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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

SENATOR CONTI, FINANCE, IN SENATE, AS AMENDED, NOVEMBER 14, 2000

AN ACT

Amending the act of October 6, 1998 (P.L.705, No.92), entitled "An act providing for the creation of keystone opportunity zones to foster economic opportunities in this Commonwealth, to facilitate economic development, stimulate industrial, commercial and residential improvements and prevent physical and infrastructure deterioration of geographic areas within this Commonwealth; authorizing expenditures; providing tax exemptions, tax deductions, tax abatements and tax credits; creating additional obligations of the Commonwealth and local governmental units; and prescribing powers and duties of certain State and local departments, agencies and officials," providing for keystone opportunity expansion zones and related matters and for authorized expenditures; further providing for additional tax exemptions, tax deductions, tax abatements and tax credits; and making a repeal.

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

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

AN ACT

Providing for the creation of keystone opportunity zones and keystone opportunity expansion zones to foster economic opportunities in this Commonwealth, to facilitate economic development, stimulate industrial, commercial and residential improvements and prevent physical and infrastructure deterioration of geographic areas within this Commonwealth; authorizing expenditures; providing tax exemptions, tax deductions, tax abatements and tax credits; creating additional obligations of the Commonwealth and local governmental units; and prescribing powers and duties of certain State and local departments, agencies and officials.

Section 2. Sections 101, 102, 103 and 301 of the act are amended to read:

Section 101. Short title.

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

Section 102. Legislative findings.

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

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

(3) Long-term economic viability of these areas requires

the cooperative involvement of residents, businesses, State and local elected officials and community organizations. It is in the best interest of the Commonwealth to assist and encourage the creation of keystone opportunity zones and keystone opportunity expansion zones and to provide temporary relief from certain taxes within the [keystone opportunity] zones to accomplish the purposes of this act.

Section 103. Definitions.

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

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

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

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

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

"Institution."

(1) Every bank operating as such and having capital

stock which is incorporated under any law of this Commonwealth, under the law of the United States or under the law of any other jurisdiction and is located within this Commonwealth.

(2) Every operating company having capital stock located within this Commonwealth having any of the powers of companies entitled to the benefits of section 29 of the act of April 29, 1874 (P.L.73, No.32), entitled "An act to provide for the incorporation and regulation of certain corporations," and any supplements thereto and under the act of June 27, 1895 (P.L.399, No.286), entitled "An act conferring upon certain fidelity, insurance, safety deposit, trust and savings companies the powers and privileges of companies incorporated under the provisions of section twenty-nine of an act, entitled 'An act to provide for the incorporation and regulation of certain corporations,' approved April twenty-ninth, Anno Domini one thousand eight hundred and seventy-four, and of the supplements thereto."

(3) Every company organized and operating as a bank and trust company or as a trust company having capital stock located in this Commonwealth, whether the institution is incorporated under any law of this Commonwealth, the law of the United States or any law of any jurisdiction. The term shall not include any of such companies, all of the shares of capital stock of which, other than shares necessary to qualify directors, are owned by a company which is liable to pay to the Commonwealth a tax pursuant to Article VII of the Tax Reform Code of 1971.

(4) A mutual thrift institution.

"Insurance company." Every insurance company, association or 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:

(1) Savings bank without capital stock.

(2) Building and loan association.

(3) Savings and loan association.

(4) Savings institution having capital stock.

whether the mutual thrift institution is incorporated under any law of this Commonwealth or under the law of the United States, or is incorporated under the law of any other jurisdiction and is located within this Commonwealth.

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

"Person." Any natural person.

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

"Qualified business." [Any business] A business authorized to do business in this Commonwealth that is located or partially located within a keystone opportunity zone or keystone opportunity expansion zone and is engaged in the active conduct of a trade or business in accordance with the requirements of section 307. An agent, broker or representative of a business is not engaged in the active conduct of trade or business for the business.

