

## 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 RE-REPORTED FROM COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, AS AMENDED, OCTOBER 2, 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 providing for keystone opportunity expansion zones and  
13 related matters AND FOR AUTHORIZED EXPENDITURES; FURTHER  
14 PROVIDING FOR ADDITIONAL TAX EXEMPTIONS, TAX DEDUCTIONS, TAX  
15 ABATEMENTS AND TAX CREDITS; and making a repeal. <—

16 The General Assembly of the Commonwealth of Pennsylvania

17 hereby enacts as follows:

18 Section 1. The title of the act of October 6, 1998 (P.L.705,  
19 No.92), known as the Pennsylvania Keystone Opportunity Zone Act,  
20 is amended to read:

21 AN ACT

1 Providing for the creation of keystone opportunity zones and  
2 keystone opportunity expansion zones to foster economic  
3 opportunities in this Commonwealth, to facilitate economic  
4 development, stimulate industrial, commercial and residential  
5 improvements and prevent physical and infrastructure  
6 deterioration of geographic areas within this Commonwealth;  
7 authorizing expenditures; providing tax exemptions, tax  
8 deductions, tax abatements and tax credits; creating  
9 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 Section 2. Sections 101, 102, 103 and 301 of the act are  
13 amended to read:

14 Section 101. Short title.

15 This act shall be known and may be cited as the  
16 [Pennsylvania] Keystone Opportunity Zone and Keystone  
17 Opportunity Expansion Zone Act.

18 Section 102. Legislative findings.

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

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

29 (3) Long-term economic viability of these areas requires  
30 the cooperative involvement of residents, businesses, State

1 and local elected officials and community organizations. It  
2 is in the best interest of the Commonwealth to assist and  
3 encourage the creation of keystone opportunity zones and  
4 keystone opportunity expansion zones and to provide temporary  
5 relief from certain taxes within the [keystone opportunity]  
6 zones to accomplish the purposes of this act.

7 Section 103. Definitions.

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

11 "Business." An association, partnership, corporation, sole  
12 proprietorship, limited liability [corporation] company or  
13 employer.

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

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

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

28 "INSTITUTION."

29 (1) EVERY BANK OPERATING AS SUCH AND HAVING CAPITAL  
30 STOCK WHICH IS INCORPORATED UNDER ANY LAW OF THIS

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1 COMMONWEALTH, UNDER THE LAW OF THE UNITED STATES OR UNDER THE  
2 LAW OF ANY OTHER JURISDICTION AND IS LOCATED WITHIN THIS  
3 COMMONWEALTH.

4 (2) EVERY OPERATING COMPANY HAVING CAPITAL STOCK LOCATED  
5 WITHIN THIS COMMONWEALTH HAVING ANY OF THE POWERS OF  
6 COMPANIES ENTITLED TO THE BENEFITS OF SECTION 29 OF THE ACT  
7 OF APRIL 29, 1874 (P.L.73, NO.32), ENTITLED "AN ACT TO  
8 PROVIDE FOR THE INCORPORATION AND REGULATION OF CERTAIN  
9 CORPORATIONS," AND ANY SUPPLEMENTS THERETO AND UNDER THE ACT  
10 OF JUNE 27, 1895 (P.L.399, NO.286), ENTITLED "AN ACT  
11 CONFERRING UPON CERTAIN FIDELITY, INSURANCE, SAFETY DEPOSIT,  
12 TRUST AND SAVINGS COMPANIES THE POWERS AND PRIVILEGES OF  
13 COMPANIES INCORPORATED UNDER THE PROVISIONS OF SECTION  
14 TWENTY-NINE OF AN ACT, ENTITLED 'AN ACT TO PROVIDE FOR THE  
15 INCORPORATION AND REGULATION OF CERTAIN CORPORATIONS,'  
16 APPROVED APRIL TWENTY-NINTH, ANNO DOMINI ONE THOUSAND EIGHT  
17 HUNDRED AND SEVENTY-FOUR, AND OF THE SUPPLEMENTS THERETO."

18 (3) EVERY COMPANY ORGANIZED AND OPERATING AS A BANK AND  
19 TRUST COMPANY OR AS A TRUST COMPANY HAVING CAPITAL STOCK  
20 LOCATED IN THIS COMMONWEALTH, WHETHER THE INSTITUTION IS  
21 INCORPORATED UNDER ANY LAW OF THIS COMMONWEALTH, THE LAW OF  
22 THE UNITED STATES OR ANY LAW OF ANY JURISDICTION. THE TERM  
23 SHALL NOT INCLUDE ANY OF SUCH COMPANIES, ALL OF THE SHARES OF  
24 CAPITAL STOCK OF WHICH, OTHER THAN SHARES NECESSARY TO  
25 QUALIFY DIRECTORS, ARE OWNED BY A COMPANY WHICH IS LIABLE TO  
26 PAY TO THE COMMONWEALTH A TAX PURSUANT TO ARTICLE VII OF THE  
27 TAX REFORM CODE OF 1971.

28 (4) A MUTUAL THRIFT INSTITUTION.

29 "INSURANCE COMPANY." EVERY INSURANCE COMPANY, ASSOCIATION OR  
30 EXCHANGE, INCORPORATED OR ORGANIZED BY OR UNDER THE LAWS OF THIS

COMMONWEALTH, THE UNITED STATES, TERRITORIES, DEPENDENCIES,  
OTHER STATES OR FOREIGN GOVERNMENTS, AND ENGAGED IN TRANSACTING  
INSURANCE BUSINESS OF ANY KIND OR CLASSIFICATION WITHIN THIS  
COMMONWEALTH, EXCEPT TITLE INSURANCE COMPANIES SUBJECT TO TAX  
UNDER ARTICLE VIII OR XVI OF THE TAX REFORM CODE OF 1971, AS THE  
CASE MAY BE, EXCEPT PURELY MUTUAL BENEFICIAL ASSOCIATIONS WHOSE  
FUNDS FOR THE BENEFIT OF MEMBERS AND FAMILIES OR HEIRS ARE MADE  
UP ENTIRELY OF THE WEEKLY, MONTHLY, QUARTERLY, SEMIANNUAL OR  
ANNUAL CONTRIBUTIONS TO THEIR MEMBERS AND THE ACCUMULATED  
INTEREST THEREON AND CORPORATIONS ORGANIZED UNDER THE FORMER ACT  
OF JUNE 21, 1937 (P.L.1948, NO.378), KNOWN AS THE NONPROFIT  
HOSPITAL PLAN ACT, AND UNDER THE FORMER ACT OF JUNE 27, 1939  
(P.L.1125, NO.399), KNOWN AS THE NONPROFIT MEDICAL, OSTEOPATHIC,  
DENTAL AND PODIATRY SERVICE CORPORATION ACT.

"Keystone opportunity expansion zone." A defined geographic  
area comprised of one or more political subdivisions or portions  
of political subdivisions designated by the Department of  
Community and Economic Development under Chapter 3. A keystone  
opportunity expansion zone may be comprised of not more than  
eight subzones.

"Keystone opportunity zone." A defined geographic area  
comprised of one or more political subdivisions or portions of  
political subdivisions designated by the Department of Community  
and Economic Development under Chapter 3. A keystone opportunity  
zone may be comprised of not more than 12 subzones.

"Metropolitan statistical area." A core area containing a  
city with a population of 50,000 or more or a Bureau of Census  
defined urbanized area of 50,000 with a total metropolitan  
population of at least 100,000.

"MUTUAL THRIFT INSTITUTION." EVERY:

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1           (1) SAVINGS BANK WITHOUT CAPITAL STOCK.

2           (2) BUILDING AND LOAN ASSOCIATION.

3           (3) SAVINGS AND LOAN ASSOCIATION.

4           (4) SAVINGS INSTITUTION HAVING CAPITAL STOCK.

5 WHETHER THE MUTUAL THRIFT INSTITUTION IS INCORPORATED UNDER ANY  
6 LAW OF THIS COMMONWEALTH OR UNDER THE LAW OF THE UNITED STATES,  
7 OR IS INCORPORATED UNDER THE LAW OF ANY OTHER JURISDICTION AND  
8 IS LOCATED WITHIN THIS COMMONWEALTH.

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

11          "Person." Any natural person.

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

15          "Qualified business." [Any business] A business or portion <—  
16 thereof authorized to do business in this Commonwealth that is  
17 located OR PARTIALLY LOCATED within a keystone opportunity zone <—  
18 or keystone opportunity expansion zone and is engaged in the  
19 active conduct of a trade or business in accordance with the  
20 requirements of section 307. An agent, broker or representative  
21 of a business is not engaged in the active conduct of trade or  
22 business for the business.

23          "Qualified political subdivision." A political subdivision  
24 [that has been designated as] that has real property within its  
25 jurisdiction which has been designated by the department AS a <—  
26 keystone opportunity zone or keystone opportunity expansion  
27 zone.

28          "Resident." A person who is domiciled and resides in an area  
29 that is designated a keystone opportunity zone or keystone  
30 opportunity expansion zone and who meets the requirements of

1 section 306.

2 "Subzone." A clearly defined geographic area containing a  
3 minimum of 20 contiguous acres or a minimum of ten contiguous  
4 acres in a rural area.

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

8 Section 301. Keystone opportunity zones.

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

14 (b) [Designation] Zone designation.--The department shall  
15 designate not more than 12 keystone opportunity zones in this  
16 Commonwealth. Persons and businesses within a designated  
17 keystone opportunity zone that are qualified under this act  
18 shall be entitled to all tax exemptions, deductions, abatements  
19 or credits set forth in this act for a period not to exceed [12]  
20 15 years beginning January 1, 1999, and ending on or before  
21 December 31, [2010] 2013.

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

1 (d) Authorization for local tax exemption.--Every political  
2 subdivision within which a proposed keystone opportunity zone is  
3 located, whether in whole or in part, is hereby authorized to  
4 provide tax exemptions, deductions, abatements or credits to  
5 persons and businesses qualified under this act. The political  
6 subdivision shall agree to provide exemptions, deductions,  
7 abatements or credits from all local taxes set forth in this act  
8 in order to qualify to be designated a keystone opportunity zone  
9 within that political subdivision. Except as provided in section  
10 303(e), the exemptions, deductions, abatements or credits shall  
11 be effective January 1, 1999, if designation of a keystone  
12 opportunity zone within the political subdivision is granted by  
13 the department. The exemptions, deductions, abatements or  
14 credits shall be binding upon the political subdivision for the  
15 duration of the keystone opportunity zone designation.

