

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1437

PRINTER NO. 1437

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

May 8, 2019

PRIME SPONSOR

Representative M.K. Keller

DESCRIPTION AND PURPOSE OF BILL

House Bill 1437 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, by making changes to the City Revitalization and Improvement Zones (CRIZ) Program and the Rural Jobs and Investment Tax Credit Program.

City Revitalization and Improvement Zones

House Bill 1437 amends section 1809-C of Article XVIII-C of the Tax Reform Code of 1971 (relating to reports) codifying 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.

The legislation amends section 1813-C of Article XVIII-C of the Tax Reform Code of 1971 regarding restrictions on the utilization of money transferred to a contracting authority in a CRIZ. Specifically, the money may be used to provide grants and loans to qualifying businesses, political subdivisions and municipal authorities operating within the CRIZ that have been negatively impacted by the proclamation of disaster emergency related to COVID-19 for the following purposes:

- Business operating expenses;
- Working capital;
- Business loan payments to financial institutions;
- Payroll to current employees as a means of retaining employees; and
- Establishment of short-term loan guarantee accounts.

The provisions regarding the expanded use of money expire June 30, 2021.

Section 1813-C is also amended to stipulate that the prohibition under current law on the use of money for maintenance or repair of a facility does not apply for the period of April 1, 2020 through June 30, 2021.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

House Bill 1437 further amends section 1813-C of the Tax Reform Code of 1971 regarding the return of excess money to the State Treasurer for deposit into the General Fund. Under current law, money transferred to a CRIZ fund that exceeds the money utilized in a calendar year is returned by April 15 of the following year by the contracting authority to the State Treasurer. The legislation broadens the requirement to return excess money such that any money not utilized, budgeted or appropriated by official resolution of the contracting authority is remitted back to the State Treasurer.

Rural Jobs and Investment Tax Credit

House Bill 1437 amends Part II of Article XVIII-G of the Tax Reform Code of 1971 to require that at least 60% of a rural growth fund's investment authority shall be comprised of credit-eligible capital contributions. Under current law, a credit-eligible contribution is defined as an investment of cash by a business firm in a rural growth fund that equals the amount specified on a tax credit certificate issued by the Department of Community and Economic Development (department). The investment shall purchase an equity interest in the rural growth fund or purchase, at par value or premium, a debt instrument that has a maturity date at least five years from the closing date.

The legislation also amends section 1824-G(f) of the Tax Reform Code of 1971 such that the department may not approve more than \$50,000,000 in investment authority. The Rural Jobs and Investment Tax Credit Program (program) offers rural business owners access to capital for business development in rural areas. The capital is sourced to rural growth funds, which under current law are designated to receive up to \$100 million dollars in capital contributions (i.e. investment authority) from investors.

Under current law, the department may not approve more than \$30 million in credit-eligible contributions. House Bill 1437 modifies the program by requiring that at least 60% of a rural growth fund's investment authority shall be comprised of credit-eligible capital contributions and limits the total investment authority to \$50 million per year. These changes result in the program's parameters now matching the intended purpose whereby the amount of credit-eligible contributions made by business firms equals the aggregate limit of the tax credit, which is \$30 million. Business firms that make a credit-eligible capital contribution to a designated rural growth fund are eligible to receive a tax credit equal to the credit-eligible capital contribution. Current law requires the maximum \$30 million tax credit to be claimed at \$6 million per year over five years.

The amendment relating to utilization of money in a CRIZ applies retroactively to January 1, 2019. The amendment related to the Rural Jobs and Investment Tax Credit Program takes effect in 60 days. The remainder of the act takes effect immediately.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

FISCAL IMPACT:

City Revitalization and Improvement Zones

The total CRIZ state tax transfer was \$7.193 million in FY 2018-19 and \$8.073 million in FY 2019-20. According to the Department of Revenue, \$308,000 was returned from the Lancaster CRIZ to the General Fund in fiscal year 2019-20. No money was returned from the Bethlehem CRIZ or the smaller Tamaqua CRIZ. In the event that a contracting authority is able to utilize CRIZ state tax transfer monies in FY 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 remained unused and returned to the General Fund.

Rural Jobs and Investment Tax Credit

The Pennsylvania Department of Revenue has indicated that House Bill 1437, as most recently amended, would have no fiscal impact beyond what is already accounted for in the budget, and the Department of Revenue is neutral on the legislation, as finally amended.