"Qualified political subdivision." A political subdivision [that has been designated as] that has real property within its jurisdiction which has been designated by the department as a keystone opportunity zone or keystone opportunity expansion zone.

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

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

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

Section 301. Keystone opportunity zones.

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

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

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

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

(e) Authorization to extend State and local tax exemption.--A qualified political subdivision which does not provide for the exemptions, deductions, abatements or credits set forth in this act for a period of 15 years, ending December 31, 2013, may receive departmental approval to extend the State and local tax relief provided by this act for the period ending December 31, 2013, provided all qualified political subdivisions within the keystone opportunity ~~zone~~ SUBZONE agree to extend the State and local tax relief provided by this act for the period ending December 31, 2013. A qualified political subdivision having an approved keystone opportunity subzone within its jurisdiction shall pass the required ordinance, resolutions or other required action of the qualified political subdivision for the necessary exemptions, deductions, abatements or credits pursuant to this act for the period beginning after December 31, 2008, and ending on December 31, 2013, and shall submit copies to the department of the ordinance, resolutions or other action by June 30, 2001. The department shall approve or deny the request for extension of duration of a keystone opportunity zone by July 31, 2001, and shall provide written notice, irrespective of whether approved or denied, to each qualified political subdivision, resident and qualified business affected. Upon approval of a request for extension of duration of a keystone opportunity zone, the exemptions, deductions, abatements or credits shall be binding upon the qualified political subdivision as provided in subsection (d) and shall be nonrevocable.

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

Section 301.1. Keystone opportunity expansion zones.

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

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

(c) Subzones.--A keystone opportunity expansion zone may be comprised of up to eight clearly defined subzones. The total number of subzone acres in a keystone opportunity expansion zone shall not exceed 1,500 acres in the aggregate.

(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

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

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

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

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

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

(iv) A description of the current social, economic and demographic characteristics of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone and anticipated improvements in education, health, human services, public safety and employment that will result from keystone opportunity zone or keystone opportunity expansion zone designation.

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

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

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

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

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

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

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

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

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

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

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

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

Section 303. Review.

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

(b) Process.--The department shall designate up to 12 keystone opportunity zones from applications meeting the criteria in section 304 based upon need and likelihood of success. The department shall designate up to 12 keystone opportunity expansion zones from applications meeting the criteria in section 304 based upon need and likelihood of success. Additionally, the department shall not alter the geographic boundaries of a keystone opportunity zone or keystone opportunity expansion zone or the duration of a keystone opportunity zone or keystone opportunity expansion zone described in [the] an application.

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

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

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

Section 304. Criteria for designation of keystone opportunity zone.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Whether the opportunity plan is creative and

innovative in comparison to other applications.

(4) Local public and private commitment to the development of the <u>proposed</u> keystone opportunity zone <u>or proposed keystone opportunity expansion zone</u> and the potential cooperation of surrounding communities.

(5) Existing resources available to the proposed keystone opportunity zone <u>or proposed keystone opportunity expansion zone</u>.

(6) How keystone opportunity zone <u>or keystone opportunity expansion zone</u> designation or economic redevelopment relates to other current economic and community development projects and to regional initiatives or programs.

(7) How the local regulatory burden will be eased for businesses operating in the proposed keystone opportunity zone <u>or proposed keystone opportunity expansion zone</u>.

(8) Proposals to implement educational opportunities and improvements.

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

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

(c) Tax exemption ordinances.--An area shall not be designated as a keystone opportunity zone <u>or a keystone opportunity expansion zone</u> unless, as a part of the application, each political subdivision in which the proposed keystone opportunity zone <u>or proposed keystone opportunity expansion zone</u> is to be located adopts and provides a copy of an ordinance, resolution or other required action from the governing body of each political subdivision that exempts or provides deductions, abatements or credits to qualified persons and qualified businesses from local taxes upon designation of the area as a keystone opportunity zone or keystone opportunity expansion zone. All appropriate ordinances and resolutions shall be effective on or before January 1, 1999, if designation as a keystone opportunity zone is granted. All appropriate ordinances and resolutions shall be effective on January 1, 2001, if designation as a keystone opportunity expansion zone is granted. The resolution, ordinance or other required action shall be binding and nonrevocable on the qualified political subdivisions for the duration of the opportunity plan.