16 (e) Authorization to extend State and local tax exemption.--  
17 A qualified political subdivision which does not provide for the  
18 exemptions, deductions, abatements or credits set forth in this  
19 act for a period of 15 years, ending December 31, 2013, may  
20 receive departmental approval to extend the State and local tax  
21 relief provided by this act for the period ending December 31,  
22 2013, PROVIDED ALL QUALIFIED POLITICAL SUBDIVISIONS WITHIN THE <—  
23 KEYSTONE OPPORTUNITY ZONE AGREE TO EXTEND THE STATE AND LOCAL  
24 TAX RELIEF PROVIDED BY THIS ACT FOR THE PERIOD ENDING DECEMBER  
25 31, 2013. A qualified political subdivision having an approved  
26 keystone opportunity subzone within its jurisdiction shall pass  
27 the required ordinance, resolutions or other required action of  
28 the qualified political subdivision for the necessary  
29 exemptions, deductions, abatements or credits pursuant to this  
30 act for the period beginning after December 31, 2008, and ending



1 on December 31, 2013, and shall submit copies to the department  
2 of the ordinance, resolutions or other action by ~~December 31,~~ <—  
3 ~~2000~~ JUNE 30, 2001. The department shall approve or deny the <—  
4 request for extension of duration of a keystone opportunity zone  
5 by ~~February 28~~ JULY 31, 2001, and shall provide written notice, <—  
6 irrespective of whether approved or denied, to each qualified  
7 political subdivision, resident and qualified business affected.  
8 Upon approval of a request for extension of duration of a  
9 keystone opportunity zone, the exemptions, deductions,  
10 abatements or credits shall be binding upon the qualified  
11 political subdivision as provided in subsection (d) and shall be  
12 nonrevocable.

13 Section 3. The act is amended by adding a section to read:

14 Section 301.1. Keystone opportunity expansion zones.

15 (a) Establishment.--There is hereby established within the  
16 department a program providing for the designation of portions  
17 of this Commonwealth as keystone opportunity expansion zones. A  
18 keystone opportunity expansion zone shall be comprised of  
19 deteriorated property and shall not exceed a total of ~~150~~ 1,500 <—  
20 acres.

21 (b) Designation.--The department shall designate not more  
22 than 12 keystone opportunity expansion zones in this  
23 Commonwealth. Persons and businesses within a designated  
24 keystone opportunity expansion zone that are qualified under  
25 this act shall be entitled to all tax exemptions, deductions,  
26 abatements or credits set forth in this act for a period of ~~15~~ <—  
27 13 years beginning January 1, 2001, and ending on December 31, <—  
28 2013.

29 (c) Subzones.--A keystone opportunity expansion zone may be  
30 comprised of up to eight clearly defined subzones. The total

number of subzone acres in a keystone opportunity expansion zone  
shall not exceed ~~150~~ 1,500 acres in the aggregate.

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(d) Authorization for local tax exemption.--Every political  
subdivision within which a proposed keystone opportunity  
expansion 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 expansion zone within that political  
subdivision. The exemptions, deductions, abatements or credits  
shall be effective January 1, 2001, if designation of a keystone  
opportunity expansion 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  
expansion zone designation.

Section 4. Sections 302, 303, 304, 305, 306, 307, 308, 501,  
511, 512, 513, 514, 515 and 516 of the act are amended to read:  
Section 302. Application.

(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

1 zone. The geographic area shall be located within the  
2 boundaries of the participating political subdivision and  
3 shall not contain more than 5,000 acres in the case of a  
4 keystone opportunity zone or ~~150~~ 1,500 acres in the case of a <—  
5 keystone opportunity expansion zone.

6 (2) An opportunity plan that shall include the  
7 following:

8 (i) A detailed map of the proposed keystone  
9 opportunity zone [and subzones] or proposed keystone  
10 opportunity expansion zone, including geographic  
11 boundaries, total area and present use and conditions of  
12 the land and structures of the proposed keystone  
13 opportunity zone or proposed keystone opportunity  
14 expansion zone.

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

19 (iii) A proposal to increase economic opportunity,  
20 reduce crime, improve education, facilitate  
21 infrastructure improvement, reduce the local regulating  
22 burden and identify potential jobs and job training  
23 opportunities and which states whether or not the zone is  
24 located in an area which has tax revenue dedicated to the  
25 payment of debt.

26 (iv) A description of the current social, economic  
27 and demographic characteristics of the proposed keystone  
28 opportunity zone or proposed keystone opportunity  
29 expansion zone and anticipated improvements in education,  
30 health, human services, public safety and employment that

1 will result from keystone opportunity zone or keystone  
2 opportunity expansion zone designation.

3 (v) A description of anticipated activity in the  
4 proposed keystone opportunity zone [and each subzone] or  
5 proposed keystone opportunity expansion zone, including,  
6 but not limited to, industrial use, industrial site  
7 reuse, commercial or retail use and residential use.

8 (vi) Evidence of potential private and public  
9 investment in the proposed keystone opportunity zone or  
10 proposed keystone opportunity expansion zone.

11 (vii) The role of the proposed keystone opportunity  
12 zone or proposed keystone opportunity expansion zone in  
13 regional economic and community development.

14 (viii) Plans to utilize existing resources for the  
15 administration of the proposed keystone opportunity zone  
16 or proposed keystone opportunity expansion zone.

17 (ix) Any other information deemed appropriate by the  
18 department.

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

21 (4) The [proposed] duration of the proposed keystone  
22 opportunity zone [and all subzones] or proposed keystone  
23 opportunity expansion zone. The duration of a keystone  
24 opportunity zone may not exceed [12] 15 years. The duration  
25 of a keystone opportunity expansion zone is 15 13 years. <—

26 (5) A formal, binding ordinance or resolution passed by  
27 every political subdivision in which the proposed keystone  
28 opportunity zone or proposed keystone opportunity expansion  
29 zone is located that specifically provides for all local tax  
30 exemptions, deductions, abatements or credits for persons and

1 businesses set forth in this act [if designation is received  
2 by the department, to be effective January 1, 1999].

3 (6) Evidence that the proposed keystone opportunity zone  
4 or proposed keystone opportunity expansion zone meets the  
5 required criteria under section 304.

6 (b) Participation limitation.--A [qualified] political  
7 subdivision shall not be a part of more than one proposed  
8 keystone opportunity zone or proposed keystone opportunity  
9 expansion zone.

10 (c) Application limitation.--A [qualified] political  
11 subdivision may submit only one application to the department  
12 for designation as a keystone opportunity zone. A political  
13 subdivision may submit only one application to the department  
14 for designation as a keystone opportunity expansion zone.

15 Section 303. Review.

16 (a) Action of department.--The department, in consultation  
17 with the Department of Revenue, shall review all completed  
18 applications submitted under this act. An application for  
19 designation as a keystone opportunity zone shall be received by  
20 the department on or before September 30, 1998, in order to be  
21 considered by the department. An application for designation as  
22 a keystone opportunity expansion zone shall be received by the  
23 department on or before December 31, 2000, in order to be  
24 considered by the department.

25 (b) Process.--The department shall designate up to 12  
26 keystone opportunity zones from applications meeting the  
27 criteria in section 304 based upon need and likelihood of  
28 success. The department shall designate up to 12 keystone  
29 opportunity expansion zones from applications meeting the  
30 criteria in section 304 based upon need and likelihood of

1 success. Additionally, the department shall not alter the  
2 geographic boundaries of a keystone opportunity zone or keystone  
3 opportunity expansion zone or the duration of a keystone  
4 opportunity zone or keystone opportunity expansion zone  
5 described in [the] an application.

6 (c) Award of designations.--The department shall designate  
7 all keystone opportunity zones by November 30, 1998. The  
8 department shall designate all keystone opportunity expansion  
9 zones by February 28, 2001.

10 (d) Effective date of designation.--The designation of a  
11 keystone opportunity zone under this act shall take effect on  
12 January 1, 1999. The designation of a keystone opportunity  
13 expansion zone under this act shall take effect on January 1,  
14 2001.

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

27 Section 304. Criteria for designation of keystone opportunity  
28 zone.

29 (a) Specific criteria.--In order to qualify for designation  
30 under this act, the proposed keystone opportunity zone or

1 proposed keystone opportunity expansion zone shall meet at least  
2 two of the following criteria:

3 (1) At least 20% of the population is below the poverty  
4 level.

5 (2) The unemployment rate is 1.25 times the Statewide  
6 average.

7 (3) At least 20% of all real property within a five-mile  
8 radius of the proposed keystone opportunity zone, proposed  
9 keystone opportunity expansion zone or subzone in a nonurban  
10 area is deteriorated or underutilized.

11 (4) At least 20% of all real property within a one-mile  
12 radius of the proposed keystone opportunity zone, proposed  
13 keystone opportunity expansion zone or subzone in an urban  
14 area is deteriorated or underutilized.

15 (5) At least 20% of all occupied housing within a two-  
16 mile radius of the proposed keystone opportunity zone,   
17 proposed keystone opportunity expansion zone or subzone in a  
18 nonurban area is deteriorated.

19 (6) At least 20% of all occupied housing within a one-  
20 mile radius of the proposed keystone opportunity zone,   
21 proposed keystone opportunity expansion zone or subzone in an  
22 urban area is deteriorated.

23 (7) In an urban area, the median family income is 80% or  
24 less of the urban median family income for that metropolitan  
25 statistical area.

26 (8) In an area other than an urban area, the median  
27 family income is 80% or less of the Statewide nonurban median  
28 family income.

29 (9) The population loss exceeds 10% in an area that  
30 includes the proposed keystone opportunity zone or proposed

1 keystone opportunity expansion zone and its surrounding area  
2 but is not larger than the county or counties in which the  
3 proposed keystone opportunity zone or proposed keystone  
4 opportunity expansion zone is located, based on census data  
5 for the period between 1980 and 1990 or census estimates  
6 since 1990 establishing a pattern of population loss.

7 (10) The political subdivision in which the proposed  
8 keystone opportunity zone or proposed keystone opportunity  
9 expansion zone is located has experienced a sudden and/or  
10 severe job loss.

11 (11) At least 33% of the real property in a proposed  
12 keystone opportunity zone or proposed keystone opportunity  
13 expansion zone in a nonurban area would otherwise remain  
14 underdeveloped or nonperforming due to physical  
15 characteristics of the real property.

16 (12) The area has substantial real property with  
17 adequate infrastructure and energy to support new or expanded  
18 development.

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

22 (1) Evidence of distress, including, but not limited to,  
23 unemployment, percentage of population below 80% of the State  
24 median income, poverty rate, deteriorated property and  
25 adverse economic and socioeconomic conditions in the proposed  
26 keystone opportunity zone or proposed keystone opportunity  
27 expansion zone.

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

30 (3) Whether the opportunity plan is creative and



1 innovative in comparison to other applications.

