

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 30

PRINTER NO. 474

AMOUNT

\$10,000,000

FUND

General Fund

DATE INTRODUCED

March 21, 2019

PRIME SPONSOR

Senator Killion

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 30 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, by adding a new Article XIX-G entitled "Pennsylvania Housing Tax Credit."

The legislation establishes a new \$10 million tax credit program to be administered by the Pennsylvania Housing Finance Agency (PHFA) that is designed to encourage private sector investment in the new construction, acquisition and rehabilitation of rental housing that is affordable to low-income individuals. Senate Bill 30 stipulates that the new state tax credit program shall be integrated with the existing federal housing tax credit, and PHFA shall, as much as practical, administer the tax credit using the same guidelines, procedures and priorities that the agency currently uses to administer the federal housing tax credit at the state level.

Under federal guidelines, which are integrated into the Pennsylvania Housing Tax Credit program, PHFA will award tax credits to private developers of affordable rental housing projects through a competitive process. Senate Bill 30 requires PHFA to allocate tax credits in a manner that the agency reasonably believes will result in at least 10% of the tax credits being used to provide housing units targeting households with incomes at or below 30% of area median income.

Senate Bill 30 defines terms necessary to implement and administer the program. An "eligible applicant" is defined as an applicant that meets PHFA's applicant criteria for federal housing tax credits. The legislation defines a "credit period" as a five-year period that begins with the taxable year in which the qualified low-income housing project is eligible to claim the credit, or at the election of the eligible applicant, the next succeeding taxable year. Senate Bill 30 includes the terms "qualified tax liability" and "qualified taxpayer" so that an individual or business can claim the tax credit against liabilities for personal income tax (excluding employer withholding), corporate net income tax, capital stock/franchise tax, bank and trust company shares tax, title insurance company shares tax, insurance premiums tax, gross receipts tax and mutual thrift institutions tax. Additional terms are defined as necessary.

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The legislation includes a recapture provision whereby the Department of Revenue and PHFA shall adopt procedures to recapture tax credits during the credit period that are similar in structure and events of noncompliance under the federal tax credit statute. Senate Bill 30 includes rules governing the carryover, sale, assignment and use of tax credits, and any money generated through these provisions is limited to the uses allowed under the federal housing tax credit guidelines.

Senate Bill 30 requires PHFA to publish an annual report regarding the tax credit allocations on the agency's publically accessible internet website that includes the tax credits awarded, the identities of the eligible applicants receiving tax credits and the amount of tax credits issued to each recipient.

This act shall take effect in 60 days.

FISCAL IMPACT:

Senate Bill 30 carries a potential cost of \$10 million annually by reducing tax liabilities that otherwise would be paid to the General Fund. Because the legislation allows for the carryover of unused credits from prior years, it is possible that the revenue loss could exceed \$10 million in a given year but only if preceding years' tax credits totaled less than \$10 million.

The Pennsylvania Housing Finance Agency currently administers the federal housing tax credit program. Many of the applicants for the new state tax credit program are expected to have already applied for or received the federal tax credit, thereby resulting in minimal additional workload for the agency. The Department of Revenue may incur administrative costs to promulgate needed regulations. The additional duties of both the Department of Revenue and the PHFA can be accommodated within their current funding levels.