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

Section 305. Zone limitations.

The department shall not designate more than 12 keystone opportunity zones within this Commonwealth. No keystone opportunity zone shall encompass an entire political subdivision. The department shall not designate more than 12 keystone opportunity expansion zones within this Commonwealth. No keystone opportunity expansion zone shall encompass an entire political subdivision.

Section 306. Residency.

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

Section 307. Qualified businesses.

(a) Qualifications.--In order to qualify each year for a tax exemption, deduction, abatement or credit under this act, a business shall own or lease real property in the keystone opportunity zone <u>or keystone opportunity expansion zone</u> from which the business actively conducts a trade, profession or business. The qualified business shall receive certification from the department that the business is located, and is in the active conduct of a trade, profession or business, within the keystone opportunity zone <u>or keystone opportunity expansion zone</u>. The business shall obtain annual renewal of the certification from the department to continue to qualify under this section.

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

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

(2) makes a capital investment in the property located within a keystone opportunity zone <u>or keystone opportunity expansion zone</u> equivalent to 10% of the gross revenues of that business in the immediately preceding calendar or fiscal year.

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

Section 308. Forms.

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

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

Section 501. State taxes.

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

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

Section 511. Sales and use tax.

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

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

(b) Construction contracts.--For any construction contract performed in a keystone opportunity zone or keystone opportunity expansion zone, the exemption provided in subsection (a) shall only apply to the sale at retail or use of building machinery and equipment to a qualified business, or to a construction contractor pursuant to a construction contract with a qualified business, for the exclusive use, consumption and utilization by the qualified business at its facility in a keystone opportunity zone or keystone opportunity expansion zone. For the purposes of the keystone opportunity zone and keystone opportunity expansion zone exemption, building machinery and equipment shall include distribution equipment purchased for the exclusive use, consumption and utilization in a keystone opportunity zone or keystone opportunity expansion zone facility.

Section 512. Personal income tax.

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

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

(2) Net income from the operation of a qualified

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

(3) <u>All of the following:</u>

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

is in connection with the sale, exchange or other disposition of all of the assets in complete liquidation of a qualified business located in a keystone opportunity zone or keystone opportunity expansion zone. This subparagraph shall apply to intangible personal property employed in a trade, profession or business in a keystone opportunity zone or keystone opportunity expansion zone by a qualified business, but only when transferred in connection with a sale, exchange or other disposition of all of the assets in complete liquidation of the qualified business in the keystone opportunity zone or keystone opportunity expansion zone.

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

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

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

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

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

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

(ii) If the tangible personal property was used both within and without the keystone opportunity zone or keystone opportunity expansion zone during the taxable year, only the net income attributable to use in the keystone opportunity zone <u>or keystone opportunity expansion zone</u> is exempt. The net rental income shall be multiplied by a fraction, the numerator of which is the number of days the property was used in the keystone opportunity zone <u>or keystone opportunity expansion zone</u> and the denominator which is the total days of use.

(5) Dividends received during the time the person was a resident of a keystone opportunity zone <u>or keystone opportunity expansion zone</u>.

(6) Interest received during the time period the person was a resident of a keystone opportunity zone <u>or keystone opportunity expansion zone</u>.

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

<u>(a.1) Exemption.--Beginning in taxable year 1999, a person located in a designated keystone opportunity zone shall be allowed an exemption under subsection (a) from the tax imposed by Article III of the Tax Reform Code of 1971 for the classes of income set forth in subsection (a). Beginning in taxable year 2001, a person located in a designated keystone opportunity expansion zone shall be allowed an exemption under subsection (a) from the tax imposed by Article III of the Tax Reform Code</u>

of 1971 for the classes of income set forth in subsection (a).

