HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 30 **PRINTERS NO.** 2102 **PRIME SPONSOR**: Killion

COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
General Fund	**See Fiscal Impact**	**See Fiscal Impact**

SUMMARY: Senate Bill 30, Printer's Number 2102, amends the Tax Reform Code further providing for reports and restrictions in city revitalization and improvement zones (CRIZ) and providing for the Pennsylvania Housing Tax Credit.

ANALYSIS: This legislation amends Article XVIII-C (City Revitalization and Improvement Zones) providing for an extension of the deadline for qualified businesses to file the required report from June 15, 2020, to August 31, 2020, in response to the novel coronavirus and the proclamation of disaster emergency.

A new section is added providing for temporary utilization of CRIZ State Tax monies transferred to a contracting authority, in a zone located in a county of the third class that has not adopted a home rule charter. Specifically, these monies may be used to provide loans and grants to qualifying businesses, political subdivisions and municipal authorities operating within the zone which have been negatively impacted by the proclamation of disaster emergency. Grants and loans may be used for operating expenses, working capital, business loan payments and loan guarantees for short-term loans to financial institutions and payroll to retain current employees. This new section expires June 30, 2021.

Language is added allowing the contracting authority to use CRIZ State Tax monies for maintenance and repairs to a facility for the period of April 1, 2020, through June 30, 2021, and clarifying that the contracting authority's report submitted by April 15, used in calculating the excess monies to be transferred back to the General Fund, includes monies budgeted or appropriated by official resolution of the contracting authority. These provisions shall apply retroactively to January 1, 2019.

This legislation also adds Article XIX-G (Pennsylvania Housing Tax Credit) establishing a tax credit program to encourage the development of qualified low-income housing projects in this Commonwealth. A qualified low-income housing project shall have the same meaning as provided under Section 42(g)(1) of the Internal Revenue Code of 1986.

PHFA may not accept applications for a tax credit or award any tax credits until enactment of subsequent legislation making an amount available for tax credits under this article and notice of the amount available is published in the Pennsylvania Bulletin.

Upon publication of an amount available, a taxpayer may apply for the tax credit by submitting a form prescribed by PHFA including such information as necessary to verify compliance with this article. PHFA shall conditionally reserve tax credits for the approved qualified low-income housing project.

Upon notification that a qualified low-income housing project has been completed, PHFA shall determine compliance. Following verification of compliance, PHFA shall issue the tax credit certificates in an amount not to exceed 20% of the conditional reservation for each taxable year in the tax credit period. The tax credit period is defined as a five-year period that begins with the taxable year in which a taxpayer is awarded a tax credit certificate.

A taxpayer may claim the tax credit at an amount not to exceed 50% of the qualified tax liability for a single taxable year. A tax credit may be carried forward for a period not to exceed five taxable years. A taxpayer may not carryback or obtain a refund of all or any portion of the unused tax credit. A taxpayer may, upon application and approval, sell or assign a tax credit, in whole or in part. If the taxpayer is a pass-through entity, any unused tax credit may be transferred to shareholders, members or partners in proportion to the share of the entity's distributive income to which the shareholder, member or partner is entitled.

Guidelines shall be established to recapture the tax credit for events of noncompliance that are similar to the procedures for recapture under section 42 of the Internal Revenue Code of 1986. If a taxpayer engages in fraud or intentional misrepresentation of information, PHFA and the department may recapture all or a portion of the tax credit, deem the taxpayer ineligible for the tax credit or impose other penalties as specified in PHFA's guidelines.

PHFA may charge a reasonable application fee not to exceed 5% of the tax credit awarded for the administrative expenses of processing applications. By the first September 30 of the calendar year after the notice is published and each September 30 thereafter, PHFA shall submit a report to the General Assembly which shall include the number and amount of tax credits awarded, the taxpayers that were awarded tax credits and the amount of tax credits issued to each taxpayer in the prior fiscal year.

The act shall take effect immediately.

FISCAL IMPACT: The CRIZ State Tax transfer was $7.193 million in 2018-19 and $8.073 million in 2019-20. According to the Department of Revenue, $308,000 was returned to the General Fund in fiscal year 2019-20. In the event that a contracting authority is able to utilize CRIZ State Tax transfer monies in 2020-21 for additional expenses provided in the legislation, this may reduce revenues in the General Fund to the extent that any amounts would otherwise have been returned to the General Fund.

This legislation establishes the Pennsylvania Housing Tax Credit program to be administered by PHFA. Enactment of this legislation will result in no direct fiscal impact to the Commonwealth. Subsequent legislation is required in order to provide funding for the program.

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House Appropriations Committee (R)

DATE: October 20, 2020

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