2 (4) Local public and private commitment to the  
3 development of the proposed keystone opportunity zone or  
4 proposed keystone opportunity expansion zone and the  
5 potential cooperation of surrounding communities.

6 (5) Existing resources available to the proposed  
7 keystone opportunity zone or proposed keystone opportunity  
8 expansion zone.

9 (6) How keystone opportunity zone or keystone  
10 opportunity expansion zone designation or economic  
11 redevelopment relates to other current economic and community  
12 development projects and to regional initiatives or programs.

13 (7) How the local regulatory burden will be eased for  
14 businesses operating in the proposed keystone opportunity  
15 zone or proposed keystone opportunity expansion zone.

16 (8) Proposals to implement educational opportunities and  
17 improvements.

18 (9) Crime statistics and proposals to implement local  
19 crime reduction measures.

20 (10) Proposals to establish and link job creation and  
21 job training.

22 (c) Tax exemption ordinances.--An area shall not be  
23 designated as a keystone opportunity zone or a ~~proposed keystone~~ <—  
24 opportunity expansion zone unless, as a part of the application,  
25 each political subdivision in which the proposed keystone  
26 opportunity zone or proposed keystone opportunity expansion zone  
27 is to be located adopts and provides a copy of an ordinance,  
28 resolution or other required action from the governing body of  
29 each political subdivision that exempts or provides deductions,  
30 abatements or credits to qualified persons and qualified

1 businesses from local taxes upon designation of the area as a  
2 keystone opportunity zone or ~~proposed~~ keystone opportunity  
3 expansion zone. All appropriate ordinances and resolutions shall  
4 be effective on or before January 1, 1999, if designation as a  
5 keystone opportunity zone is granted. All appropriate ordinances  
6 and resolutions shall be effective on January 1, 2001, if  
7 designation as a keystone opportunity expansion zone is granted.  
8 The resolution, ordinance or other required action shall be  
9 binding and nonrevocable on the qualified political subdivisions  
10 for the duration of the opportunity plan.

11 (d) Urban areas.--The department shall promulgate guidelines  
12 [which] that include the definition of "urban area" for the  
13 purposes of receiving applications for designation as a keystone  
14 opportunity zone or keystone opportunity expansion zone.

15 Section 305. Zone limitations.

16 The department shall not designate more than 12 keystone  
17 opportunity zones within this Commonwealth. No keystone  
18 opportunity zone shall encompass an entire political  
19 subdivision. The department shall not designate more than 12  
20 keystone opportunity expansion zones within this Commonwealth.  
21 No keystone opportunity expansion zone shall encompass an entire  
22 political subdivision.

23 Section 306. Residency.

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

1 Section 307. Qualified businesses.

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

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

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

23 (2) makes a capital investment in the property located  
24 within a keystone opportunity zone or keystone opportunity  
25 expansion zone equivalent to 10% of the gross revenues of  
26 that business in the immediately preceding calendar or fiscal  
27 year.

28 The department, in consultation with the Department of Revenue,  
29 may waive or modify the requirements of this subsection, as  
30 appropriate.

1 Section 308. Forms.

2 (a) Application forms.--Applications for designation as a  
3 keystone opportunity zone or keystone opportunity expansion zone  
4 shall be on forms prescribed by the department.

5 (b) Department assistance.--The department shall assist  
6 political subdivisions in using the Internet as a tool for  
7 encouraging new business development, including assisting  
8 political subdivisions in making available via the Internet  
9 information, applications and other forms necessary under this  
10 act.

11 Section 501. State taxes.

12 (a) General rule.--A person who is a resident of a keystone  
13 opportunity zone or a keystone opportunity expansion zone, a  
14 qualified business or a nonresident under section 513 shall  
15 receive the exemptions, deductions, abatements or credits as  
16 provided in this chapter and Chapter 7 for the duration of the  
17 keystone opportunity zone or keystone opportunity expansion zone  
18 designation. Exemptions, deductions, abatements or credits shall  
19 expire on the date of expiration of the keystone opportunity  
20 zone or keystone opportunity expansion zone designation.

21 (b) Construction.--The Department of Revenue shall  
22 administer, construe and enforce the provisions of this chapter  
23 in conjunction with Articles II, III, IV [and], VI, VII, VII-A,  
24 IX and XV of the Tax Reform Code of 1971.

25 Section 511. Sales and use tax.

26 (a) Exemption.--Sales at retail of services or tangible  
27 personal property, other than motor vehicles, to a qualified  
28 business for the exclusive use, consumption and utilization of  
29 the tangible personal property or service by the qualified  
30 business at its facility located within a keystone opportunity

1 zone or a keystone opportunity expansion zone are exempt from  
2 the sales and use tax imposed under Article II of the Tax Reform  
3 Code of 1971.

4 [(b) Limitation.--Sales at retail or use of tangible  
5 personal property or services to the tangible personal property  
6 that will become a permanent part of real property in accordance  
7 with Department of Revenue regulations shall not be eligible for  
8 sales or use tax exemption under this section.]

9 (b) Construction contracts.--For any construction contract  
10 performed in a keystone opportunity zone or keystone opportunity  
11 expansion zone, the exemption provided in subsection (a) shall  
12 only apply to the sale at retail or use of building machinery  
13 and equipment to a qualified business, or to a construction  
14 contractor pursuant to a construction contract with a qualified  
15 business, for the exclusive use, consumption and utilization by  
16 the qualified business at its facility in a keystone opportunity  
17 zone or keystone opportunity expansion zone. For the purposes of  
18 the keystone opportunity zone and keystone opportunity expansion  
19 zone exemption, building machinery and equipment shall include  
20 distribution equipment purchased for the exclusive use,  
21 consumption and utilization in a keystone opportunity zone or  
22 keystone opportunity expansion zone facility.

23 Section 512. Personal income tax.

24 (a) General rule.--[For the 1999 taxable year and each tax  
25 year after 1999 and to the extent and for the duration provided  
26 in this act a] A person shall be allowed an exemption for:

27 (1) Compensation received during the time period when  
28 the person was a resident of a keystone opportunity zone or  
29 keystone opportunity expansion zone.

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

1 business received by a resident or nonresident of a keystone  
2 opportunity zone or keystone opportunity expansion zone  
3 attributable to business activity conducted within a keystone  
4 opportunity zone [after provision for all costs and expenses  
5 incurred in the conduct thereof] or keystone opportunity  
6 expansion zone, determined [either on a cash or accrual  
7 basis] in accordance with [accepted accounting principles and  
8 practices but without deduction of taxes based on income.]  
9 section 515 of this act, except that any business that  
10 operates both within and outside this Commonwealth, before  
11 computing its keystone opportunity zone or keystone  
12 opportunity expansion zone exemption, shall first determine  
13 its Pennsylvania activity over its activity everywhere by  
14 applying the three-factor apportionment formula as set forth  
15 in Department of Revenue personal income tax regulations  
16 applicable to income apportionment in connection with a  
17 business, trade or profession carried on both within and  
18 outside this Commonwealth.

19 (3) All of the following:

20 (i) Net gains or income, less net losses, derived by  
21 a resident or nonresident of a keystone opportunity zone  
22 or keystone opportunity expansion zone from the sale,  
23 exchange or other disposition of real or tangible  
24 personal property located in a keystone opportunity zone  
25 or keystone opportunity expansion zone as determined in  
26 accordance with accepted accounting principles and  
27 practices. The exemption provided in this subparagraph  
28 shall not apply to the sale, exchange or other  
29 disposition of any stock of goods, merchandise or  
30 inventory, or any operational assets unless the transfer

1 is in connection with the sale, exchange or other  
2 disposition of all of the assets in complete liquidation  
3 of a qualified business located in a keystone opportunity  
4 zone or keystone opportunity expansion zone. This  
5 subparagraph shall apply to intangible personal property  
6 employed in a trade, profession or business in a keystone  
7 opportunity zone or keystone opportunity expansion zone  
8 by a qualified business, but only when transferred in  
9 connection with a sale, exchange or other disposition of  
10 all of the assets in complete liquidation of the  
11 qualified business in the keystone opportunity zone or  
12 keystone opportunity expansion zone.

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

23 (iii) The exemption from income for gain or loss  
24 provided for in [this subparagraph] subparagraphs (i) and  
25 (ii) shall be prorated based on [either] the following:

26 (A) In the case of gains, less net losses, in  
27 subparagraph (i), the percentage of time, based on  
28 calendar days, the property located in a keystone  
29 opportunity zone or keystone opportunity expansion  
30 zone was held by [the taxpayer while] a resident or

1           nonresident of [a keystone opportunity] the zone  
2           during the time period the zone was in effect in  
3           relation to the total time the property was held [by  
4           the taxpayer; or].

5           (B) In the case of gains, less net losses, in  
6           subparagraph (ii), the percentage of time, based on  
7           calendar days, the [real or tangible personal]  
8           property [located in the keystone opportunity zone]  
9           was held by the taxpayer while a [nonresident]  
10          resident of a keystone opportunity zone [during the  
11          time period the keystone opportunity zone was in  
12          effect] or keystone opportunity expansion zone in  
13          relation to the total time the [real or tangible  
14          personal] property was held [by a nonresident].

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

22               (i) Net rents derived from real or tangible personal  
23               property located in a keystone opportunity zone or  
24               keystone opportunity expansion zone are allocable to a  
25               keystone opportunity zone or keystone opportunity  
26               expansion zone.

27               (ii) If the tangible personal property was used both  
28               within and without the keystone opportunity zone or  
29               keystone opportunity expansion zone during the taxable  
30               year, only the net income attributable to use in the



1        keystone opportunity zone or keystone opportunity  
2        expansion zone is exempt. The net rental income shall be  
3        multiplied by a fraction, the numerator of which is the  
4        number of days the property was used in the keystone  
5        opportunity zone or keystone opportunity expansion zone  
6        and the denominator which is the total days of use.

7        (5) Dividends received during the time the person was a  
8        resident of a keystone opportunity zone or keystone  
9        opportunity expansion zone.

10       (6) Interest received during the time period the person  
11       was a resident of a keystone opportunity zone or keystone  
12       opportunity expansion zone.

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

23       (a.1) Exemption.--Beginning in taxable year 1999, a person  
24       LOCATED IN A DESIGNATED KEYSTONE OPPORTUNITY ZONE shall be <—  
25       allowed an exemption under subsection (a) ~~for activities in a~~ <—  
26       ~~designated keystone opportunity zone~~ from the tax imposed by  
27       Article III of the Tax Reform Code of 1971 for the classes of  
28       income set forth in subsection (a). Beginning in taxable year  
29       2001, a person LOCATED IN A DESIGNATED KEYSTONE OPPORTUNITY <—  
30       EXPANSION ZONE shall be allowed an exemption under subsection

1 ~~(a) for activities in a designated keystone opportunity~~  
2 ~~expansion zone from the tax imposed by Article III of the Tax~~  
3 ~~Reform Code of 1971 for the classes of income set forth in~~  
4 ~~subsection (a).~~

5 (a.2) Pass-through entities.--The exemptions provided for in  
6 this section shall apply to all of the following:

7 (1) The income or gain of a partnership or association.