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

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

(2) The income or gain of a Pennsylvania S corporation. The shareholder shall be entitled to the exemptions under this section for the shareholder's pro rata share, whether or not distributed, of the income or gain received by the corporation for its taxable year ending within or with the shareholder's taxable year.

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

(c) Section not applicable to certain entities.--Any portion of net income or gain that is attributable to operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company, an entity which would qualify as a regulated investment company under Article IV of the Tax Reform Code of 1971 or would qualify as a holding company under Article VI of the Tax Reform Code of 1971 and any entity activity which is associated or affiliated with any of these operations shall not be used to calculate an exemption under this section. This subsection shall not apply to the exemption from tax provided in subsection (a)(5).

Section 513. Residency considerations.

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

Section 514. Information for employer.

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

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

Section 515. Corporate net income tax.

(a) Credits.--For the tax years that begin on or after January 1, 1999, a corporation that [qualifies as] <u>is</u> a qualified business under this act may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for [the taxable year to the extent of the] tax liability attributable to business activity conducted within [a] <u>the</u> keystone opportunity zone in the taxable year. <u>For the tax years that begin on or after January 1, 2001, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within the keystone opportunity expansion zone in the taxable year.</u> The business activity must be conducted directly by a corporation in the keystone opportunity zone <u>or keystone opportunity expansion zone</u> in order for the corporation to claim the tax credit.

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

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

(1) If the entire business of the corporation in this Commonwealth is transacted wholly within the keystone opportunity zone <u>or keystone opportunity expansion zone</u>, the taxable income attributable to business activity within a keystone opportunity zone <u>or keystone opportunity expansion zone</u> shall consist of the Pennsylvania taxable income as determined under Article IV of the Tax Reform Code of 1971.

(2) If the entire business of the corporation in this Commonwealth is not transacted wholly within the keystone opportunity zone <u>or keystone opportunity expansion zone</u>, the taxable income of a corporation in a keystone opportunity zone <u>or keystone opportunity expansion zone</u> shall be determined upon such portion of the Pennsylvania taxable income of such corporation attributable to business activity conducted within the keystone opportunity zone <u>or keystone opportunity expansion zone</u> and apportioned in accordance with subsection (d).

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) [Credit] Limitation on amount of credit.--The credit allowed under this section shall not exceed the [corporate net income] tax liability of the taxpayer under Article IV of the Tax Reform Code of 1971 for the tax year.

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

Section 516. Capital stock franchise tax.

(a) Credits.--For tax years that begin on or after January 1, 1999, a corporation that is a qualified business under [section 307(a)] this act may claim a credit against the tax imposed by Article VI of the Tax Reform Code of 1971 for [the taxable year to the extent of the] tax liability attributable to the capital employed within [a] the keystone opportunity zone in the taxable year. For tax years that begin on or after January 1, 2001, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article VI of the Tax Reform Code of 1971 for tax liability attributable to the capital employed within the keystone opportunity expansion zone in the taxable year. The business activity must be conducted directly by a corporation in the keystone opportunity zone or keystone opportunity expansion zone in order for the corporation to claim the tax credit.

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

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

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

(2) If the entire business of the corporation in this Commonwealth is not wholly transacted within a keystone opportunity zone or keystone opportunity expansion zone, the taxable value of a corporation in a keystone opportunity zone or keystone opportunity expansion zone shall be determined upon such portion of the Pennsylvania taxable value attributable to the capital employed within the keystone opportunity zone or keystone opportunity expansion zone by employing the apportionment factors set forth in [subsection (d)] section 515(d).

[(d) Capital stock and franchise tax apportionment.--For purposes of apportionment of the capital stock and franchise tax, the apportionment fraction shall be the property factor plus the payroll factor plus the sales factor as the numerator, and the denominator shall be three. In determining the relevant apportionment factors, the numerator of the property, payroll and sales factors shall not include any property, payroll and sales attributable to manufacturing, processing, research and development activities conducted within a keystone opportunity zone, and the denominator of the property, payroll and sales factors shall not include any property, payroll and sales attributable to manufacturing, processing and research and development activities conducted within this Commonwealth but without a keystone opportunity zone.]

