



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 324

PRINTERS NO. 302

PRIME SPONSOR: Gillespie

### COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
Political Subdivision Funds	See "Fiscal Impact"	See "Fiscal Impact"

**SUMMARY:** Amends Title 72 (Taxation and Fiscal Affairs) to establish a microenterprise loan program. This legislation would take effect in 60 days.

**ANALYSIS:** This legislation establishes the microenterprise loan program, to assist start-up entrepreneurs and, to the extent possible, low-income individuals in the establishment of a microenterprise.

The legislation defines "microenterprise" as a startup entrepreneur that employs one to five employees who are PA residents, is not owned by another LLC or business entity, and has the qualifying amount of capital provided under the federal Small Business Jobs Act of 2010. The program is to be run by an "administrative entity", defined to include specific community redevelopment, municipal authorities, and community development financial institutions which can administer the program.

**Powers and Duties of the Administrative Entity:** An administrative entity may acquire property via purchase contracts, lease purchase agreements, installment sales contracts, land contracts, transfers from municipalities and redevelopment authorities. This includes donations following an unsuccessful judicial sale from the tax claim bureau, municipality, or trustee of the property. The entity may also acquire the property through purchase at judicial sale. An entity shall not have the power of eminent domain.

The administrative entity must maintain an inventory of property held by the entity for the program, and make it available for public review. The entity must also assist in the formation of microenterprises by leasing its real property to low income start-up entrepreneurs and issuing loans under the program. The administrative entity shall also negotiate for loans and grants from both public and private sources to fund the program.

The cost of administering the program may not exceed 10% of the program's operating budget. The administrative entity shall maintain all properties under the program in accordance with all state laws and ordinances of the municipality in which the property is located.

**Funding:** The administrative entity may receive funding for the program through federal, state, and/or municipal grants, and private sources and may receive and retain payments for services rendered, for rents and leasehold payments, and other services and payments required to operate the program, including insurance coverages for losses.

**Loan Issuance:** The administrative entity may issue loans to low income individuals seeking to start a microenterprise and may also partner with private entities to issue loans. If a loan become delinquent, the entity may offer a hardship agreement to restructure the payment process.

**Training:** A loan applicant under the microenterprise program must complete business courses and workshops on operating a business, creating a market strategy and customer interaction to be eligible to receive a loan. If the entrepreneur is a worker cooperative corporation, all owning members must attend the training required under the bill.

The administrative entity may partner with organizations capable of providing the business training required by the program to loan applicants. It may also partner with private entities, nonprofits or organizations specializing in training start up entrepreneurs by using their facilities or expertise, or acquiring building space in order to conduct training.

**Property Tax Exemption:** A municipality and a school district may grant a property tax abatement schedule to a property being leased to a microenterprise under this program for one or more consecutive years, and owned by the administrative entity. The abatement schedule is as follows for a property continually leased to a microenterprise under the program:

- For the first, second and third years - 100% of eligible assessment is exempted.
- For the fourth year - 90% exempted.
- Fifth year - 75% exempted.
- Sixth year - 60% exempted.
- Seventh year - 45% exempted.
- Eighth year - 30% exempted.
- Ninth year - 15% exempted.
- Tenth year - 10% exempted.
- After the tenth year, the tax exemption will terminate.

**FISCAL IMPACT:** This legislation would have no adverse fiscal impact on Commonwealth funds. The legislation provides municipalities with the option to create microenterprise loan programs and allows for tax abatement for blighted parcels, where the property tax abatement could allow these properties to be turned into productive use, providing for additional property tax revenue for political subdivisions after the abatement period ends.

**PREPARED BY:** Tim Rodrigo  
House Appropriations Committee (R)

**DATE:** March 14, 2019

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