERS AND ADDRESSES OF THAT REAL PROPERTY AT ANY TIME
10 DURING THE PRECEDING YEAR, WHICH IS LOCATED IN A] DESIGNATED A
11 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
12 AND ITS OWNER OF RECORD.

13 (E) INTEREST AND PENALTIES.--IF THE DEPARTMENT OR A
14 POLITICAL SUBDIVISION FINDS THAT A PERSON CLAIMED AN ABATEMENT
15 OF REAL PROPERTY TAX TO WHICH THE PERSON WAS NOT ENTITLED UNDER
16 THIS ACT, THE PERSON SHALL BE LIABLE FOR THE ABATED TAXES AND
17 SUBJECT TO THE APPLICABLE INTEREST AND PENALTY PROVISIONS
18 PROVIDED BY LAW.

19 (F) CALCULATIONS FOR EDUCATION SUBSIDY FOR SCHOOL
20 DISTRICTS.--IN DETERMINING THE MARKET VALUE OF REAL PROPERTY IN
21 EACH SCHOOL DISTRICT, THE STATE TAX EQUALIZATION BOARD SHALL
22 EXCLUDE ANY INCREASE IN VALUE ABOVE THE BASE VALUE PRIOR TO THE
23 EFFECT OF THE ABATEMENT OF LOCAL TAXES TO THE EXTENT AND DURING
24 THE PERIOD OF TIME THAT REAL ESTATE TAX REVENUES ATTRIBUTABLE TO
25 SUCH INCREASED VALUE ARE NOT AVAILABLE TO THE SCHOOL DISTRICT
26 FOR GENERAL SCHOOL DISTRICT PURPOSES.

27 SECTION 703. LOCAL EARNED INCOME AND NET PROFITS TAXES;
28 BUSINESS PRIVILEGE TAXES.

29 (A) GENERAL EXEMPTION.--[TO THE EXTENT THAT A QUALIFIED] IF
30 A POLITICAL SUBDIVISION HAS ENACTED ANY TAX ON THE PRIVILEGE OF

1 ENGAGING IN ANY BUSINESS OR PROFESSION, MEASURED BY GROSS
2 RECEIPTS OR ON A FLAT RATE BASIS, EARNED INCOME OR NET PROFITS,
3 AS DEFINED IN THE ACT OF DECEMBER 31, 1965 (P.L.1257, NO.511),
4 KNOWN AS THE LOCAL TAX ENABLING ACT, IMPOSED WITHIN THE
5 BOUNDARIES OF A KEYSTONE OPPORTUNITY ZONE[, SUCH] OR KEYSTONE
6 OPPORTUNITY EXPANSION ZONE, THE QUALIFIED POLITICAL SUBDIVISION
7 SHALL EXEMPT FROM THE IMPOSITION OR OPERATION OF [SUCH] THE
8 LOCAL TAX ORDINANCES, STATUTES, REGULATIONS OR OTHERWISE:

9 (1) THE BUSINESS GROSS RECEIPTS FOR OPERATIONS CONDUCTED
10 BY A QUALIFIED BUSINESS WITHIN A KEYSTONE OPPORTUNITY ZONE OR
11 KEYSTONE OPPORTUNITY EXPANSION ZONE.

12 (2) THE EARNED INCOME RECEIVED BY A RESIDENT OF A
13 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
14 ZONE.

15 (3) THE NET PROFITS OF A QUALIFIED BUSINESS [RECEIVED BY
16 A RESIDENT OR NONRESIDENT OF A KEYSTONE OPPORTUNITY ZONE]
17 ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A KEYSTONE
18 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE WHEN
19 IMPOSED BY THE QUALIFIED POLITICAL SUBDIVISION WHERE THAT
20 QUALIFIED BUSINESS IS LOCATED.

21 (B) ADDITIONAL EXEMPTIONS.--[TO THE EXTENT THAT]

22 (1) PARAGRAPH (2) SHALL APPLY IF A QUALIFIED POLITICAL
23 SUBDIVISION HAS ENACTED A TAX ON THE PRIVILEGE OF ENGAGING IN
24 A PROFESSION OR BUSINESS, ON WAGES OR COMPENSATION, ON NET
25 PROFITS FROM THE OPERATION OF A BUSINESS OR PROFESSION OR
26 OTHER ACTIVITY OR ON THE OCCUPANCY OR USE OF REAL PROPERTY
27 PURSUANT TO ANY OF THE FOLLOWING:

28 [(1) PURSUANT TO THE]

29 (I) THE ACT OF AUGUST 5, 1932 (SP.SESS. P.L.45,
30 NO.45), REFERRED TO AS THE STERLING ACT[, THE].

1 ~~(II)~~ THE ACT OF MARCH 10, 1949 (P.L.30, NO.14),
2 KNOWN AS THE PUBLIC SCHOOL CODE OF 1949[, THE].

3 ~~(III)~~ THE ACT OF AUGUST 24, 1961 (P.L.1135, NO.508),
4 REFERRED TO AS THE FIRST CLASS A SCHOOL DISTRICT EARNED
5 INCOME TAX ACT[, THE].

6 ~~(IV)~~ THE ACT OF AUGUST 9, 1963 (P.L.640, NO.338),
7 ENTITLED "AN ACT EMPOWERING CITIES OF THE FIRST CLASS,
8 COTERMINOUS WITH SCHOOL DISTRICTS OF THE FIRST CLASS, TO
9 AUTHORIZE THE BOARDS OF PUBLIC EDUCATION OF SUCH SCHOOL
10 DISTRICTS TO IMPOSE CERTAIN ADDITIONAL TAXES FOR SCHOOL
11 DISTRICT PURPOSES, AND PROVIDING FOR THE LEVY, ASSESSMENT
12 AND COLLECTION OF SUCH TAXES[, " THE]."