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

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

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

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

(a) Credits.--For tax years that begin on or after January

1, 2001, an institution that is a qualified business under this act may claim a credit against the tax imposed by Article VII, VII-A or XV of the Tax Reform Code of 1971, for tax liability attributable to business activity conducted within the keystone opportunity zone or keystone opportunity expansion zone in the taxable year. The business activity must be conducted directly by an institution in the keystone opportunity zone or keystone opportunity expansion zone in order for the institution to claim the tax credit.

(b) Tax liability.--The institution's tax liability attributable to business activity conducted within a keystone opportunity zone or keystone opportunity expansion zone shall be determined by multiplying the taxable amount of its shares or net income that is attributable to business activity conducted within the keystone opportunity zone or keystone opportunity expansion zone by the rate of tax imposed under Article VII, VII-A or XV of the Tax Reform Code of 1971 for the taxable year. The institution shall compute the Pennsylvania taxable amount of its shares or net income in conformity with Article VII, VII-A or XV of the Tax Reform Code of 1971.

(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 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 portion of the real property is located in the keystone opportunity zone or the keystone opportunity expansion zone and the application and negotiation, or administrative responsibility occurs at a qualified business.

(ii) Receipts from loans not primarily secured by real property are located in a keystone opportunity zone or keystone opportunity expansion zone if the obligor, 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, and the application and negotiation, or administrative responsibility occurs at a qualified business.

(iii) Receipts from performance of services are located in a keystone opportunity zone or keystone opportunity expansion zone if 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 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 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 paragraph, 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 paragraph 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 the 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 on 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:

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

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

(iii) at least one of the following factors occurs at the qualified business:

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

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

(C) The essential records relating to the deposit are physically located at the qualified business and the deposit is serviced at the qualified business.

(d) Limitation on amount of credit.--The credit allowed under this section shall not exceed 50% of the tax liability of the taxpayer under Article VII, VII-A or XV of the Tax Reform Code of 1971 for the tax year.

Section 518. Keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit.

(a) Credits.--For tax years that begin on or after January 1, 2001, an insurance company that is a qualified business under this act may apply to the Department of Revenue for a job tax credit against the tax imposed by Article IX of the Tax Reform Code of 1971 for all full-time jobs within a keystone opportunity zone or keystone opportunity expansion zone in the taxable year. The job must be held directly with an insurance company in the keystone opportunity zone or keystone opportunity expansion zone in order for the insurance company to apply for the tax credit. The Department of Revenue will prescribe the form and manner to obtain the credit.

(b) Section not applicable to certain insurance companies.--

(1) An insurance company that relocates from a location

in a political subdivision in this Commonwealth that is not in a keystone opportunity zone or keystone opportunity expansion zone to a location in a keystone opportunity zone or keystone opportunity expansion zone may not apply for a credit for an existing job that is transferred, discontinued or lost in this Commonwealth which is attributable to the relocation.

(2) An insurance company that has relocated pursuant to subsection (b)(1) may apply for a keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit for a new full-time job that is created in the keystone opportunity zone or keystone opportunity expansion zone. A new full-time job is created with an insurance company if the average monthly employment for that insurance company has increased from the prior 12-month calendar year in the zone.

(c) Application of credit.--An insurance company shall apply for a credit by January 15 for the previous calendar year.

(d) Apportionment.--The Department of Revenue shall apportion a keystone opportunity zone job tax credit or a keystone opportunity expansion zone job tax credit for an insurance company that is a qualified business that has not operated in a keystone opportunity zone or keystone opportunity expansion zone for a full fiscal year.

