SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 1237

PRINTER'S NO. 1823

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

September 7, 2011

PRIME SPONSOR

Senator Pileggi

HISTORY OF BILL

Referred to FINANCE, Sept. 7, 2011
Reported as amended, Oct. 17, 2011
First consideration, Oct. 17, 2011
Second consideration, Oct. 19, 2011
Re-referred to APPROPRIATIONS, Oct. 19, 2011
Re-reported as amended, Dec. 5, 2011

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1237, as amended, amends the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act (Act 92 of 1998) by providing for extensions of unoccupied parcels and for the designation of up to 15 additional Keystone Opportunity Expansion Zones for which there was no designation by the Department of Community and Economic Development ("department") as of the effective date of the legislation.

The legislation provides that the department may approve an application to extend the exemptions, deductions, abatements and credits for a parcel in a Keystone Opportunity Zone ("KOZ"), Keystone Opportunity Expansion Zone ("KOEZ") and Keystone Opportunity Improvement Zone ("KOIZ") or subzone that expires in 2013 or thereafter.

The extension shall be for an additional period of ten years from the date of occupancy. For a zone that expires in 2013, the extension shall apply to parcels that are unoccupied on the effective date of the bill. For a zone that expires after 2013, the extension shall apply to parcels that are unoccupied on a date determined by the department. In order to extend the tax benefits, the department must receive an application no later than three months prior to the expiration date of the zone.

The department may designate up to 15 additional KOEZs, which must meet the following requirements:

- Not be less than 10 acres in size unless contiguous to an existing zone
- Not exceed, in the aggregate, a total of 350 acres
- Be comprised of parcels that meet any of the following criteria:
  - Are deteriorated, underutilized or unoccupied
  - Are occupied by a business that creates or retains at least 1,000 full-time jobs and makes a capital investment of at least $500,000,000 in the additional KOEZ within three years

If a business located in an additional KOEZ makes an investment of at least $1,000,000,000 and creates at least 400 new full-time jobs within seven years, the department shall grant tax benefits for a period of 15 years from the date of occupancy.

With regard to existing additional KOEZs, the ten-year period shall begin on January 1, 2010, and end on December 31, 2019. For additional KOEZs provided for in this legislation, the ten-year period shall begin on January 1, 2013, and end on December 31, 2022. Applications from a political subdivision or its designee for the additional KOEZs must be received by October 1, 2013.

The department may designate any of the 15 remaining unused Keystone Opportunity Expansion Zones for which there was no designation by the department as of the effective date of the legislation. Applications from a political subdivision or its designee must be received by June 1, 2012. If approved, persons and businesses within an additional KOEZ shall be entitled to all tax exemptions, deductions, abatements or credits for a period of ten years beginning January 1, 2013, and ending December 31, 2022. Exemptions for sales and use taxes shall commence upon designation of the zone by the department.

Senate Bill 1237 adds new section 301.7 to expand the area of a KOZ/KOEZ/KOIZ to include additional parcels (not to exceed 15 acres) that are unoccupied, deteriorated, or underutilized and which are contiguous to an existing zone for a period of ten years. In order to extend the tax benefits, the department must receive an application from a political subdivision or its designee by October 1, 2012.

The legislation amends existing sections 515(g) and 516(f) regarding corporate net income and capital stock franchise tax benefits by clarifying which portion of a taxpayer's taxable income or capital employed may not be used to calculate a credit. Senate Bill 1237 provides that the enumerated prohibitions on such credits shall not apply to the portion of a qualified business engaged in manufacturing or processing.

The act shall take effect immediately.

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FISCAL NOTE

FISCAL IMPACT:

Enactment of this legislation will have no adverse fiscal impact to the Commonwealth.

According to a fiscal note prepared by the Governor's Budget Office, the value of the tax credits is assumed to be cost neutral because the designated improvement zone would lack much economic activity (comprised of parcels that are deteriorated, underutilized or unoccupied).