13 ~~(V)~~ THE ACT OF MAY 30, 1984 (P.L.345, NO.69), KNOWN
14 AS THE FIRST CLASS CITY BUSINESS TAX REFORM ACT[, OR
15 THE].

16 ~~(VI)~~ THE ACT OF JUNE 5, 1991 (P.L.9, NO.6), KNOWN AS
17 THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
18 ACT FOR CITIES OF THE FIRST CLASS[, ENACTED A TAX ON:

19 (I) THE PRIVILEGE OF ENGAGING IN A PROFESSION OR
20 BUSINESS;

21 (II) WAGES OR COMPENSATION;

22 (III) NET PROFITS FROM THE OPERATION OF A BUSINESS,
23 PROFESSION OR OTHER ACTIVITY; OR

24 (IV) THE OCCUPANCY OR USE OF REAL PROPERTY].

25 (2) [THE] IF THERE IS AN ENACTMENT UNDER PARAGRAPH (1),
26 THE QUALIFIED POLITICAL SUBDIVISION SHALL PROVIDE AN
27 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT FROM THE IMPOSITION
28 AND OPERATION OF SUCH LOCAL TAX ORDINANCE OR RESOLUTION ALL
29 OF THE FOLLOWING:

30 (I) [A PERSON OR QUALIFIED BUSINESS, WHETHER A

1 RESIDENT OR A NONRESIDENT OF A KEYSTONE OPPORTUNITY ZONE,
2 FOR THE] THE PRIVILEGE OF ENGAGING IN A BUSINESS OR
3 PROFESSION WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
4 OPPORTUNITY EXPANSION ZONE BY A PERSON OR QUALIFIED
5 BUSINESS, WHETHER A RESIDENT OR NONRESIDENT OF THE ZONE.

6 (II) SALARIES, WAGES, COMMISSIONS, COMPENSATION OR
7 OTHER INCOME RECEIVED FOR SERVICES RENDERED OR WORK
8 PERFORMED BY A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE OR
9 KEYSTONE OPPORTUNITY EXPANSION ZONE.

10 (III) THE GROSS OR NET INCOME OR GROSS OR NET
11 PROFITS REALIZED FROM THE OPERATION OF A QUALIFIED
12 BUSINESS TO THE EXTENT ATTRIBUTABLE TO BUSINESS ACTIVITY
13 CONDUCTED WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
14 OPPORTUNITY EXPANSION ZONE.

15 (IV) THE OCCUPANCY OR USE OF REAL PROPERTY LOCATED
16 WITHIN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
17 OPPORTUNITY EXPANSION ZONE.

18 [(C) LIMITATION ON WITHHOLDING.--EVERY EMPLOYER REQUIRED TO
19 WITHHOLD ANY LOCAL TAX ON THE EARNED INCOME, WAGES OR
20 COMPENSATION OF ONE OR MORE PERSONS WITHIN THE PARTICULAR
21 POLITICAL SUBDIVISION SHALL NOT WITHHOLD SUCH TAX ON EARNED
22 INCOME, WAGES OR COMPENSATION PAID TO ANY PERSON OR HIS PERSONAL
23 REPRESENTATIVE DURING ANY PERIOD WHEN THE QUALIFIED POLITICAL
24 SUBDIVISION HAS BY ORDINANCE OR RESOLUTION PROVIDED FOR THE
25 EXEMPTION FROM TAX AS PROVIDED IN SECTION 701 AND THE PERSON IS
26 A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE.

27 (D) INFORMATION FOR EMPLOYER.--EVERY PERSON WHO IS AN
28 EMPLOYEE THAT QUALIFIES AS A RESIDENT OF A KEYSTONE OPPORTUNITY
29 ZONE SHALL FURNISH TO HIS OR HER EMPLOYER INFORMATION, AS
30 PRESCRIBED BY THE POLITICAL SUBDIVISION, NECESSARY FOR THE

1 EMPLOYER TO WITHHOLD THE CORRECT AMOUNT OF TAX. AN EMPLOYEE
2 SHALL FURNISH NOTIFICATION TO HIS OR HER EMPLOYER OF ANY CHANGES
3 TO THE INFORMATION WITHIN 20 DAYS AFTER THE CHANGE. AN EMPLOYEE
4 SHALL NOTIFY HIS OR HER EMPLOYER THAT THE EMPLOYEE HAS COMPLETED
5 THE RESIDENCY REQUIREMENTS UNDER SECTION 306.

