



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1223

PRINTERS NO. 2779

PRIME SPONSOR: Lawrence

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: House Bill 1223, Printer's Number 2779, creates a freestanding act, to be known as the Keystone Opportunity Dairy Zone Act, authorizing the creation of Keystone Opportunity Dairy Zones (dairy zones) in order to facilitate the economic development of Pennsylvania's dairy industry.

ANALYSIS: This legislation authorizes the Department of Community and Economic Development (DCED) to designate up to 20 dairy zones in the Commonwealth providing tax exemptions, tax deductions, tax abatements and tax credits to individuals and businesses located within the dairy zones. Applications must be received by a date determined by DCED which shall be no sooner than 120 days after enactment and no later than 2 years after enactment. Any dairy zone must be approved within 3 years after the effective date of the act. Each dairy zone shall be considered a Class A zone or a Class B zone, with no more than 12 designations for any one class of zones. Dairy zones shall exist for a period of not more than 10 years, unless a request to extend the zone designation for a period of 3 more years is received and approved.

Class A zones shall: (1) not be less than 5 acres, unless contiguous to or co-located with an existing or proposed dairy processing facility; (2) not be more than 150 acres; (3) show anticipated private investment of \$10 million or more in a dairy processing facility; (4) create 25 or more new jobs; and (5) demonstrate an exceptional and meaningful opportunity for the expansion of dairy processing capacity within the Commonwealth.

Class B zones shall: (1) not be less than 5 acres, unless contiguous to or co-located with an existing or proposed dairy processing facility; (2) not be more than 25 acres, unless co-located with a Pennsylvania dairy farm directly supplying Pennsylvania milk for an existing or proposed small-scale dairy processing facility; (3) show anticipated private investment of \$100,000 or more in a small-scale dairy processing facility; and (4) demonstrate an exceptional and meaningful opportunity for the expansion of small-scale dairy processing capacity within the Commonwealth.

An applicant may apply to DCED to designate a parcel as a dairy zone by providing (1) the specific geographic area of the proposed zone; (2) an opportunity plan including a detailed map, evidence of local government support as well as other business groups and community organizations including the potential for private and public investment, details of the proposed improvements, descriptions of the anticipated activity, the role of the proposed dairy zone in the development of the dairy industry in the Commonwealth and any other information deemed appropriate; (3) the duration of the dairy zone including beginning and end date; (4) formal, binding ordinance or resolution adopted by every political subdivision; and (5) evidence that the proposed dairy zone meets the required criteria.

DCED, in consultation with the Secretary of Agriculture, shall review all completed applications and may not alter geographic boundaries of the dairy zone unless mutually agreed to by all parties. The receipt of or consideration for other funding from DCED shall not cause an application to be denied.

Qualified individuals and businesses located in the dairy zone are eligible to receive state and local tax benefits for activities conducted in the dairy zone. State tax exemptions are provided for sales and use taxes, personal income taxes and corporate net income taxes. Local tax exemptions are provided for real estate taxes, earned income and net profits taxes, business privilege and business gross receipts taxes, mercantile taxes and local sales and use taxes. All qualified individuals and businesses must be in full compliance with all state and local tax laws, ordinances and resolutions. To qualify each year for a tax exemption, deduction, abatement or credit, an individual shall reside in a zone for at least 184 consecutive days during each tax year. Qualified businesses shall be incorporated under the laws of the Commonwealth and shall obtain annual renewal certifications.

Exemptions, deductions, abatements or credits are nontransferable. If a business relocates outside the dairy zone within the first 9 years, the business shall refund the State and local exemptions, deductions, abatements or credits received in accordance with the following: (1) if relocation occurs within 5 years of the date of first locating in the dairy zone, 66% of the exemptions, deductions, abatements or credits shall be paid back to the Commonwealth and political subdivisions and (2) if the relocation occurs within 5 to 9 years, 33% shall be repaid.

Other provisions included in the legislation provide for compliance and illegal activity. DCED and the Department of Revenue may impose additional administrative penalties not to exceed \$50,000 for any act or violation, including filing a false statement, return or document.

This act shall take effect immediately.

FISCAL IMPACT: The legislation takes effect immediately and applications must be received by a date determined by DCED which shall be no sooner than 120 days and no later than 2 years after enactment. DCED may authorize up to 20 dairy zones which must be approved within 3 years after the effective date of the act. Information provided by the Department of Revenue estimates the exemptions provided in the legislation for the State sales and use tax, personal income tax and corporate net income tax to be a reduction in General Fund revenue of approximately \$16 million annually assuming the creation of 20 dairy zones. This estimate equates to \$800,000 per dairy zone.

For a parcel to be designated a dairy zone, local political subdivisions must adopt a resolution or ordinance to provide the local tax exemptions, deductions, abatements or credits included in the provisions of this legislation. The local impact is unknown and any loss of revenue to a political subdivision is at its own discretion.

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House Appropriations Committee (R)

DATE: December 17, 2019

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