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

12 (2) The income or gain of a Pennsylvania S corporation.

13 The shareholder shall be entitled to the exemptions under  
14 this section for the shareholder's pro rata share, whether or  
15 not distributed, of the income or gain received by the  
16 corporation for its taxable year ending within or with the  
17 shareholder's taxable year.

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

27 (c) Section not applicable to certain entities.--Any portion  
28 of net income or gain that is attributable to operation of a  
29 railroad, truck, bus or airline company, pipeline or natural gas  
30 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.

(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

1 information within 20 days after the change. An employee shall  
2 notify his or her employer that the employee has completed the  
3 residency requirements under section 306.

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

17 Section 515. Corporate net income tax.

18 (a) Credits.--For the tax years that begin on or after  
19 January 1, 1999, a corporation that [qualifies as] IS a <—  
20 qualified business ~~or that is an owner, partner or member of a~~ <—  
21 ~~pass through entity that is a qualified business~~ under this act  
22 may claim a credit against the tax imposed by Article IV of the  
23 Tax Reform Code of 1971 ~~for~~ [the taxable year to the extent of <—  
24 the] tax liability attributable to business activity conducted  
25 within [a] the keystone opportunity zone in the taxable year.  
26 For the tax years that begin on or after January 1, 2001, a  
27 corporation that is a qualified business ~~or that is an owner,~~ <—  
28 ~~partner or member of a pass through entity that is a qualified~~  
29 ~~business~~ under this act may claim a credit against the tax  
30 imposed by Article IV of the Tax Reform Code of 1971 for tax

1 liability attributable to business activity conducted within the  
2 keystone opportunity expansion zone in the taxable year. The  
3 business activity must be conducted directly by a corporation ~~or~~ ←  
4 ~~a pass-through entity~~ in the keystone opportunity zone or  
5 keystone opportunity expansion zone in order for the corporation  
6 to claim the tax credit.

7 (b) Tax liability determinations.--The corporate tax  
8 liability attributable to business activity conducted within a  
9 keystone opportunity zone or keystone opportunity expansion zone  
10 shall be determined by multiplying the corporation's taxable  
11 income that is attributable to business activity conducted  
12 within the keystone opportunity zone or keystone opportunity  
13 expansion zone by the rate of tax imposed under Article IV of  
14 the Tax Reform Code of 1971 for the taxable year.

15 (c) Determinations of attributable tax liability.--Tax  
16 liability attributable to business activity conducted within a  
17 keystone opportunity zone or keystone opportunity expansion zone  
18 shall be computed, construed, administered and enforced in  
19 conformity with Article IV of the Tax Reform Code of 1971 and  
20 with specific reference to the following:

21 (1) If the entire business of the corporation in this  
22 Commonwealth is transacted wholly within the keystone  
23 opportunity zone or keystone opportunity expansion zone, the  
24 taxable income attributable to business activity within a  
25 keystone opportunity zone or keystone opportunity expansion  
26 zone shall consist of the Pennsylvania taxable income as  
27 determined under Article IV of the Tax Reform Code of 1971.

28 (2) If the entire business of the corporation in this  
29 Commonwealth is not transacted wholly within the keystone  
30 opportunity zone or keystone opportunity expansion zone, the

1 taxable income of a corporation in a keystone opportunity  
2 zone or keystone opportunity expansion zone shall be  
3 determined upon such portion of the Pennsylvania taxable  
4 income of such corporation attributable to business activity  
5 conducted within the keystone opportunity zone or keystone  
6 opportunity expansion zone and apportioned in accordance with  
7 subsection (d).

8 (d) Income apportionment.--[All taxable income of] The  
9 taxable income of a corporation that is a qualified business  
10 shall be apportioned to the keystone opportunity zone or  
11 keystone opportunity expansion zone by multiplying the  
12 Pennsylvania taxable income by a fraction, the numerator of  
13 which is the property factor plus the payroll factor plus the  
14 sales factor and the denominator of which is three[.], in  
15 accordance with the following:

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

29 (2) (i) The payroll factor is a fraction, the numerator  
30 of which is the total amount paid in the keystone

1 opportunity zone or keystone opportunity expansion zone  
2 during the tax period by the taxpayer for compensation  
3 and the denominator of which is the total compensation  
4 paid in this Commonwealth during the tax period.

5 (ii) Compensation is paid in the keystone  
6 opportunity zone or keystone opportunity expansion zone  
7 if:

8 (A) the person's service is performed entirely  
9 within the keystone opportunity zone or keystone  
10 opportunity expansion zone;

11 (B) the person's service is performed both  
12 within and without the keystone opportunity zone or  
13 keystone opportunity expansion zone, but the service  
14 performed without the keystone opportunity zone or  
15 keystone opportunity expansion zone is incidental to  
16 the person's service within the keystone opportunity  
17 zone or keystone opportunity expansion zone; or

18 (C) some of the service is performed in the  
19 keystone opportunity zone or keystone opportunity  
20 expansion zone and the base of operations or, if  
21 there is no base of operations, the place from which  
22 the service is directed or controlled is in the  
23 keystone opportunity zone or keystone opportunity  
24 expansion zone, or the base of operations or the  
25 place from which the service is directed or  
26 controlled is not in any location in which some part  
27 of the service is performed, but the person's  
28 residence is in the keystone opportunity zone or  
29 keystone opportunity expansion zone.

30 (3) The sales factor is a fraction, the numerator of

1 which is the total sales of the taxpayer in the keystone  
2 opportunity zone or keystone opportunity expansion zone  
3 during the tax period and the denominator of which is the  
4 total sales of the taxpayer in this Commonwealth during the  
5 tax period.

6 (i) Sales of tangible personal property are in the  
7 keystone opportunity zone or keystone opportunity  
8 expansion zone if the property is delivered or shipped to  
9 a purchaser within the keystone opportunity zone or  
10 keystone opportunity expansion zone regardless of the  
11 F.O.B. point or other conditions of the sale.

12 (ii) Sales other than sales of tangible personal  
13 property are in the keystone opportunity zone or keystone  
14 opportunity expansion zone if:

15 (A) the income-producing activity is performed  
16 in the keystone opportunity zone or keystone  
17 opportunity expansion zone; or

18 (B) the income-producing activity is performed  
19 both within and without the keystone opportunity zone  
20 or keystone opportunity expansion zone and a greater  
21 proportion of the income-producing activity is  
22 performed in the keystone opportunity zone or  
23 keystone opportunity expansion zone than in any other  
24 location, based on costs of performance.

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

30 (f) [Credit] Limitation on amount of credit.--The credit



1 allowed under this section shall not exceed the [corporate net  
2 income] tax liability of the taxpayer under Article IV of the  
3 Tax Reform Code of 1971 for the tax year.

4 (g) Section not applicable to certain businesses.--Any  
5 portion of the taxpayer's taxable income that is attributable to  
6 the operation of a railroad, truck, bus or airline company,  
7 pipeline 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 business activity that is associated or affiliated with  
12 the operation of these business activities shall not be used to  
13 calculate a credit under this section.

14 ~~(h) Pass through entity. For purposes of this section,~~ <—  
15 ~~"pass through entity" means an association, partnership or~~  
16 ~~limited liability company that for Federal income tax purposes~~  
17 ~~is classified as a partnership.~~

18 Section 516. Capital stock franchise tax.

19 (a) Credits.--For tax years that begin on or after January  
20 1, 1999, a corporation that is a qualified business ~~or that is a~~ <—  
21 ~~partner in a partnership that's a qualified business~~ under  
22 [section 307(a)] this act may claim a credit against the tax  
23 imposed by Article VI of the Tax Reform Code of 1971 for [the  
24 taxable year to the extent of the] tax liability attributable to  
25 the capital employed within [a] the keystone opportunity zone in  
26 the taxable year. For tax years that begin on or after January  
27 1, 2001, a corporation that is a qualified business or that is a <—  
28 partner in a partnership that is a qualified business under this  
29 act may claim a credit against the tax imposed by Article VI of  
30 the Tax Reform Code of 1971 for tax liability attributable to

<—

1 the capital employed within the keystone opportunity expansion  
2 zone in the taxable year. The business activity must be  
3 conducted directly by a corporation ~~or a partnership~~ in the  
4 keystone opportunity zone or keystone opportunity expansion zone  
5 in order for the corporation to claim the tax credit.

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

18 (c) Determination of attributable tax liability.--The  
19 determination of the corporation's taxable value attributable to  
20 the capital employed within a keystone opportunity zone or  
21 keystone opportunity expansion zone shall be determined with  
22 specific reference to the following:

23 (1) If the entire business of the corporation in this  
24 Commonwealth is transacted wholly within a keystone  
25 opportunity zone or keystone opportunity expansion zone, the  
26 taxable value attributable to the capital employed within a  
27 keystone opportunity zone or keystone opportunity expansion  
28 zone shall consist of the Pennsylvania taxable value as  
29 determined under Article VI of the Tax Reform Code of 1971.

30 (2) If the entire business of the corporation in this

1 Commonwealth is not wholly transacted within a keystone  
2 opportunity zone or keystone opportunity expansion zone, the  
3 taxable value of a corporation in a keystone opportunity zone  
4 or keystone opportunity expansion zone shall be determined  
5 upon such portion of the Pennsylvania taxable value  
6 attributable to the capital employed within the keystone  
7 opportunity zone or keystone opportunity expansion zone by  
8 employing the apportionment factors set forth in [subsection  
9 (d)] section 515(d).

10 [(d) Capital stock and franchise tax apportionment.--For  
11 purposes of apportionment of the capital stock and franchise  
12 tax, the apportionment fraction shall be the property factor  
13 plus the payroll factor plus the sales factor as the numerator,  
14 and the denominator shall be three. In determining the relevant  
15 apportionment factors, the numerator of the property, payroll  
16 and sales factors shall not include any property, payroll and  
17 sales attributable to manufacturing, processing, research and  
18 development activities conducted within a keystone opportunity  
19 zone, and the denominator of the property, payroll and sales  
20 factors shall not include any property, payroll and sales  
21 attributable to manufacturing, processing and research and  
22 development activities conducted within this Commonwealth but  
23 without a keystone opportunity zone.]

24 (e) Limitation on amount of credit.--The credit allowed  
25 under this section shall not exceed the [capital stock  
26 franchise] tax liability of the taxpayer under Article VI of the  
27 Tax Reform Code of 1971 for the tax year.