6 (E) DUTY OF EMPLOYER.--WITHIN 20 DAYS AFTER AN EMPLOYER
7 RECEIVES INFORMATION FROM AN EMPLOYEE PURSUANT TO SUBSECTION
8 (D), THE EMPLOYER SHALL FORWARD A COPY OF THAT INFORMATION TO
9 THE POLITICAL SUBDIVISION OR OTHER AGENCY DESIGNATED BY THE
10 POLITICAL SUBDIVISION. THE INFORMATION SHALL NOT BE GIVEN
11 RETROACTIVE EFFECT FOR WITHHOLDING PURPOSES. THE EMPLOYER SHALL
12 NOT BE REQUIRED TO WITHHOLD TAX FROM THE WAGES, EARNED INCOME OR
13 COMPENSATION PAID TO A RESIDENT OF A KEYSTONE OPPORTUNITY ZONE,
14 IF REASONABLE UNDER THE CIRCUMSTANCES, UNLESS DIRECTED BY THE
15 POLITICAL SUBDIVISION TO WITHHOLD TAX FROM THE WAGES, EARNED
16 INCOME OR COMPENSATION ON SOME OTHER BASIS. IF AN EMPLOYEE FAILS
17 OR REFUSES TO FURNISH THE INFORMATION OR FURNISHES INFORMATION
18 THAT THE EMPLOYER REASONABLY AND IN GOOD FAITH BELIEVES TO BE
19 INACCURATE, THE EMPLOYER SHALL WITHHOLD THE FULL RATE OF TAX
20 FROM THE EMPLOYEE'S TOTAL WAGES, EARNED INCOME OR COMPENSATION.]

21 (F) CALCULATION FOR EDUCATION SUBSIDY FOR SCHOOL DISTRICT.--
22 IN DETERMINING THE PERSONAL INCOME VALUATION OF A SCHOOL
23 DISTRICT, THE SECRETARY OF REVENUE SHALL EXCLUDE ANY INCREASE IN
24 THE VALUATION AS DEFINED IN SECTION 2501(9.1) OF THE ACT OF
25 MARCH 10, 1949 (P.L.30, NO.14), KNOWN AS THE PUBLIC SCHOOL CODE
26 OF 1949, ABOVE THE BASE VALUE PRIOR TO THE ABATEMENT OF LOCAL
27 TAXES IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
28 EXPANSION ZONE LOCATED WITHIN THE SCHOOL DISTRICT TO THE EXTENT
29 AND DURING THE PERIOD OF TIME THAT PERSONAL INCOME REVENUES
30 ATTRIBUTABLE TO THE INCREASE IN THE PERSONAL INCOME VALUATION

1 ARE NOT AVAILABLE TO THE SCHOOL DISTRICT FOR GENERAL SCHOOL
2 DISTRICT PURPOSES.

3 SECTION 704. MERCANTILE LICENSE TAX.

4 NO PERSON OR QUALIFIED BUSINESS IN A KEYSTONE OPPORTUNITY
5 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE REQUIRED TO
6 PAY ANY FEE AUTHORIZED PURSUANT TO A MERCANTILE LICENSE TAX
7 IMPOSED UNDER THE ACT OF JUNE 20, 1947 (P.L.745, NO.320),
8 ENTITLED, AS AMENDED, "AN ACT TO PROVIDE REVENUE FOR SCHOOL
9 DISTRICTS OF THE FIRST CLASS A BY IMPOSING A TEMPORARY
10 MERCANTILE LICENSE TAX ON PERSONS ENGAGING IN CERTAIN
11 OCCUPATIONS AND BUSINESSES THEREIN; PROVIDING FOR ITS LEVY AND
12 COLLECTION; FOR THE ISSUANCE OF MERCANTILE LICENSES UPON THE
13 PAYMENT OF FEES THEREFOR; CONFERRING AND IMPOSING POWERS AND
14 DUTIES ON BOARDS OF PUBLIC EDUCATION, RECEIVERS OF SCHOOL TAXES
15 AND SCHOOL TREASURERS IN SUCH DISTRICTS; SAVING CERTAIN
16 ORDINANCES OF COUNCIL OF CERTAIN CITIES, AND PROVIDING
17 COMPENSATION FOR CERTAIN OFFICERS, AND EMPLOYEES AND IMPOSING
18 PENALTIES."

19 SECTION 705. LOCAL SALES AND USE TAX.

20 (A) GENERAL RULE.--THE POLITICAL SUBDIVISION SHALL EXEMPT
21 SALES AT RETAIL OF SERVICES OR TANGIBLE PERSONAL PROPERTY,
22 EXCEPT MOTOR VEHICLES, TO A QUALIFIED BUSINESS FOR THE EXCLUSIVE
23 USE, CONSUMPTION AND UTILIZATION OF THE TANGIBLE PERSONAL
24 PROPERTY OR SERVICE BY THE QUALIFIED BUSINESS AT ITS FACILITY
25 LOCATED WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
26 OPPORTUNITY EXPANSION ZONE FROM A CITY OR COUNTY TAX ON PURCHASE
27 PRICE AUTHORIZED UNDER ARTICLE XXXI-B OF THE ACT OF JULY 28,
28 1953 (P.L.723, NO.230), KNOWN AS THE SECOND CLASS COUNTY CODE,
29 AS AMENDED, AND THE ACT OF JUNE 5, 1991 (P.L.9, NO.6), KNOWN AS
30 THE PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ACT FOR

