HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2626 **PRINTERS NO**. 4226 **PRIME SPONSOR**: Benninghoff

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	**See Fiscal Impact**	**See Fiscal Impact**

SUMMARY: House Bill 2626, Printer's Number 4226, creates a freestanding act establishing the Promoting Employment Across Pennsylvania Program providing tax benefits to qualified companies in the form of withholding tax relief.

ANALYSIS: This legislation shall be known as the Promoting Employment Across Pennsylvania Act (PEP) to incentivize businesses to foster economic development and create jobs in the Commonwealth. Qualified companies would be eligible to retain 95% of the personal income tax (PIT) withheld for the individuals employed in the new jobs. The Department of Revenue (DOR) may allow a qualified company the option to remit 100% of the employee withholding tax to the Commonwealth and receive a rebate equivalent to 95% of the amount. DOR may also assess a fee of not more than $15 per individual employed in a new job of the qualified company whose withholding tax is subject to the provisions of this program. Parameters are established within the legislation for the number of years a qualified company may retain PIT withholding taxes depending on the amount of the wages paid to the individuals employed in the new jobs as measured against the county average wage. The number of years range from 7 years up to 10 years.

A qualified company is defined as a for-profit corporation, partnership or other entity that agrees to create at least 250 new jobs in this Commonwealth within five years with 100 of the required new jobs being created in the first two years. Furthermore, the qualified company must provide health insurance coverage to its full-time employees and pay at least 50% of the premium for the insurance. A qualified company shall not include any corporation, partnership or other entity that is classified as a business in the gambling industry; a religious organization; retail trade; educational services; public administration; utility; food service; or drinking place. A qualified company may not be delinquent in the payment of any taxes to the Federal government, State government or any political subdivision and may not have filed for bankruptcy or publicly announced its intention to file for bankruptcy.

A company may apply to the Department of Community and Economic Development (DCED) for the benefits under this act. Within 30 days of receipt of the application, DCED shall review and determine if the company meets the requirements to be a qualified company. Upon approval, DCED shall notify the applicant and enter into an agreement with the qualified company which shall specify the terms and conditions in order to receive the benefits. A qualified company claiming benefits under this act may not participate in any program in which any portion of the qualified company's withholding taxes attributable to new jobs have been pledged to finance indebtedness or transferred to or for the benefit of the company.

The legislation provides that if a qualified company relocates outside of the Commonwealth within the five year period immediately following the last year in which the company received benefits under the program that the company shall refund to the Commonwealth 66% of the aggregate withholding retained if relocated out of the Commonwealth within three years and 33% of the aggregate withholding retained if relocated out of the Commonwealth within three to five years.

A qualified company shall provide notification to each individual employed in a new job that the qualified company is receiving benefits under the act and explain that the individual's withholding taxes are being retained by the qualified company. An individual whose withholding tax is subject to the act shall be credited for 100% of the tax withheld as if it was remitted to the Commonwealth. Within 30 days from the end of each calendar quarter, a qualified company shall file a quarterly report with DOR.

DCED shall conduct an annual review of the activities undertaken by a qualified company to ensure that the company is in compliance with the act. DCED shall also submit an annual report to the General Assembly indicating the effectiveness of the tax benefits provided by this act no later than March 15 following the year in which the benefits were approved.

No agreement under this act may be entered into after January 1, 2018. The aggregate annual amount of benefits retained under this act may not exceed $5 million. The act shall take effect immediately.

FISCAL IMPACT: This legislation is designed to attract new jobs that otherwise would not exist in the Commonwealth. In order to qualify, a company must agree to create at least 250 new jobs in a period of five years. DOR may assess the qualified company a fee of $15 per individual employed in a new job. The Commonwealth would realize additional revenues of 5% of the PIT withheld on new employees for those jobs created as a result of the provisions of this program. The aggregate amount of foregone revenue to the Commonwealth resulting from a qualified company retaining 95% of the PIT withheld shall not exceed $5 million in any one year.

The average annual wage in Pennsylvania is approximately $50,000. In order to qualify for the benefits of the program a qualified company must pay at least 100% of the county average wage. The withholding tax on $50,000 at the PIT rate of 3.07% is $1,535. Under this program a qualified company would be able to retain $1,458 (95%) and remit $77 (5%) to the Commonwealth.

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House Appropriations Committee (R)

DATE: October 17, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.