



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1219

PRINTER'S NO. 2089

PRIME SPONSOR: Briggs

NET COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	See Fiscal Impact	See Fiscal Impact
Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund (PHARE)	\$0	\$20,000,000
Public Transportation Trust Fund	\$0	\$311,000,000

SUMMARY:

House Bill 1219, Printer's Number 2076, as amended by A02359, is an omnibus amendment to the Tax Reform Code of 1971 making various changes.

ANALYSIS:

The following summary table provides a description of the provisions included in House Bill 1219 as amended with corresponding fiscal impacts on commonwealth funds.

COST / (SAVINGS)

Summary of Omnibus Amendment to Tax Reform Code		
Provision	Fiscal Impact (\$ in Millions)	
	FY 23-24	FY 24-25
<i>Changes to Corporation Taxes</i>		
<p><u>Combined Reporting</u>: Implements combined reporting for the Corporate Net Income Tax (CNIT) by requiring a corporation that is a member of a unitary business consisting of two or more corporations pursuant to a “water’s-edge basis” to file a combined annual report to the Department of Revenue beginning in tax year 2025.</p> <p><i>Effective for tax years beginning after December 31, 2024</i></p>	\$793.4	\$828.8
<p><u>CNIT Rate Reduction</u>: Reduces the CNIT rate to 4.99% based on the following schedule:</p> <ul style="list-style-type: none"> - 7.99% for tax year 2023 - 6.99% for tax year 2024 - 5.99% for tax year 2025 - 4.99% for tax year 2026. 		
<p><u>Expansion of Net Operating Loss (NOL)</u>: Increases the NOL deduction for corporate taxpayers from the current 40% of taxable income to 80% of taxable income using the following schedule:</p> <ul style="list-style-type: none"> - 50% of taxable income for tax year 2024 - 60% of taxable income for tax year 2025 - 70% of taxable income for tax year 2026 - 80% of taxable income for tax year 2027 		
<p><u>Deduction for Medical Marijuana Organizations</u>: Provides for a CNIT tax deduction for medical marijuana organizations equal to the amount of ordinary and necessary expenses paid or incurred during the tax year by the organization which are ordinarily deductible for other businesses for Federal income tax purposes.</p> <p><i>Effective for tax years beginning after December 31, 2022</i></p>	\$4.0	\$4.6
<p><u>Qualified Manufacturing Innovation and Reinvestment Deduction</u>: Lowers the minimum private capital investment from \$60 million to \$50 million and establishes new project completion requirements based on the total private capital investment of the project. The bill also allows taxpayers with at least \$50 million in private capital investment for a project entitled to a 25% deduction, where they can deduct up to 5% a year over the succeeding 10 years and creates a tax incentive for taxpayers to commit to more than two concurrent projects.</p> <p><i>Effective for tax years beginning after December 31, 2023</i></p>	\$0.1	\$0.4
<i>Individual Taxes Changes</i>		
<p><u>Earned Income Tax Credit</u>: Allows Pennsylvania taxpayers to claim a refundable Earned Income Tax Credit against their Personal Income Tax liability equal to 25% of their federal Earned Income Tax Credit.</p> <p><i>Effective for tax years beginning after December 31, 2023</i></p>	\$0	\$233.5