1 CITIES OF THE FIRST CLASS, AS AMENDED.

2 (B) [REAL PROPERTY] CONSTRUCTION CONTRACTS.--[THE] FOR ANY
3 CONSTRUCTION CONTRACT PERFORMED IN A KEYSTONE OPPORTUNITY ZONE
4 OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THE EXEMPTION PROVIDED
5 IN SUBSECTION (A) SHALL ONLY APPLY TO THE SALE AT RETAIL OR USE
6 OF BUILDING MACHINERY AND EQUIPMENT TO A QUALIFIED BUSINESS, OR
7 TO A CONSTRUCTION CONTRACTOR PURSUANT TO A CONSTRUCTION CONTRACT
8 WITH A QUALIFIED BUSINESS, FOR THE EXCLUSIVE USE, CONSUMPTION
9 AND UTILIZATION BY THE QUALIFIED BUSINESS AT ITS FACILITY IN A
10 KEYSTONE OPPORTUNITY ZONE[.] OR KEYSTONE OPPORTUNITY EXPANSION
11 ZONE. FOR THE PURPOSES OF THE KEYSTONE OPPORTUNITY ZONE AND
12 KEYSTONE OPPORTUNITY EXPANSION ZONE EXEMPTION, BUILDING
13 MACHINERY AND EQUIPMENT SHALL INCLUDE DISTRIBUTION EQUIPMENT
14 PURCHASED FOR THE EXCLUSIVE USE, CONSUMPTION AND UTILIZATION IN
15 A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
16 ZONE FACILITY.

17 (C) DEFINITION.--SALES AT RETAIL OF TANGIBLE PERSONAL
18 PROPERTY AND SERVICES SHALL BE DEFINED IN ACCORDANCE WITH
19 ARTICLE II OF THE TAX REFORM CODE OF 1971.
20 SECTION 901. TRANSFERABILITY.

21 ANY EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT PROVIDED TO ANY
22 PERSON OR QUALIFIED BUSINESS UNDER CHAPTER 5 OR 7 IS
23 NONTRANSFERABLE AND CANNOT BE APPLIED, USED OR ASSIGNED TO ANY
24 OTHER PERSON, BUSINESS OR TAX ACCOUNT.

25 SECTION 902. RECAPTURE.

26 (A) GENERAL RULE.--IF ANY QUALIFIED BUSINESS LOCATED WITHIN
27 A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
28 ZONE HAS RECEIVED AN EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT
29 UNDER THIS ACT AND SUBSEQUENTLY RELOCATES OUTSIDE OF THE ZONE
30 WITHIN THE FIRST FIVE YEARS OF LOCATING IN A KEYSTONE

1 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, THAT
2 BUSINESS SHALL REFUND TO THE STATE AND POLITICAL SUBDIVISION
3 WHICH GRANTED THE EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT
4 RECEIVED IN ACCORDANCE WITH THE FOLLOWING:

5 (1) IF A QUALIFIED BUSINESS RELOCATES WITHIN THREE YEARS
6 FROM THE DATE OF [ANY CLAIM] FIRST LOCATING IN A KEYSTONE
7 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, 66%
8 OF ALL THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS
9 [PREVIOUSLY RECEIVED DUE] ATTRIBUTED TO THAT QUALIFIED
10 BUSINESS'S PARTICIPATION IN THE KEYSTONE OPPORTUNITY ZONE OR
11 KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL BE REFUNDED TO THE
12 COMMONWEALTH AND THE POLITICAL SUBDIVISION.

13 (2) IF A QUALIFIED BUSINESS RELOCATES WITHIN THREE TO
14 FIVE YEARS FROM THE DATE OF [ANY CLAIM] FIRST LOCATING IN A
15 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
16 ZONE, 33% OF ALL EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR
17 CREDITS [PREVIOUSLY RECEIVED FROM] ATTRIBUTED TO THAT
18 QUALIFIED BUSINESS'S PARTICIPATION IN THE KEYSTONE
19 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE SHALL
20 BE REFUNDED TO THE COMMONWEALTH AND THE POLITICAL
21 SUBDIVISION.

22 (3) IF THE QUALIFIED BUSINESS WAS LOCATED WITHIN A
23 FACILITY OPERATED BY A NONPROFIT ORGANIZATION TO ASSIST IN
24 THE CREATION AND DEVELOPMENT OF A START-UP BUSINESS, NO
25 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT SHALL BE REFUNDED.

26 (B) WAIVER.--THE DEPARTMENT, IN CONSULTATION WITH THE
27 DEPARTMENT OF REVENUE AND THE POLITICAL SUBDIVISION, MAY WAIVE
28 OR MODIFY RECAPTURE REQUIREMENTS UNDER THIS SECTION IF THE
29 DEPARTMENT DETERMINES THAT THE BUSINESS RELOCATION WAS DUE TO
30 CIRCUMSTANCES BEYOND THE CONTROL OF THE BUSINESS, INCLUDING, BUT

1 NOT LIMITED TO:

2 (1) NATURAL DISASTER;

3 (2) UNFORESEEN INDUSTRY TRENDS; OR

4 (3) LOSS OF A MAJOR SUPPLIER OR MARKET.

5 [(C) DETERMINATION OF CLAIM DATE.--FOR PURPOSES OF THIS
6 SECTION, AN EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT IS DEEMED
7 TO BE CLAIMED ON THE LATER OF:

8 (1) THE DATE THE RETURN OR OTHER REPORT FOR THE TAX OR
9 FEE IS DUE;

10 (2) THE DATE THE RETURN IS FILED; OR

11 (3) THE DATE THE TAX OR FEE WOULD BE PAID.]

12 SECTION 903. DELINQUENT OR DEFICIENT STATE OR LOCAL TAXES.

13 (A) PERSONS.--NO PERSON MAY CLAIM OR RECEIVE AN EXEMPTION,
14 DEDUCTION, ABATEMENT OR CREDIT UNDER THIS ACT UNLESS THAT PERSON
15 IS IN FULL COMPLIANCE WITH ALL STATE AND LOCAL TAX LAWS [AND
16 RELATED], ORDINANCES AND RESOLUTIONS.