(e) Credit determinations.--The keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit shall be determined by multiplying the monthly average of all full-time jobs by the allowance. The allowance for purposes of the keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit for taxable years beginning within the dates set forth shall be as follows:

January 1, 2001, to December 31, 2001	$500 per job
January 1, 2002, to December 31, 2002	$750 per job
January 1, 2003, to December 31, 2003	$1,000 per job
January 1, 2004, to December 31, 2004	$1,250 per job
January 1, 2005, to December 31, 2005	$1,250 per job
January 1, 2006, to December 31, 2006	$1,250 per job
January 1, 2007, to December 31, 2007	$1,250 per job
January 1, 2008, to December 31, 2008	$1,250 per job
January 1, 2009, to December 31, 2009	$1,250 per job
January 1, 2010, to December 31, 2010	$1,250 per job
January 1, 2011, to December 31, 2011	$1,250 per job
January 1, 2012, to December 31, 2012	$1,250 per job
January 1, 2013, to December 31, 2013	$1,250 per job

(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, 904 and 905 of the act are amended to read:

Section 701. Local taxes.

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

(b) Expansion rule.--Every political subdivision in which a designated keystone opportunity expansion zone is located shall exempt, deduct, abate or credit local taxes in accordance with ordinances and resolutions adopted under section 301.1(d). Failure to exempt, deduct, abate or credit local taxes shall result in the revocation of the keystone opportunity expansion zone designation.

Section 702. Real property tax.

(a) General rule.--Notwithstanding the act of May 22, 1933 (P.L.853, No.155), known as The General County Assessment Law, and the act of May 21, 1943 (P.L.571, No.254), known as The

Fourth to Eighth Class County Assessment Law, each qualified political subdivision for taxable years beginning on or after January 1, 1999, shall by ordinance or resolution abate 100% of the real property taxation on the assessed valuation of deteriorated property in an area designated as a keystone opportunity zone within this Commonwealth. The real property tax abatement provided for in this section shall apply to all real property located in a keystone opportunity zone, irrespective of the business activity, if any, made of the realty by its owner, when this act is in effect.

(a.1) Expansion rule.--Notwithstanding the act of May 22, 1933 (P.L.853, No.155), known as The General County Assessment Law, and the act of May 21, 1943 (P.L.571, No.254), known as The Fourth to Eighth Class County Assessment Law, each political subdivision for taxable years beginning on or after January 1, 2001, shall by ordinance or resolution abate 100% of the real property taxation on the assessed valuation of deteriorated property in an area designated as a keystone opportunity expansion zone within this Commonwealth. The real property tax abatement provided for in this section shall apply to all real property located in a keystone opportunity expansion zone, irrespective of the business activity, if any, made of the realty by its owner, when this act is in effect.

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

(1) A qualified political subdivision may require a resident of deteriorated real property to invest up to 25% of all real property taxes which would have been due if the real property was not located in a keystone opportunity zone or keystone opportunity expansion zone in improvements to the real property in order for the residents to be qualified for

exemptions, credits and abatements under this act.

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

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

(d) Annual real property report.--[Every keystone opportunity zone] By January 31 of each calendar year a political subdivision in which a keystone opportunity zone or keystone opportunity expansion zone is located shall submit to the department [an annual] a report [by January 31 of each calendar year of all] listing the address of each real property[, and the owners and addresses of that real property at any time during the preceding year, which is located in a] designated a keystone opportunity zone or keystone opportunity expansion zone and its owner of record.

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

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

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

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

(1) The business gross receipts for operations conducted by a qualified business within a keystone opportunity zone <u>or keystone opportunity expansion zone</u>.

(2) The earned income received by a resident of a keystone opportunity zone <u>or keystone opportunity expansion zone</u>.

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

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

(1) Paragraph (2) shall apply if a qualified political subdivision has enacted a tax on the privilege of engaging in a profession or business, on wages or compensation, on net profits from the operation of a business or profession or other activity or on the occupancy or use of real property pursuant to any of the following:

[(1) Pursuant to the]

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

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

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

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

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

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

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

(ii) wages or compensation;

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

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

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

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

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

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

(iv) The occupancy or use of real property located within the keystone opportunity zone <u>or keystone opportunity expansion zone</u>.