<p><u>Child and Dependent Care Enhancement Tax Credit:</u> Expands the state Child and Dependent Care Enhancement Tax Credit by incrementally increasing the percentage that taxpayers can claim of either their federal Child and Dependent Care Credit amount or their expenses incurred, as well as increasing the allowable expenses they can claim, beginning in tax year 2023.</p> <p>The bill also excludes amounts that are received by an employee from an employer for dependent care assistance that would currently be excluded from gross income under federal tax provisions from the state Personal Income Tax.</p>	\$97.5	\$179.6
<p><u>Poverty Exemption/Special Tax Forgiveness:</u> Provides for annual cost-of-living increases to the poverty income limits for Special Tax Provisions for Poverty based on inflation.</p> <p><i>Effective for tax years beginning after December 31, 2023</i></p>	\$0.0	\$22.9
<i>Changes to the Film Production Tax Credit</i>		
<p><u>Cap Increase:</u> Increases the annual tax credit limit for the Film Production Tax Credit from \$100 million to \$150 million. The bill also removes a section limiting the increase in tax credits available for the Film Production Tax Credit.</p> <p><i>Effective Immediately</i></p>	Relative to current law, \$50.0 million in additional tax credits would be made available, reflecting the reduction in commonwealth funds to be expected.	Relative to current law, \$50.0 million in additional tax credits would be made available, reflecting the reduction in commonwealth funds to be expected.
<p><u>Extra Credits for Qualified Taxpayers:</u> Provides for an additional tax credit of 5% for the following taxpayers: Taxpayers that film in a qualified location within the commonwealth, defined as central, northwest, and northeast Pennsylvania, and a taxpayer that is a women-owned or minority-owned business.</p> <p><i>Effective 60 days upon enactment</i></p>		
<p><u>Other Programmatic Changes:</u> Adds additional eligibility criteria related to Pennsylvania producers and women-owned and minority-owned businesses being eligible for the tax credit, allows a purchaser or assignee of a Film Production Tax Credit to apply the credit up to 75%, up from 50%, against their tax liability, and designates the greater of 10% or \$5 million of the available tax credits for Pennsylvania producers.</p> <p><i>Effective 60 days upon enactment</i></p>		
<i>Other Changes</i>		
<p><u>Increased PHARE Transfer:</u> Increases the transfer caps from Realty Transfer Tax revenue to PHARE beginning in 2024/25 based on the following schedule:</p> <ul style="list-style-type: none">- For fiscal year 2024/25, a cap of \$80 million;- For fiscal year 2025/26, a cap of \$90 million; and- For fiscal year 2026/27, and each fiscal year thereafter, a cap of \$100 million.	\$0	\$20.0
<p><u>Increase Transfer for Public Transportation:</u> Increases the rate for the transfer made to the Public Transportation Trust Fund from Sales and Use Tax revenue from 4.4% to 6.4%.</p> <p><i>Effective beginning in fiscal year 2024/25</i></p>	\$0	An additional \$311.0 million is estimated to be transferred based on projected SUT collections.

<p><u>Expanded Neighborhood Assistance Tax Credit Program:</u> Increases the limit of total tax credits for NAP programs per fiscal year from \$36 million to \$54 million and adjusts the maximum credit that certain businesses can claim.</p> <p><i>Effective 60 days upon enactment</i></p>	Up to \$18 million assuming all tax credits are used.	Up to \$18 million assuming all tax credits are used.
<p><u>Neighborhood Improvement Zone:</u> Allows an eligible contracting authority to designate an expanded Neighborhood Improvement Zone for a city with a population of between 94,000 and 96,000, based on the 2020 Federal decennial census, located in a county of the third class which is not a home rule county.</p> <p><i>Effective immediately</i></p>	This provision would have a fiscal impact on commonwealth funds. As of this writing, the cost of this provision is currently indeterminate.	
<p><u>Biotechnology Tax Credit:</u> Creates a tax credit for companies that use biotechnology at a project facility in the state, have made a capital investment of at least \$500 million to construct the project facility, and have created a minimum aggregate total of 250 new jobs and permanent jobs.</p> <p><i>Effective 60 days upon enactment</i></p>	\$15.0	\$15.0
<p><u>Telephonic Tax Filing:</u> Requires the Department of Revenue to make telephonic filing (i.e., TeleFile) or a reasonable alternative available for taxpayers who request an exemption from electronic filing due to religious objection or hardship caused by a lack of internet access.</p> <p><i>Effective January 1, 2024</i></p>	Any costs incurred for the Department of Revenue by offering exemptions for TeleFile are expected to be nominal and can likely be absorbed as a part of the department's operating costs in their current appropriation.	

PREPARED BY: Brittany Van Strien
House Appropriations Committee (D)

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