17 (B) QUALIFIED BUSINESS.--

18 (1) NO QUALIFIED BUSINESS MAY CLAIM OR RECEIVE AN
19 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT UNDER THIS ACT
20 UNLESS THAT QUALIFIED BUSINESS IS IN FULL COMPLIANCE WITH ALL
21 STATE AND LOCAL TAX LAWS, ORDINANCES AND RESOLUTIONS.

22 (2) NO QUALIFIED BUSINESS MAY CLAIM OR RECEIVE AN
23 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT UNDER THIS ACT IF
24 ANY PERSON OR BUSINESS WITH A 20% OR GREATER INTEREST IN THAT
25 QUALIFIED BUSINESS IS NOT IN FULL COMPLIANCE WITH ALL STATE
26 AND LOCAL TAX LAWS, ORDINANCES AND RESOLUTIONS.

27 (C) LATER COMPLIANCE AND ELIGIBILITY.--ANY PERSON OR
28 QUALIFIED BUSINESS THAT IS NOT ELIGIBLE TO CLAIM AN EXEMPTION,
29 DEDUCTION, ABATEMENT OR CREDIT DUE TO NONCOMPLIANCE WITH ANY
30 STATE OR LOCAL TAX LAW MAY BECOME ELIGIBLE IF THAT PERSON OR

1 QUALIFIED BUSINESS SUBSEQUENTLY COMES INTO FULL COMPLIANCE WITH
2 ALL STATE AND LOCAL TAX LAWS TO THE SATISFACTION OF THE
3 DEPARTMENT OF REVENUE OR THE POLITICAL SUBDIVISION WITHIN THE
4 CALENDAR YEAR IN WHICH THE NONCOMPLIANCE FIRST OCCURRED. IF FULL
5 COMPLIANCE IS NOT ATTAINED BY [DECEMBER 31 OF THE CALENDAR YEAR
6 IN WHICH] FEBRUARY 5 OF THE CALENDAR YEAR FOLLOWING THE CALENDAR
7 DURING WHICH NONCOMPLIANCE FIRST OCCURRED, THEN THAT PERSON OR
8 QUALIFIED BUSINESS IS PRECLUDED FROM CLAIMING ANY EXEMPTION,
9 DEDUCTION, ABATEMENT OR CREDIT FOR THAT CALENDAR YEAR, WHETHER
10 OR NOT FULL COMPLIANCE IS ACHIEVED [IN SUBSEQUENT CALENDAR
11 YEARS] SUBSEQUENTLY.

12 SECTION 904. CODE COMPLIANCE.

13 (A) GENERAL RULE.--A PERSON OR QUALIFIED BUSINESS SHALL BE
14 PRECLUDED FROM CLAIMING ANY EXEMPTION, DEDUCTION, ABATEMENT OR
15 CREDIT PROVIDED FOR IN THIS ACT IF THAT PERSON OR QUALIFIED
16 BUSINESS OWNS REAL PROPERTY IN A KEYSTONE OPPORTUNITY ZONE OR
17 KEYSTONE OPPORTUNITY EXPANSION ZONE AND THE REAL PROPERTY IS NOT
18 IN COMPLIANCE WITH ALL APPLICABLE STATE AND LOCAL ZONING,
19 BUILDING AND HOUSING LAWS, ORDINANCES OR CODES [AND THE REAL
20 PROPERTY OWNER HAS NOT FILED AN AFFIDAVIT WITH THE POLITICAL
21 SUBDIVISION ATTESTING TO COMPLIANCE FOR THAT CALENDAR YEAR
22 BEFORE DECEMBER 31 WITH THE POLITICAL SUBDIVISION IN WHICH THE
23 REAL PROPERTY IS LOCATED].

24 (B) OPPORTUNITY TO ACHIEVE COMPLIANCE.--THE PERSON OR
25 QUALIFIED BUSINESS WHO IS NOT IN COMPLIANCE UNDER SUBSECTION (A)
26 SHALL HAVE UNTIL DECEMBER 31 OF THE CALENDAR YEAR FOLLOWING
27 DESIGNATION OF THE REAL PROPERTY AS PART OF A KEYSTONE
28 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE TO BE IN
29 COMPLIANCE IN ORDER TO CLAIM ANY STATE EXEMPTIONS, DEDUCTIONS,
30 ABATEMENTS OR CREDITS FOR THAT YEAR. IF FULL COMPLIANCE IS NOT

1 ATTAINED BY DECEMBER 31 OF THAT CALENDAR YEAR, THE PERSON OR
2 QUALIFIED BUSINESS IS PRECLUDED FROM CLAIMING ANY EXEMPTION,
3 DEDUCTION OR CREDIT FOR THAT CALENDAR YEAR, WHETHER OR NOT
4 COMPLIANCE IS ACHIEVED IN A SUBSEQUENT CALENDAR YEAR. THE
5 POLITICAL SUBDIVISION MAY EXTEND THE TIME PERIOD IN WHICH A
6 PERSON OR QUALIFIED BUSINESS MUST COME INTO COMPLIANCE WITH A
7 LOCAL ORDINANCE OR BUILDING CODE FOR A PERIOD NOT TO EXCEED ONE
8 YEAR IF THE POLITICAL SUBDIVISION DETERMINES THAT THE PERSON OR
9 QUALIFIED BUSINESS HAS MADE AND SHALL CONTINUE TO MAKE A GOOD
10 FAITH EFFORT TO COME INTO COMPLIANCE AND THAT AN EXTENSION WILL
11 ENABLE THE PERSON OR QUALIFIED BUSINESS TO ACHIEVE FULL
12 COMPLIANCE. QUALIFIED POLITICAL SUBDIVISIONS ARE REQUIRED TO
13 NOTIFY THE DEPARTMENT OF REVENUE IN WRITING OF ALL PERSONS OR
14 QUALIFIED BUSINESSES NOT IN COMPLIANCE WITH THIS SUBSECTION
15 WITHIN 30 DAYS FOLLOWING THE END OF EACH CALENDAR YEAR.
16 SECTION 905. APPEALS.