28 (f) Credit not available.--Any portion of the taxpayer's tax  
29 liability that is attributable to the capital employed in the  
30 operation of a railroad, truck, bus or airline company, pipeline

1 or natural gas company, water transportation company, a  
2 corporation that qualifies[, ] as a regulated investment company  
3 under Article IV of the Tax Reform Code of 1971 or holding  
4 company as defined in Article VI of the Tax Reform Code of 1971  
5 and any capital employed in a business activity that is  
6 associated or affiliated with the operation of these business  
7 activities shall not be used to calculate a credit under this  
8 section.

9 Section 5. The act is amended by adding sections to read:

10 Section 517. Bank and trust company shares tax, alternative  
11 bank and trust company shares tax and mutual  
12 thrift institutions tax.

13 (a) Credits.--For tax years that begin on or after January  
14 1, 2001, an institution that is a qualified business ~~or that is~~ <—  
15 ~~an owner, partner or member of a pass through entity that is a~~  
16 ~~qualified business~~ under this act may claim a credit against the  
17 tax imposed by Article VII, VII-A or XV of the Tax Reform Code  
18 of 1971, for tax liability attributable to business activity  
19 conducted within the keystone opportunity zone or keystone  
20 opportunity expansion zone in the taxable year. The business  
21 activity must be conducted directly by an institution ~~or a pass~~ <—  
22 ~~through entity~~ in the keystone opportunity zone or keystone  
23 opportunity expansion zone in order for the institution to claim  
24 the tax credit.

25 (b) Tax liability.--The institution's tax liability  
26 attributable to business ACTIVITY conducted within a keystone <—  
27 opportunity zone or keystone opportunity expansion zone shall be  
28 determined by multiplying the taxable amount of its shares or  
29 net income that is attributable to business activity conducted  
30 within the keystone opportunity zone or keystone opportunity

1 expansion zone by the rate of tax imposed under Article VII,  
2 VII-A or XV of the Tax Reform Code of 1971 for the taxable year.  
3 The institution shall compute the Pennsylvania taxable amount of  
4 its shares or net income in conformity with Article VII, VII-A  
5 or XV of the Tax Reform Code of 1971.

6 ~~(c) Determination of attributable taxable liability. Tax~~ <—  
7 ~~liability attributable to business activity conducted within a~~  
8 ~~keystone opportunity zone or keystone opportunity expansion zone~~  
9 ~~shall be computed, construed, administered and enforced in~~  
10 ~~conformity with Article VII, VII A or XV of the Tax Reform Code~~  
11 ~~of 1971 and with specific reference to the following:~~

12 ~~(1) If the entire business of the institution in this~~  
13 ~~Commonwealth is transacted wholly within the keystone~~  
14 ~~opportunity zone or keystone opportunity expansion zone, the~~  
15 ~~taxable amount of its shares or net income that is~~  
16 ~~attributable to business activity within a keystone~~  
17 ~~opportunity zone or keystone opportunity expansion zone shall~~  
18 ~~consist of the Pennsylvania taxable shares or net income as~~  
19 ~~determined under Article VII, VII A or XV of the Tax Reform~~  
20 ~~Code of 1971.~~

21 ~~(2) If the entire business of the institution in this~~  
22 ~~Commonwealth is not transacted wholly within the keystone~~  
23 ~~opportunity zone or keystone opportunity expansion zone, the~~  
24 ~~taxable shares or net income of an insurance company in a~~  
25 ~~keystone opportunity zone or keystone opportunity expansion~~  
26 ~~zone shall be determined upon such portion of the~~  
27 ~~Pennsylvania taxable shares or net income of such institution~~  
28 ~~attributable to business activity conducted within the~~  
29 ~~keystone opportunity zone or keystone opportunity expansion~~  
30 ~~zone and apportioned in accordance with subsection (d).~~

~~(d) Taxable shares or net income apportionment. The taxable shares or net income of an institution that is a qualified business shall be apportioned to the keystone opportunity zone or keystone opportunity expansion zone by multiplying Pennsylvania taxable shares or net income by a fraction, the numerator of which is the payroll factor plus the receipts factor plus the deposit factor and the denominator of which is three.~~

~~(1) The payroll factor is a fraction, the numerator of which is the total wages paid in a keystone opportunity zone or keystone opportunity expansion zone during the tax period by the taxpayer and the denominator of which is the total wages paid in this Commonwealth during the tax period. Wages are paid in a keystone opportunity zone or keystone opportunity expansion zone if they are paid to an employee having a regular presence in the keystone opportunity zone or keystone opportunity expansion zone.~~

~~(2) The receipts factor is a fraction, the numerator of which is the total receipts of the taxpayer in a keystone opportunity zone or the keystone opportunity expansion zone during the tax period and the denominator of which is the total receipts located in this Commonwealth. Receipts do not include principal repayments on loans or credit, travel and entertainment cards. Receipts from the sale or disposition of intangible and tangible property include only the net gain received from the sale or disposition. The location of receipts shall be determined as follows:~~

~~(i) Receipts from loans primarily secured by real property are located in a keystone opportunity zone or keystone opportunity expansion zone if the predominant~~

~~part of the security real property is or will be located in the keystone opportunity zone or keystone opportunity expansion zone and if at least one of the following activities occurs at a qualified business:~~

~~(A) application for the loan;~~

~~(B) negotiation for the loan;~~

~~(C) approval of the loan; or~~

~~(D) administrative responsibility for the loan.~~

~~(ii) Receipts from loans not primarily secured by real property are located in a keystone opportunity zone or keystone opportunity expansion zone if the borrower resides or is commercially domiciled within a keystone opportunity zone or keystone opportunity expansion zone and if at least one of the following activities occurs at a qualified business:~~

~~(A) application for the loan;~~

~~(B) negotiation for the loan;~~

~~(C) approval of the loan; or~~

~~(D) administrative responsibility for the loan.~~

~~(iii) Receipts from performance of services are located in a keystone opportunity zone or keystone opportunity expansion zone to the extent the services are performed in the keystone opportunity zone or keystone opportunity expansion zone. If services are performed partly within the keystone opportunity zone or keystone opportunity expansion zone and partly outside the keystone opportunity zone or keystone opportunity expansion zone, the keystone opportunity zone or keystone opportunity expansion zone receipts shall be the ratio that the time spent in performing the services in the~~

~~keystone opportunity zone or the keystone opportunity expansion zone bears to the total time spent in performing the services in this Commonwealth. Time spent in performing services in the keystone opportunity zone or the keystone opportunity expansion zone is the time spent by employees having a regular presence in the keystone opportunity zone or keystone opportunity expansion zone in performing the services.~~

~~(iv) Receipts from lease transactions are located in a keystone opportunity zone or keystone opportunity expansion zone if the leased property is located in the keystone opportunity zone or keystone opportunity expansion zone.~~

~~(v) Receipts from interest or service charges, excluding merchant discounts, from credit, travel and entertainment card receivables and credit card holders' fees are located in a keystone opportunity zone or keystone opportunity expansion zone if the credit card holder, in the case of an individual, resides in a keystone opportunity zone or keystone opportunity expansion zone or, in the case of a corporation, if the corporation's commercial domicile is located in a keystone opportunity zone or keystone opportunity expansion zone.~~

~~(vi) Receipts from interest, dividends and net gains from the sale or disposition of intangibles, exclusive of those receipts described elsewhere in this section, are located in a keystone opportunity zone or keystone opportunity expansion zone if the institution maintains a qualified business that treats such intangibles as assets~~



~~on its books or records.~~

~~(vii) Receipts from fees or charges from the issuance of traveler's checks and money orders are located in a keystone opportunity zone or keystone opportunity expansion zone if the traveler's checks or money orders are issued in the keystone opportunity zone or keystone opportunity expansion zone.~~

~~(viii) Receipts from sales of tangible property are located in a keystone opportunity zone or keystone opportunity expansion zone if the property is delivered or shipped to a purchaser located in a keystone opportunity zone or keystone opportunity expansion zone, regardless of the free on board point or other conditions of the sale.~~

~~(ix) Receipts not specifically treated under this subsection are located in a keystone opportunity zone or keystone opportunity expansion zone if the greatest portion of the income producing activities are performed in the keystone opportunity zone or keystone opportunity expansion zone, based on costs of performance.~~

~~(3) The deposits factor is a fraction, the numerator of which is the average value of deposits located in a keystone opportunity zone or keystone opportunity expansion zone during the taxable year and denominator of which is the average value of the total deposits in this Commonwealth during the taxable year. The average value of deposits is to be computed in a quarterly basis. Deposits are located in the keystone opportunity zone or keystone opportunity expansion zone if the institution maintains a qualified business that properly treats the deposits as a liability on its books or~~

~~records. A deposit is considered to be properly treated as a liability on the books or records of a qualified business if it has the greater portion of contact. In determining whether a deposit has a greater portion of contact with a qualified business, consideration is given to:~~

~~(i) Whether the deposit account was opened at or transferred to the qualified business by or at the direction of the depositor, regardless of where subsequent deposits or withdrawals are made.~~

~~(ii) Whether employees regularly connected with the qualified business are primarily responsible for servicing the depositor's general banking and other financial needs.~~

~~(iii) Whether the deposit was solicited by an employee regularly connected with the qualified business, regardless of where the deposit was actually solicited.~~

~~(iv) Whether the terms governing the deposit were negotiated by employees regularly connected with the qualified business, regardless of where the negotiations were actually conducted.~~

~~(v) Whether essential records relating to the deposit are kept at the qualified business and whether the deposit is serviced at the qualified business.~~

~~(4) Payroll, receipts and deposits of a pass through entity shall be allocated in the same manner as income is allocated.~~

~~(c) 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.~~

~~(f) Limitation on amount of credit. The tax credits allowed under this section shall not exceed the tax liability of the taxpayer under Article VII, VIII A or XV of the Tax Reform Code of 1971 for the tax year.~~

~~Section 518. Insurance Premiums Tax.~~

~~(a) Credits. For tax years that begin on or after January 1, 2001, an insurance company that is a qualified business or that is an owner, partner or member of a pass through entity that is a qualified business under this act may claim a credit against the tax imposed by Article IX of the Tax Reform Code of 1971 as provided by this section. The total amount of credits will not exceed \$1,000,000 annually. If credits for qualified insurance companies exceed the \$1,000,000 cap in a given year, credits will be allocated on a pro rata basis to qualifying insurers.~~

~~(b) Tax credit determinations. The tax credit shall be calculated on an annual basis as follows:~~

~~(1) A tax credit of 7 1/2% of the total amount paid in the keystone opportunity zone or keystone opportunity expansion zone during the tax period by the taxpayer for compensation.~~

