

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 827

PRINTER NO. 809

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

March 8, 2021

PRIME SPONSOR

Representative Gillespie

DESCRIPTION

House Bill 827 amends Title 72 to allow for the establishment of microenterprise loan programs.

This bill defines a 'microenterprise' as a start-up entrepreneur that has not more than five employees who are Pennsylvania residents, is not owned by another entity and has the qualifying amount of capital provided under the federal Small Business Jobs Act of 2010. 'Administrative entities' are defined as specific community redevelopment, municipal authorities and community development financial institutions.

Administrative entities are permitted to establish and administer a loan program to microenterprises that operate on property owned by the entity. Entities may also join with private institutions that issue microloans. If loan repayments become delinquent, entities may offer hardship agreements to restructure repayments. Loan applicants must complete business courses and workshops on operating a business, creating a market strategy and customer interaction to receive a loan. The Department of Community and Economic Development (department) shall assist entities to identify organizations that can provide the required classes and workshops. Other requirements for the program established by the entities shall be available to the public and shall include the following provisions:

- The applicant must be low income, which is defined as a household with a total income at or below 80% of the area median income and adjusted for household size;
- The applicant must demonstrate need for capital and technical assistance; and
- The applicant must have an established business plan and provide a summary to the entity if requested.

Administrative costs for the for program may not exceed 10% of the program's operating budget.

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This legislation allows for entities to acquire property by purchase, municipal transfer, conveyance of property acquired by the entity before the effective date of this program and via tax sale or judicial sale to lease to microenterprises. Entities shall make available and maintain an inventory of all real property held by the entity for the program.

Entities may receive funding for the program through grants from the federal government, the Commonwealth, the municipality that created the entity or private sources and may receive and retain payments for services rendered, rents and lease payments.

This bill allows for municipalities and school districts to provide tax abatement to properties leased to microenterprises in accordance with the following schedule:

- Years 1-3 – 100% exempt;
- Year 4 - 90% exempt;
- Year 5 - 75% exempt;
- Year 6 - 60% exempt;
- Year 7 - 45% exempt;
- Year 8 - 30% exempt;
- Year 9 - 15% exempt;
- Year 10 - 10% exempt; and
- No exemptions provided beyond the 10th year.

FISCAL IMPACT:

House Bill 827 will have no fiscal impact on Commonwealth funds. This legislation allows for municipalities and school districts to provide tax abatement for properties utilized for the loan program. Over the 10-year abatement schedule, if adopted, municipalities and school districts would forego 62.5% of property tax revenue for the parcels utilized within the program.