17 A PERSON OR QUALIFIED BUSINESS SHALL BE DEEMED TO BE IN
18 COMPLIANCE WITH ANY STATE OR LOCAL TAX FOR PURPOSES OF THIS
19 SECTION IF THAT PERSON OR QUALIFIED BUSINESS HAD MADE A TIMELY
20 ADMINISTRATIVE OR JUDICIAL APPEAL FOR THAT PARTICULAR TAX OR HAS
21 ENTERED INTO AND IS IN COMPLIANCE WITH A DULY AUTHORIZED
22 DEFERRED PAYMENT PLAN WITH THE DEPARTMENT OF REVENUE OR
23 POLITICAL SUBDIVISION FOR THAT PARTICULAR TAX.

24 SECTION 7. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:
25 SECTION 906. NOTICE REQUIREMENTS; STATE AND LOCAL AUTHORITIES.

26 (A) REQUIREMENT.--AFTER COMPLIANCE REVIEWS HAVE BEEN
27 CONDUCTED BY APPROPRIATE COMMONWEALTH AND LOCAL AUTHORITIES, THE
28 DEPARTMENT SHALL NOTIFY EACH KEYSTONE OPPORTUNITY ZONE OR
29 KEYSTONE OPPORTUNITY EXPANSION ZONE APPLICANT BY REGULAR MAIL
30 EACH YEAR OF THE DEPARTMENT'S APPROVAL OR DENIAL OF THE

1 APPLICANT'S KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY
2 EXPANSION ZONE APPLICATION. NO KEYSTONE OPPORTUNITY ZONE OR
3 KEYSTONE OPPORTUNITY EXPANSION ZONE APPLICANT IS ENTITLED TO ANY
4 TAX BENEFITS UNLESS IT RECEIVES APPROVAL FROM THE DEPARTMENT.

5 (B) NOTICE.--THE DEPARTMENT SHALL PROVIDE A ONE-TIME
6 NOTIFICATION TO EVERY CURRENT KEYSTONE OPPORTUNITY ZONE AND
7 KEYSTONE OPPORTUNITY EXPANSION ZONE REAL PROPERTY OWNER BY JUNE
8 1, 2001. NO BENEFITS OR RIGHTS SHALL ACCRUE TO ANY REAL PROPERTY
9 OWNER IF NOTIFICATION IS NOT RECEIVED.

10 (C) TRANSMITTAL.--THE DEPARTMENT, OR ITS DESIGNATED
11 OFFICIAL, SHALL WITHIN 15 BUSINESS DAYS OF RECEIPT OF A KEYSTONE
12 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
13 APPLICATION MADE UNDER THIS ACT, FORWARD A COPY OF THE
14 APPLICATION TO APPROPRIATE COMMONWEALTH AND LOCAL AUTHORITIES
15 FOR REVIEW AND PROCESSING.

16 SECTION 907. APPLICATION TIME.

17 A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION
18 ZONE APPLICANT MUST FILE A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
19 OPPORTUNITY EXPANSION ZONE APPLICATION IN A MANNER PRESCRIBED BY
20 THE DEPARTMENT BY DECEMBER 31 OF EACH CALENDAR YEAR FOR WHICH
21 THE APPLICANT CLAIMS ANY EXEMPTION, DEDUCTION, ABATEMENT OR
22 CREDIT UNDER THIS ACT. NO EXEMPTION, DEDUCTION, ABATEMENT OR
23 CREDIT MAY BE CLAIMED OR RECEIVED FOR THAT CALENDAR YEAR UNTIL
24 APPROVAL HAS BEEN GRANTED BY THE DEPARTMENT.

25 SECTION 8. SECTIONS 1101, 1102, 1103, 1302, 1303 AND 1304 OF
26 THE ACT ARE AMENDED TO READ:

27 SECTION 1101. COMMUNITY BENEFITS.

28 (A) IMPLEMENTATION GRANT.--THE DEPARTMENT MAY PROVIDE A ONE-
29 TIME \$250,000 GRANT TO [THE] A KEYSTONE OPPORTUNITY ZONE OR A
30 ONE-TIME \$200,000 GRANT TO A KEYSTONE OPPORTUNITY EXPANSION ZONE

1 TO IMPLEMENT THE OPPORTUNITY PLAN AND TO PROVIDE AN ANNUAL
2 UPDATE OF REAL PROPERTY OWNERSHIP AND OTHER INFORMATION TO THE
3 DEPARTMENT OF REVENUE. THE ANNUAL UPDATE SHALL DESCRIBE PROGRESS
4 ON ALL PROPOSALS REQUIRED AS PART OF THE OPPORTUNITY PLAN AND
5 OTHER INFORMATION AS REQUIRED BY THE DEPARTMENT. A SEPARATE
6 APPLICATION MUST BE SUBMITTED TO THE DEPARTMENT OUTLINING A
7 BUDGET AND IMPLEMENTATION NARRATIVE. THE GRANT SHALL BE DRAWN
8 DOWN AS NEEDED OVER A PERIOD NOT TO EXCEED THE FIRST FIVE YEARS
9 OF DESIGNATION AS A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE
10 OPPORTUNITY EXPANSION ZONE. GRANT FUNDS SHALL BE PROVIDED FROM
11 THE HOUSING AND REDEVELOPMENT APPROPRIATIONS. [KEYSTONE
12 OPPORTUNITY ZONES] GRANT RECIPIENTS SHALL COMPLY WITH THE
13 PROVISIONS OF THE APPROPRIATION.