~~(2) Compensation is paid in the keystone opportunity zone or keystone opportunity expansion zone under the criteria in section 515(d)(2)(ii).~~

~~(3) Compensation of a pass through entity shall be allocated in the same manner as income is allocated.~~

~~(c) Pass through entities. 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.~~

~~(d) Limitation on amount of credit. The tax credits allowed under this section shall not exceed 50% of the tax liability of the taxpayer under Article IX of the Tax Reform Code of 1971 for the tax year.~~

~~(e) Relief from additional retaliatory tax. The tax credits taken by an insurance company under this section shall not be included in determining liability for retaliatory taxes imposed under section 212 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of 1921.~~

~~(f) (C) DETERMINATION OF ATTRIBUTABLE TAXABLE LIABILITY.--~~ <—  
~~THE TAXABLE SHARES OR THE INCOME OF AN INSTITUTION THAT IS A QUALIFIED BUSINESS SHALL BE APPORTIONED TO THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE BY MULTIPLYING THE PENNSYLVANIA TAXABLE SHARES OR INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS THE PAYROLL FACTOR PLUS THE RECEIPTS FACTOR PLUS THE DEPOSITS FACTOR AND THE DENOMINATOR OF WHICH IS THREE.~~

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

~~(2) THE RECEIPTS FACTOR IS A FRACTION, THE NUMERATOR OF WHICH IS TOTAL RECEIPTS OF THE TAXPAYER IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE DURING THE TAX PERIOD AND THE DENOMINATOR OF WHICH IS THE~~

1 TOTAL RECEIPTS LOCATED IN THIS COMMONWEALTH. RECEIPTS DO NOT  
2 INCLUDE PRINCIPAL REPAYMENTS ON LOANS OR CREDIT, TRAVEL AND  
3 ENTERTAINMENT CARDS. RECEIPTS FROM THE SALE OR DISPOSITION OF  
4 INTANGIBLE AND TANGIBLE PROPERTY INCLUDE ONLY THE NET GAIN  
5 RECEIVED FROM THE SALE OR DISPOSITION. THE LOCATION OF  
6 RECEIPTS SHALL BE DETERMINED AS FOLLOWS:

7 (I) RECEIPTS FROM LOANS PRIMARILY SECURED BY REAL  
8 PROPERTY ARE LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR  
9 KEYSTONE OPPORTUNITY EXPANSION ZONE IF THE PREDOMINANT  
10 PORTION OF THE REAL PROPERTY IS LOCATED IN THE KEYSTONE  
11 OPPORTUNITY ZONE OR THE KEYSTONE OPPORTUNITY EXPANSION  
12 ZONE AND THE APPLICATION AND NEGOTIATION, OR  
13 ADMINISTRATIVE RESPONSIBILITY OCCURS AT A QUALIFIED  
14 BUSINESS.

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 OBLIGOR, IN  
18 THE CASE OF AN INDIVIDUAL, RESIDES IN A KEYSTONE  
19 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE  
20 OR, IN THE CASE OF A CORPORATION, IF THE CORPORATION'S  
21 COMMERCIAL DOMICILE IS LOCATED IN A KEYSTONE OPPORTUNITY  
22 ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE, AND THE  
23 APPLICATION AND NEGOTIATION, OR ADMINISTRATIVE  
24 RESPONSIBILITY OCCURS AT A QUALIFIED BUSINESS.

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

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

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

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

30           (VI) RECEIPTS FROM INTEREST, DIVIDENDS AND NET GAINS

1 FROM THE SALE OR DISPOSITION OF INTANGIBLES, EXCLUSIVE OF  
2 THOSE RECEIPTS DESCRIBED ELSEWHERE IN THIS PARAGRAPH, ARE  
3 LOCATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE  
4 OPPORTUNITY EXPANSION ZONE IF THE INSTITUTION MAINTAINS A  
5 QUALIFIED BUSINESS THAT TREATS SUCH INTANGIBLES AS ASSETS  
6 ON ITS BOOKS OR RECORDS.

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

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

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

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

1 DURING THE TAXABLE YEAR. THE AVERAGE VALUE OF DEPOSITS IS TO  
2 BE COMPUTED ON A QUARTERLY BASIS. DEPOSITS ARE LOCATED IN THE  
3 KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION  
4 ZONE IF THE INSTITUTION MAINTAINS A QUALIFIED BUSINESS THAT  
5 PROPERLY TREATS THE DEPOSITS AS A LIABILITY ON ITS BOOKS OR  
6 RECORDS. A DEPOSIT IS CONSIDERED TO BE PROPERLY TREATED AS A  
7 LIABILITY ON THE BOOKS OR RECORDS OF A QUALIFIED BUSINESS IF:

8 (I) THE DEPOSIT ACCOUNT WAS OPENED OR TRANSFERRED TO  
9 THE QUALIFIED BUSINESS BY OR AT THE DIRECTION OF THE  
10 DEPOSITOR, REGARDLESS OF WHERE SUBSEQUENT DEPOSITS OR  
11 WITHDRAWALS ARE MADE;

12 (II) THE EMPLOYEES REGULARLY CONNECTED WITH THE  
13 QUALIFIED BUSINESS ARE PRIMARILY RESPONSIBLE FOR  
14 SERVICING THE DEPOSITOR'S GENERAL BANKING AND OTHER  
15 FINANCIAL NEEDS; AND

16 (III) AT LEAST ONE OF THE FOLLOWING FACTORS OCCURS  
17 AT THE QUALIFIED BUSINESS:

18 (A) THE DEPOSIT WAS SOLICITED BY AN EMPLOYEE  
19 REGULARLY CONNECTED WITH THE QUALIFIED BUSINESS,  
20 REGARDLESS OF WHERE THE DEPOSIT WAS ACTUALLY  
21 SOLICITED.

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

26 (C) THE ESSENTIAL RECORDS RELATING TO THE  
27 DEPOSIT ARE PHYSICALLY LOCATED AT THE QUALIFIED  
28 BUSINESS AND THE DEPOSIT IS SERVICED AT THE QUALIFIED  
29 BUSINESS.

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



1 UNDER THIS SECTION SHALL NOT EXCEED 50% OF THE TAX LIABILITY OF  
2 THE TAXPAYER UNDER ARTICLE VII, VII-A OR XV OF THE TAX REFORM  
3 CODE OF 1971 FOR THE TAX YEAR.

4 SECTION 518. KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR  
5 KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
6 CREDIT.

7 (A) CREDITS.--FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY  
8 1, 2001, AN INSURANCE COMPANY THAT IS A QUALIFIED BUSINESS UNDER  
9 THIS ACT MAY APPLY TO THE DEPARTMENT OF REVENUE FOR A JOB TAX  
10 CREDIT AGAINST THE TAX IMPOSED BY ARTICLE IX OF THE TAX REFORM  
11 CODE OF 1971 FOR ALL FULL-TIME JOBS WITHIN A KEYSTONE  
12 OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION ZONE IN THE  
13 TAXABLE YEAR. THE JOB MUST BE HELD DIRECTLY WITH AN INSURANCE  
14 COMPANY IN THE KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY  
15 EXPANSION ZONE IN ORDER FOR THE INSURANCE COMPANY TO APPLY FOR  
16 THE TAX CREDIT. THE DEPARTMENT OF REVENUE WILL PRESCRIBE THE  
17 FORM AND MANNER TO OBTAIN THE CREDIT.

18 (B) SECTION NOT APPLICABLE TO CERTAIN INSURANCE COMPANIES.--

19 (1) AN INSURANCE COMPANY THAT RELOCATES FROM A LOCATION  
20 IN A POLITICAL SUBDIVISION IN THIS COMMONWEALTH THAT IS NOT  
21 IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY  
22 EXPANSION ZONE TO A LOCATION IN A KEYSTONE OPPORTUNITY ZONE  
23 OR KEYSTONE OPPORTUNITY EXPANSION ZONE MAY NOT APPLY FOR A  
24 CREDIT FOR AN EXISTING JOB THAT IS TRANSFERRED, DISCONTINUED  
25 OR LOST IN THIS COMMONWEALTH WHICH IS ATTRIBUTABLE TO THE  
26 RELOCATION.

27 (2) AN INSURANCE COMPANY THAT HAS RELOCATED PURSUANT TO  
28 SUBSECTION (B)(1) MAY APPLY FOR A KEYSTONE OPPORTUNITY ZONE  
29 JOB TAX CREDIT OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
30 CREDIT FOR A NEW FULL-TIME JOB THAT IS CREATED IN THE

1     KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY EXPANSION  
2     ZONE. A NEW FULL-TIME JOB IS CREATED WITH AN INSURANCE  
3     COMPANY IF THE AVERAGE MONTHLY EMPLOYMENT FOR THAT INSURANCE  
4     COMPANY HAS INCREASED FROM THE PRIOR 12-MONTH CALENDAR YEAR  
5     IN THE ZONE.

6     (C) APPLICATION OF CREDIT.--AN INSURANCE COMPANY SHALL APPLY  
7     FOR A CREDIT BY JANUARY 15 FOR THE PREVIOUS CALENDAR YEAR.

8     (D) APPORTIONMENT.--THE DEPARTMENT OF REVENUE SHALL  
9     APPORTION A KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR A  
10    KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT FOR AN  
11    INSURANCE COMPANY THAT IS A QUALIFIED BUSINESS THAT HAS NOT  
12    OPERATED IN A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE OPPORTUNITY  
13    EXPANSION ZONE FOR A FULL FISCAL YEAR.

14    (E) CREDIT DETERMINATIONS.--THE KEYSTONE OPPORTUNITY ZONE  
15    JOB TAX CREDIT OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
16    CREDIT SHALL BE DETERMINED BY MULTIPLYING THE MONTHLY AVERAGE OF  
17    ALL FULL-TIME JOBS BY THE ALLOWANCE. THE ALLOWANCE FOR PURPOSES  
18    OF THE KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR KEYSTONE  
19    OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT FOR TAXABLE YEARS  
20    BEGINNING WITHIN THE DATES SET FORTH SHALL BE AS FOLLOWS:

21       JANUARY 1, 2001, TO

22           DECEMBER 31, 2001                           \$500 PER JOB

23       JANUARY 1, 2002, TO

24           DECEMBER 31, 2002                           \$650 PER JOB

25       JANUARY 1, 2003, TO

26           DECEMBER 31, 2003                           \$800 PER JOB

27       JANUARY 1, 2004, TO

28           DECEMBER 31, 2004                           \$950 PER JOB

29       JANUARY 1, 2005, TO

30           DECEMBER 31, 2005                           \$1,100 PER JOB

<u>JANUARY 1, 2006, TO</u>	
<u>DECEMBER 31, 2006</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2007, TO</u>	
<u>DECEMBER 31, 2007</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2008, TO</u>	
<u>DECEMBER 31, 2008</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2009, TO</u>	
<u>DECEMBER 31, 2009</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2010, TO</u>	
<u>DECEMBER 31, 2010</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2011, TO</u>	
<u>DECEMBER 31, 2011</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2012, TO</u>	
<u>DECEMBER 31, 2012</u>	<u>\$1,250 PER JOB</u>
<u>JANUARY 1, 2013, TO</u>	
<u>DECEMBER 31, 2013</u>	<u>\$1,250 PER JOB</u>

(F) NOTIFICATION OF CREDIT.--BY FEBRUARY 15, THE DEPARTMENT OF REVENUE SHALL NOTIFY AN INSURANCE COMPANY OF THE AMOUNT OF THE INSURANCE COMPANY'S TAX CREDIT APPROVED.