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

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

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

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

Section 704. Mercantile license tax.

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

Section 705. Local sales and use tax.

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

(b) [Real property] Construction contracts.--[The] For any construction contract performed in a keystone opportunity zone or keystone opportunity expansion zone, the exemption provided in subsection (a) shall only apply to the sale at retail or use of building machinery and equipment to a qualified business, or to a construction contractor pursuant to a construction contract with a qualified business, for the exclusive use, consumption and utilization by the qualified business at its facility in a keystone opportunity zone[.] or keystone opportunity expansion zone. For the purposes of the keystone opportunity zone and keystone opportunity expansion zone exemption, building machinery and equipment shall include distribution equipment purchased for the exclusive use, consumption and utilization in a keystone opportunity zone or keystone opportunity expansion zone facility.

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

Section 901. Transferability.

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

Section 902. Recapture.

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

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

(2) If a qualified business relocates within three to five years from the date of [any claim] first locating in a

keystone opportunity zone or keystone opportunity expansion zone, 33% of all exemptions, deductions, abatements or credits [previously received from] attributed to that qualified business's participation in the keystone opportunity zone or keystone opportunity expansion zone shall be refunded to the Commonwealth and the political subdivision.

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

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

(1) natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or market.

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

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

(2) the date the return is filed; or

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

Section 903. Delinquent or deficient State or local taxes.

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

(b) Qualified business.--

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

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

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

Section 904. Code compliance.

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

(b) Opportunity to achieve compliance.--The person or qualified business who is not in compliance under subsection (a) shall have until December 31 of the calendar year following designation of the real property as part of a keystone opportunity zone <u>or keystone opportunity expansion zone</u> to be in compliance in order to claim any State exemptions, deductions, abatements or credits for that year. If full compliance is not attained by December 31 of that calendar year, the person <u>or qualified business</u> is precluded from claiming any exemption, deduction or credit for that calendar year, whether or not compliance is achieved in a subsequent calendar year. The political subdivision may extend the time period in which a person or qualified business must come into compliance with a local ordinance or building code for a period not to exceed one year if the political subdivision determines that the person or qualified business has made and shall continue to make a good faith effort to come into compliance and that an extension will enable the person <u>or qualified business</u> to achieve full compliance. Qualified political subdivisions are required to notify the Department of Revenue in writing of all persons or qualified businesses not in compliance with this subsection within 30 days following the end of each calendar year.

Section 905. Appeals.

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

Section 7. The act is amended by adding sections to read:

Section 906. Notice requirements; State and local authorities.

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

(b) Notice.--The department shall provide a one-time notification to every current keystone opportunity zone and keystone opportunity expansion zone real property owner by June 1, 2001. Failure to receive departmental notification under this section shall not extend or restrict any benefits or rights real property owners possess under this act.

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

Section 907. Application time.

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

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

Section 1101. Community benefits.

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

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

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

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

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

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

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

Section 1102. Reporting.

The department shall report to the General Assembly on the economic effects of this act in each keystone opportunity zone or keystone opportunity expansion zone every four years.

Section 1103. Other Commonwealth tax credits.

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

(1) Tax Reform Code of 1971:

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

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

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

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

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

(3) homeowners mortgage credits;

(4) insurance premiums tax credits; and

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

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

Section 1302. Rules and regulations.

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

Section 1303. Compliance.

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

Section 1304. Penalties.

(a) Civil penalty.--

(1) In addition to any penalties authorized by the Tax Reform Code of 1971 for violations of that act, the Department of Revenue may impose an additional administrative penalty not to exceed $10,000 for any act or violation of this act relating to State and local taxes, including the

filing of any false statement, return or document.

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

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

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

Section 1309. Expiration.

This act and all benefits associated with this act shall terminate [December 21, 2010.] <u>December 31, 2013.</u>

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

Section 11. This act shall apply as follows:

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

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

Section 12. This act shall take effect immediately.