14 (B) REDUCED INTEREST.--PROJECTS IN DESIGNATED KEYSTONE
15 OPPORTUNITY ZONES OR KEYSTONE OPPORTUNITY EXPANSION ZONES THAT
16 ARE APPROVED FOR PENNSYLVANIA INDUSTRIAL DEVELOPMENT AUTHORITY
17 (PIDA) OR SMALL BUSINESS FIRST FINANCING SHALL RECEIVE THE
18 LOWEST INTEREST RATE EXTENDED TO BORROWERS.

19 (C) PRIORITY CONSIDERATION.--PROJECTS IN KEYSTONE
20 OPPORTUNITY ZONES OR KEYSTONE OPPORTUNITY EXPANSION ZONES SHALL
21 RECEIVE PRIORITY CONSIDERATION FOR STATE ASSISTANCE UNDER STATE
22 ECONOMIC, COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS AND
23 COMMUNITY BUILDING INITIATIVES.

24 (D) MARKETING.--THE DEPARTMENT SHALL DEVELOP AND IMPLEMENT A
25 CONSOLIDATED MARKETING STRATEGY FOR THE KEYSTONE OPPORTUNITY
26 ZONES OR KEYSTONE OPPORTUNITY EXPANSION ZONES FOR USE IN JOB
27 RETENTION AND ATTRACTION ACTIVITIES.

28 (E) EDUCATION.--THE DEPARTMENT OF EDUCATION SHALL PROVIDE
29 TECHNICAL ASSISTANCE TO SCHOOL DISTRICTS LOCATED IN OR SCHOOL
30 DISTRICTS HAVING PARTS OF THEIR DISTRICTS LOCATED IN KEYSTONE

1 OPPORTUNITY ZONES OR KEYSTONE OPPORTUNITY EXPANSION ZONES.

2 (F) LOCAL GOVERNMENTS.--THE CENTER FOR LOCAL GOVERNMENT
3 SERVICES IN THE DEPARTMENT SHALL PROVIDE TECHNICAL ASSISTANCE TO
4 POLITICAL SUBDIVISIONS RELATING TO TAXATION, IMPLEMENTATION OF
5 THE OPPORTUNITY PLAN, ESTABLISHING ANNUAL BENCHMARKS AND ANNUAL
6 REPORTING REQUIREMENTS TO THE DEPARTMENTS. ADDITIONALLY, THE
7 CENTER FOR LOCAL GOVERNMENT SERVICES SHALL PROVIDE POLITICAL
8 SUBDIVISIONS [IN] WITH PROPERTY DESIGNATED A KEYSTONE
9 OPPORTUNITY [ZONES] ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE
10 WITH TECHNICAL ASSISTANCE TO ENCOURAGE THE IMPLEMENTATION OF
11 BEST PRACTICES IN ACHIEVING EFFICIENT AND EFFECTIVE LOCAL
12 GOVERNMENT ADMINISTRATION AND SHALL COORDINATE ACTIVITIES WITH
13 OTHER DEPARTMENTS AND AGENCIES PROVIDING VARIOUS ASSISTANCE TO
14 COMMUNITIES.

15 (G) COMMUNITY-BASED ORGANIZATIONS.--THE DEPARTMENT SHALL
16 PROVIDE TECHNICAL ASSISTANCE FOR CAPACITY BUILDING OF EXISTING
17 COMMUNITY-BASED ORGANIZATIONS DEALING WITH SOCIOECONOMIC NEEDS,
18 HOUSING ASSISTANCE AND JOB TRAINING IN THE KEYSTONE OPPORTUNITY
19 [ZONES] ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE.

20 SECTION 1102. REPORTING.

21 THE DEPARTMENT SHALL REPORT TO THE GENERAL ASSEMBLY ON THE
22 ECONOMIC EFFECTS OF THIS ACT IN EACH KEYSTONE OPPORTUNITY ZONE
23 OR KEYSTONE OPPORTUNITY EXPANSION ZONE EVERY FOUR YEARS.

24 SECTION 1103. OTHER COMMONWEALTH TAX CREDITS.

25 A PERSON OR QUALIFIED BUSINESS THAT IS ENTITLED TO CLAIM AN
26 EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT IN ACCORDANCE WITH THE
27 PROVISIONS OF THIS ACT SHALL NOT BE ENTITLED TO CLAIM OR
28 ACCUMULATE ANY OF THE FOLLOWING EXEMPTIONS, DEDUCTIONS,
29 ABATEMENTS OR CREDITS THAT IT MAY OTHERWISE HAVE QUALIFIED FOR
30 DUE TO ACTIVITY WITHIN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE

1 OPPORTUNITY EXPANSION ZONE:

2 (1) TAX REFORM CODE OF 1971:

3 (I) ARTICLE XVII RELATING TO ECONOMIC REVITALIZATION
4 TAX CREDITS;