(G) LIMITATION ON AMOUNT OF CREDIT.--THE TAX CREDIT ALLOWED UNDER THIS SECTION SHALL NOT EXCEED 50% OF THE TAX LIABILITY OF THE INSURANCE COMPANY UNDER ARTICLE IX OF THE TAX REFORM CODE OF 1971 FOR THE TAX YEAR. AN INSURANCE COMPANY MAY NOT CARRY BACK OR FORWARD ANY CREDIT RECEIVED UNDER THIS SECTION.

(H) ALLOCATION.--THE TOTAL AMOUNT OF CREDITS APPROVED BY THE DEPARTMENT OF REVENUE UNDER THIS SECTION SHALL NOT EXCEED \$1,000,000 ANNUALLY. IF THE CREDITS EXCEED THE \$1,000,000 CAP IN A GIVEN YEAR, THE CREDITS WILL BE ALLOCATED ON A PRO-RATA BASIS.

(I) CALCULATION OF ALLOCATION.--IF THE TOTAL AMOUNT OF KEYSTONE OPPORTUNITY ZONE JOB TAX CREDITS AND KEYSTONE

OPPORTUNITY EXPANSION ZONE JOB TAX CREDITS APPLIED FOR BY ALL  
INSURANCE COMPANIES UNDER THIS SECTION EXCEEDS \$1,000,000 THEN  
THE CREDIT TO BE RECEIVED BY EACH INSURANCE COMPANY SHALL BE THE  
PRODUCT OF \$1,000,000 MULTIPLIED BY THE QUOTIENT OF THE CREDIT  
APPLIED FOR BY THE INSURANCE COMPANY DIVIDED BY THE TOTAL OF ALL  
CREDITS APPLIED FOR BY ALL INSURANCE COMPANIES, THE ALGEBRAIC  
EQUIVALENT OF WHICH IS:

INSURANCE COMPANY'S KEYSTONE OPPORTUNITY ZONE JOB TAX  
CREDIT OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
CREDIT = \$1,000,000 X (THE AMOUNT OF KEYSTONE OPPORTUNITY  
ZONE JOB TAX CREDIT OR KEYSTONE OPPORTUNITY EXPANSION  
ZONE JOB TAX CREDIT APPLIED FOR BY THE INSURANCE  
COMPANY/THE SUM OF ALL KEYSTONE OPPORTUNITY ZONE JOB TAX  
CREDITS AND KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
CREDITS APPLIED FOR BY ALL INSURANCE COMPANIES).

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

(K) Hold-harmless clause.--The tax credits allowed by this  
section shall not reduce the amounts which would otherwise be  
payable for firemen's relief pension or retirement purposes or  
for police pension retirement or disability purposes. The  
Department of Revenue shall transfer by June 30 of each fiscal  
year an amount equal to the tax credits taken under this section  
by foreign fire and casualty insurance companies from the  
General Fund to the Municipal Pension Aid Fund and the Fire  
Insurance Tax Fund, as appropriate.

Section 6. Sections 701, 702, 703, 704, 705, 901, 902, 903,

1 904 and 905 of the act are amended to read:

2 Section 701. Local taxes.

3 (a) General rule.--Every political subdivision in which a  
4 designated keystone opportunity zone is located shall exempt,  
5 deduct, abate or credit local taxes in accordance with  
6 ordinances and resolutions adopted under section 301(d). Failure  
7 to exempt, deduct, abate or credit local taxes shall result in  
8 the revocation of the keystone opportunity zone designation.

9 (b) Expansion rule.--Every political subdivision in which a  
10 designated keystone opportunity expansion zone is located shall  
11 exempt, deduct, abate or credit local taxes in accordance with  
12 ordinance ORDINANCES and resolutions adopted under section <—  
13 301.1(d). Failure to exempt, deduct, abate or credit local taxes  
14 shall result in the revocation of the keystone opportunity  
15 expansion zone designation.

16 Section 702. Real property tax.

17 (a) General rule.--Notwithstanding the act of May 22, 1933  
18 (P.L.853, No.155), known as The General County Assessment Law,  
19 and the act of May 21, 1943 (P.L.571, No.254), known as The  
20 Fourth to Eighth Class County Assessment Law, each qualified  
21 political subdivision for taxable years beginning on or after  
22 January 1, 1999, shall by ordinance or resolution abate 100% of  
23 the real property taxation on the assessed valuation of  
24 deteriorated property in an area designated as a keystone  
25 opportunity zone within this Commonwealth. The real property tax  
26 abatement provided for in this section shall apply to all real  
27 property located in a keystone opportunity zone, irrespective of  
28 the business activity, if any, made of the realty by its owner,  
29 when this act is in effect.

30 (a.1) Expansion rule.--Notwithstanding the act of May 22,

1 1933 (P.L.853, No.155), known as The General County Assessment  
2 Law, and the act of May 21, 1943 (P.L.571, No.254), known as The  
3 Fourth to Eighth Class County Assessment Law, each political  
4 subdivision for taxable years beginning on or after January 1,  
5 2001, shall by ordinance or resolution abate 100% of the real  
6 property taxation on the assessed valuation of deteriorated  
7 property in an area designated as a keystone opportunity  
8 expansion zone within this Commonwealth. The real property tax  
9 abatement provided for IN this section shall apply to all real <—  
10 property located in a keystone opportunity expansion zone,  
11 irrespective of the business activity, if any, made of the  
12 realty by its owner, when this act is in effect.

13 (b) Investment in lieu of tax payment.--

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

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

28 [(c) Application for tax abatement.--Any person requesting  
29 real property tax abatement pursuant to ordinances or  
30 resolutions adopted pursuant to this act shall notify each

1 county or other designated assessment office granting such  
2 abatement in writing on a form provided by that assessment  
3 office within 30 days of the designation as a keystone  
4 opportunity zone or within 30 days of the transfer of ownership  
5 of the real property subject to abatement. A copy of the  
6 abatement request shall be forwarded by the county or other  
7 designated assessment office to the political subdivision.]

8 (d) Annual real property report.--[Every keystone  
9 opportunity zone] By January 31 of each calendar year a  
10 political subdivision in which a keystone opportunity zone or  
11 keystone opportunity expansion zone is located shall submit to  
12 the department [an annual] a report [by January 31 of each  
13 calendar year of all] listing the address of each real property, <—  
14 ~~and~~ PROPERTY[, AND the owners and addresses of that real <—  
15 property at any time during the preceding year, which is located  
16 in a] designated a keystone opportunity zone or keystone  
17 opportunity expansion zone and its owner of record.

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

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

1 for general school district purposes.

2 Section 703. Local earned income and net profits taxes;

3 business privilege taxes.

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

14 (1) The business gross receipts for operations conducted  
15 by a qualified business within a keystone opportunity zone or  
16 keystone opportunity expansion zone.

17 (2) The earned income received by a resident of a  
18 keystone opportunity zone or keystone opportunity expansion  
19 zone.

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

26 (b) Additional exemptions.--[To the extent that]

27 (1) Paragraph (2) shall apply if a qualified political  
28 subdivision has enacted a tax on the privilege of engaging in  
29 a profession or business, on wages or compensation, on net  
30 profits from the operation of a business or profession or



1 other activity or on the occupancy or use of real property  
2 pursuant to any of the following:

3 [(1) Pursuant to the]

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

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

8 (iii) The act of August 24, 1961 (P.L.1135, No.508),  
9 referred to as the First Class A School District Earned  
10 Income Tax Act[, the].

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

18 (v) The act of May 30, 1984 (P.L.345, No.69), known  
19 as the First Class City Business Tax Reform Act[, or  
20 the].

21 (vi) The act of June 5, 1991 (P.L.9, No.6), known as  
22 the Pennsylvania Intergovernmental Cooperation Authority  
23 Act for Cities of the First Class[, enacted a tax on:

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

26 (ii) wages or compensation;

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

29 (iv) the occupancy or use of real property].

30 (2) [The] If there is an enactment under paragraph (1),

1     the qualified political subdivision shall provide an  
2     exemption, deduction, abatement or credit from the imposition  
3     and operation of such local tax ordinance or resolution FOR     <—  
4     all of the following:

5             (i)   [A person or qualified business, whether a  
6             resident or a nonresident of a keystone opportunity zone,  
7             for the] The privilege of engaging in a business or  
8             profession within a keystone opportunity zone or keystone  
9             opportunity expansion zone by a person or qualified  
10            business, whether a resident or nonresident of the zone.

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

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

20            (iv)   The occupancy or use of real property located  
21            within the keystone opportunity zone or keystone  
22            opportunity expansion zone.

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

1 a resident of a keystone opportunity zone.

2 (d) Information for employer.--Every person who is an  
3 employee that qualifies as a resident of a keystone opportunity  
4 zone shall furnish to his or her employer information, as  
5 prescribed by the political subdivision, necessary for the  
6 employer to withhold the correct amount of tax. An employee  
7 shall furnish notification to his or her employer of any changes  
8 to the information within 20 days after the change. An employee  
9 shall notify his or her employer that the employee has completed  
10 the residency requirements under section 306.

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

26 (f) Calculation for education subsidy for school district.--  
27 In determining the personal income valuation of a school  
28 district, the Secretary of Revenue shall exclude any increase in  
29 the valuation as defined in section 2501(9.1) of the act of  
30 March 10, 1949 (P.L.30, No.14), known as the Public School Code

1 of 1949, above the base value prior to the abatement of local  
2 taxes in a keystone opportunity zone or keystone opportunity  
3 expansion zone located within the school district to the extent  
4 and during the period of time that personal income revenues  
5 attributable to the increase in the personal income valuation  
6 are not available to the school district for general school  
7 district purposes.

8 Section 704. Mercantile license tax.

9 No person or qualified business in a keystone opportunity  
10 zone or keystone opportunity expansion zone shall be required to  
11 pay any fee authorized pursuant to a mercantile license tax  
12 imposed under the act of June 20, 1947 (P.L.745, No.320),  
13 entitled, as amended, "An act to provide revenue for school  
14 districts of the first class A by imposing a temporary  
15 mercantile license tax on persons engaging in certain  
16 occupations and businesses therein; providing for its levy and  
17 collection; for the issuance of mercantile licenses upon the  
18 payment of fees therefor; conferring and imposing powers and  
19 duties on boards of public education, receivers of school taxes  
20 and school treasurers in such districts; saving certain  
21 ordinances of council of certain cities, and providing  
22 compensation for certain officers, and employes and imposing  
23 penalties."

24 Section 705. Local sales and use tax.

25 (a) General rule.--The political subdivision shall exempt  
26 sales at retail of services or tangible personal property,  
27 except motor vehicles, to a qualified business for the exclusive  
28 use, consumption and utilization of the tangible personal  
29 property or service by the qualified business at its facility  
30 located within a keystone opportunity zone or keystone

1 opportunity expansion zone from a city or county tax on purchase  
2 price authorized under Article XXXI-B of the act of July 28,  
3 1953 (P.L.723, No.230), known as the Second Class County Code,  
4 as amended, and the act of June 5, 1991 (P.L.9, No.6), known as  
5 the Pennsylvania Intergovernmental Cooperation Authority Act for  
6 Cities of the First Class, as amended.

7 (b) [Real property] Construction contracts.--[The] For any  
8 construction contract performed in a keystone opportunity zone  
9 or keystone opportunity expansion zone, the exemption provided  
10 in subsection (a) shall only apply to the sale at retail or use  
11 of building machinery and equipment to a qualified business, or  
12 to a construction contractor pursuant to a construction contract  
13 with a qualified business, for the exclusive use, consumption  
14 and utilization by the qualified business at its facility in a  
15 keystone opportunity zone[.] or keystone opportunity expansion  
16 zone. For the purposes of the keystone opportunity zone and  
17 keystone opportunity expansion zone exemption, building  
18 machinery and equipment shall include distribution equipment  
19 purchased for the exclusive use, consumption and utilization in  
20 a keystone opportunity zone or keystone opportunity expansion  
21 zone facility.

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

25 Section 901. Transferability.

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

30 Section 902. Recapture.

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

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

18 (2) If a qualified business relocates within three to  
19 five years from the date of [any claim] first locating in a  
20 keystone opportunity zone or keystone opportunity expansion  
21 zone, 33% of all exemptions, deductions, abatements or  
22 credits [previously received from] attributed to that  
23 qualified business's participation in the keystone  
24 opportunity zone or keystone opportunity expansion zone shall  
25 be refunded to the Commonwealth and the political  
26 subdivision.

27 (3) If the qualified business was located within a  
28 facility operated by a nonprofit organization to assist in  
29 the creation and development of a start-up business, no  
30 exemption, deduction, abatement or credit shall be refunded.

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

- 7 (1) natural disaster;
- 8 (2) unforeseen industry trends; or
- 9 (3) loss of a major supplier or market.

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

- 13 (1) the date the return or other report for the tax or  
14 fee is due;
- 15 (2) the date the return is filed; or
- 16 (3) the date the tax or fee would be paid.]

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

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

22 (b) Qualified business.--

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

27 (2) No qualified business may claim or receive an  
28 exemption, deduction, abatement or credit under this act if  
29 any person or business with a 20% or greater interest in that  
30 qualified business is not in full compliance with all State

1 and local tax laws, ordinances and resolutions.

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

17 Section 904. Code compliance.

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

29 (b) Opportunity to achieve compliance.--The person or  
30 qualified business who is not in compliance under subsection (a)



1 shall have until December 31 of the calendar year following  
2 designation of the real property as part of a keystone  
3 opportunity zone or keystone opportunity expansion zone to be in  
4 compliance in order to claim any State exemptions, deductions,  
5 abatements or credits for that year. If full compliance is not  
6 attained by December 31 of that calendar year, the person or  
7 qualified business is precluded from claiming any exemption,  
8 deduction or credit for that calendar year, whether or not  
9 compliance is achieved in a subsequent calendar year. The  
10 political subdivision may extend the time period in which a  
11 person or qualified business must come into compliance with a  
12 local ordinance or building code for a period not to exceed one  
13 year if the political subdivision determines that the person or  
14 qualified business has made and shall continue to make a good  
15 faith effort to come into compliance and that an extension will  
16 enable the person or qualified business to achieve full  
17 compliance. Qualified political subdivisions are required to  
18 notify the Department of Revenue in writing of all persons or  
19 qualified businesses not in compliance with this subsection  
20 within 30 days following the end of each calendar year.

21 Section 905. Appeals.

22 A person or qualified business shall be deemed to be in  
23 compliance with any State or local tax for purposes of this  
24 section if that person or qualified business had made a timely  
25 administrative or judicial appeal for that particular tax or has  
26 entered into and is in compliance with a duly authorized  
27 deferred payment plan with the Department of Revenue or  
28 political subdivision for that particular tax.

29 Section 7. The act is amended by adding sections to read:  
30 Section 906. Notice requirements; State and local authorities.

1     (a) Requirement.--After compliance reviews have been  
2     conducted by appropriate Commonwealth and local authorities, the  
3     department shall notify each keystone opportunity zone or  
4     keystone opportunity expansion zone applicant by regular mail  
5     each year of the department's approval or denial of the  
6     applicant's keystone opportunity zone or keystone opportunity  
7     expansion zone application. No keystone opportunity zone or  
8     keystone opportunity expansion zone applicant is entitled to any  
9     tax benefits unless it receives approval from the department.

10    (b) Notice.--The department shall provide a one-time  
11    notification to every current keystone opportunity zone and  
12    keystone opportunity expansion zone real property owner by June  
13    1, 2001. No benefits or rights shall accrue to any real property <—  
14    owner if notification is not received. FAILURE TO RECEIVE <—  
15    DEPARTMENTAL NOTIFICATION UNDER THIS SECTION SHALL NOT EXTEND OR  
16    RESTRICT ANY BENEFITS OR RIGHTS REAL PROPERTY OWNERS POSSESS  
17    UNDER THIS ACT.

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

24    Section 907. Application time.

25    A keystone opportunity zone or keystone opportunity expansion  
26    zone applicant must file a keystone opportunity zone or keystone  
27    opportunity expansion zone application in a manner prescribed by  
28    the department by December 31 of each calendar year for which  
29    the applicant claims any exemption, deduction, abatement or  
30    credit under this act. No exemption, deduction, abatement or

1 credit may be claimed or received for that calendar year until  
2 approval has been granted by the department.

3 Section 8. Sections 1101, 1102, 1103, 1302, 1303 and 1304 of  
4 the act are amended to read:

5 Section 1101. Community benefits.

6 (a) Implementation grant.--The department may provide a one-  
7 time \$250,000 grant to [the] a keystone opportunity zone or a  
8 one-time \$200,000 grant to a keystone opportunity expansion zone  
9 to implement the opportunity plan and to provide an annual  
10 update of real property ownership and other information to the  
11 Department of Revenue. The annual update shall describe progress  
12 on all proposals required as part of the opportunity plan and  
13 other information as required by the department. A separate  
14 application must be submitted to the department outlining a  
15 budget and implementation narrative. The grant shall be drawn  
16 down as needed over a period not to exceed the first five years  
17 of designation as a keystone opportunity zone or keystone  
18 opportunity expansion zone. Grant funds shall be provided from  
19 the housing and redevelopment appropriations. [Keystone  
20 opportunity zones] Grant recipients shall comply with the  
21 provisions of the appropriation.

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

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

1 community building initiatives.

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

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

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

23 (g) Community-based organizations.--The department shall  
24 provide technical assistance for capacity building of existing  
25 community-based organizations dealing with socioeconomic needs,  
26 housing assistance and job training in the keystone opportunity  
27 [zones] zone or keystone opportunity expansion zone.

28 Section 1102. Reporting.

29 The department shall report to the General Assembly on the  
30 economic effects of this act in each keystone opportunity zone

1 or keystone opportunity expansion zone every four years.

2 Section 1103. Other Commonwealth tax credits.

3 A person or qualified business that is entitled to claim an  
4 exemption, deduction, abatement or credit in accordance with the  
5 provisions of this act shall not be entitled to claim or  
6 accumulate any of the following exemptions, deductions,  
7 abatements or credits that it may otherwise have qualified for  
8 due to activity within a keystone opportunity zone or keystone  
9 opportunity expansion zone:

10 (1) Tax Reform Code of 1971:

11 (i) Article XVII relating to economic revitalization  
12 tax credits;

13 (ii) Article XVII-A relating to employment incentive  
14 payments;

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

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

19 (2) tax credits under section 109 of the act of December  
20 19, 1996 (P.L.1478, No.190), known as the Waste Tire  
21 Recycling Act;

22 (3) homeowners mortgage credits;

23 (4) insurance premiums tax credits; and

24 (5) job creation tax credit under the act of June 29,  
25 1996 (P.L.434, No.67), known as the Job Enhancement Act.

26 The person or qualified business may apply the exemptions,  
27 deductions, abatements or credits to income realized from  
28 activity or transactions outside the keystone opportunity zone  
29 OR KEYSTONE OPPORTUNITY EXPANSION ZONE, but only for the taxable <—  
30 year to which the exemptions, deductions, abatements or credits

1 apply. The provisions of this section shall apply only to the  
2 taxes set forth in Chapters 5 and 7.

3 Section 1302. Rules and regulations.

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

9 Section 1303. Compliance.

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

15 Section 1304. Penalties.

16 (a) Civil penalty.--

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

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

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

30 Section 9. Section 1309 of the act is amended to read:

1 Section 1309. Expiration.

2 This act and all benefits associated with this act shall  
3 terminate [December 21, 2010.] December 31, 2013. ~~, except as~~ <—  
4 follows:

5 ~~(1) all benefits associated with keystone opportunity~~  
6 ~~expansion zones established under this act shall terminate~~  
7 ~~December 31, 2015; and~~

8 ~~(2) sections 517 and 518 shall terminate December 31,~~  
9 ~~2015.~~

10 Section 10. Section 204(57)(iii) of the act of March 4, 1971  
11 (P.L.6, No.2), known as the Tax Reform Code of 1971, is  
12 repealed.

13 Section 11. This act shall apply as follows:

14 (1) The amendment of sections 512 and 703 of the act  
15 shall apply to taxable years beginning after December 31,  
16 1998.

17 (2) The amendment of section 516 of the act shall apply  
18 to taxable years beginning after December 31, 1999.

19 Section 12. This act shall take effect immediately.