5 (II) ARTICLE XVII-A RELATING TO EMPLOYMENT INCENTIVE
6 PAYMENTS;

7 (III) ARTICLE XVII-B RELATING TO RESEARCH AND
8 DEVELOPMENT TAX CREDITS; OR

9 (IV) ARTICLE XIX-A RELATING TO NEIGHBORHOOD
10 ASSISTANCE AND ENTERPRISE ZONE TAX CREDITS;

11 (2) TAX CREDITS UNDER SECTION 109 OF THE ACT OF DECEMBER
12 19, 1996 (P.L.1478, NO.190), KNOWN AS THE WASTE TIRE
13 RECYCLING ACT;

14 (3) HOMEOWNERS MORTGAGE CREDITS;

15 (4) INSURANCE PREMIUMS TAX CREDITS; AND

16 (5) JOB CREATION TAX CREDIT UNDER THE ACT OF JUNE 29,
17 1996 (P.L.434, NO.67), KNOWN AS THE JOB ENHANCEMENT ACT.

18 THE PERSON OR QUALIFIED BUSINESS MAY APPLY THE EXEMPTIONS,
19 DEDUCTIONS, ABATEMENTS OR CREDITS TO INCOME REALIZED FROM
20 ACTIVITY OR TRANSACTIONS OUTSIDE THE KEYSTONE OPPORTUNITY ZONE,
21 BUT ONLY FOR THE TAXABLE YEAR TO WHICH THE EXEMPTIONS,
22 DEDUCTIONS, ABATEMENTS OR CREDITS APPLY. THE PROVISIONS OF THIS
23 SECTION SHALL APPLY ONLY TO THE TAXES SET FORTH IN CHAPTERS 5
24 AND 7.

25 SECTION 1302. RULES AND REGULATIONS.

26 THE DEPARTMENT OF REVENUE [SHALL] MAY PROMULGATE [SUCH RULES
27 AND] REGULATIONS [AS MAY BE] NECESSARY TO EFFECTUATE THE
28 PROVISIONS OF THIS ACT. THE DEPARTMENT [SHALL] MAY PROMULGATE
29 [SUCH RULES AND] REGULATIONS [AS MAY BE] NECESSARY TO EFFECTUATE
30 THE PROVISIONS OF THIS ACT.

1 SECTION 1303. COMPLIANCE.

2 ANY PERSON OR QUALIFIED BUSINESS ELIGIBLE FOR AN EXEMPTION,
3 DEDUCTION OR CREDIT UNDER THIS ACT SHALL COMPLY WITH ALL
4 REPORTING, FILING AND COMPLIANCE REQUIREMENTS PURSUANT TO THE
5 TAX REFORM CODE OF 1971 UNLESS OTHERWISE PROVIDED FOR IN THIS
6 ACT.

7 SECTION 1304. PENALTIES.

8 (A) CIVIL PENALTY.--

9 (1) IN ADDITION TO ANY PENALTIES AUTHORIZED BY THE TAX
10 REFORM CODE OF 1971 FOR VIOLATIONS OF THAT ACT, THE
11 DEPARTMENT OF REVENUE MAY IMPOSE AN ADDITIONAL ADMINISTRATIVE
12 PENALTY NOT TO EXCEED \$10,000 FOR ANY ACT OR VIOLATION OF
13 THIS ACT RELATING TO STATE AND LOCAL TAXES, INCLUDING THE
14 FILING OF ANY FALSE STATEMENT, RETURN OR DOCUMENT.

15 (2) THE DEPARTMENT MAY IMPOSE A CIVIL PENALTY NOT TO
16 EXCEED \$10,000 FOR A VIOLATION OF THIS ACT, INCLUDING THE
17 FILING OF ANY FALSE STATEMENT, RETURN OR DOCUMENT.

18 (B) CRIMINAL PENALTY.--IN ADDITION TO ANY CRIMINAL PENALTY
19 UNDER THE TAX REFORM CODE OF 1971, ANY PERSON OR BUSINESS WHO
20 KNOWINGLY VIOLATES ANY OF THE PROVISIONS OF THIS ACT COMMITS A
21 MISDEMEANOR OF THE THIRD DEGREE.

22 SECTION 9. SECTION 1309 OF THE ACT IS AMENDED TO READ:

23 SECTION 1309. EXPIRATION.

24 THIS ACT AND ALL BENEFITS ASSOCIATED WITH THIS ACT SHALL
25 TERMINATE [DECEMBER 21, 2010.] DECEMBER 31, 2013, EXCEPT AS
26 FOLLOWS:

27 (1) ALL BENEFITS ASSOCIATED WITH KEYSTONE OPPORTUNITY
28 EXPANSION ZONES ESTABLISHED UNDER THIS ACT SHALL TERMINATE
29 DECEMBER 31, 2015; AND

30 (2) SECTIONS 517 AND 518 SHALL TERMINATE DECEMBER 31,

1 2015.

2 SECTION 10. SECTION 204(57)(III) OF THE ACT OF MARCH 4, 1971
3 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, IS
4 REPEALED.

5 SECTION 11. THIS ACT SHALL APPLY AS FOLLOWS:

6 (1) THE AMENDMENT OF SECTIONS 512 AND 703 OF THE ACT
7 SHALL APPLY TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31,
8 1998.

9 (2) THE AMENDMENT OF SECTION 516 OF THE ACT SHALL APPLY
10 TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1999.

11 SECTION 12. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.