

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2335 Session of
1993

INTRODUCED BY STRITTMATTER, BARLEY, MARKOSEK, SCHULER, TIGUE,
ARMSTRONG, SAURMAN, STERN, L. I. COHEN, FARGO, KREBS, LAUB,
FICHTER, HENNESSEY, BAKER, ROBERTS, PLATTS, TULLI, ROHRER,
WAUGH, GERLACH, KING, HASAY, STEIL, FLICK, SATHER, ALLEN,
M. N. WRIGHT, CIVERA, STAIRS, CAWLEY, ADOLPH, GEIST, MERRY,
MILLER, LEH AND E. Z. TAYLOR, DECEMBER 7, 1993

REFERRED TO COMMITTEE ON FINANCE, DECEMBER 7, 1993

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing for the New Jobs Creation Tax Credit.

11 The General Assembly of the Commonwealth of Pennsylvania
12 hereby enacts as follows:

13 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
14 the Tax Reform Code of 1971, is amended by adding an article to
15 read:

ARTICLE XXII

NEW JOBS CREATION TAX CREDIT

18 Section 2201. Definitions.--The following words, terms and
19 phrases, when used in this article, shall have the meanings
20 ascribed to them in this section, except where the context

1 clearly indicates a different meaning:

2 "Average New Income Tax Revenue." The sum of the total
3 amount of tax withheld from a new employee's compensation divided
4 by the number of new employees multiplied by the number of net
5 new employees.

6 "Base year." The year immediately preceding the tax year in
7 which the credit is initially claimed for a net new employee.

8 "Compensation." The term has the meaning given in section
9 301.

10 "Credit." The New Jobs Creation Tax Credit established in
11 section 2202.

12 "Department." The Department of Revenue of the Commonwealth.

13 "Employee." The term has the meaning given in section 301.

14 "Employer." An individual, partnership, association,
15 corporation or any other entity that is required under the
16 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1
17 et seq.) to withhold Federal income tax from wages paid to an
18 employee and that is subject to any of the taxes imposed by
19 Article II, III, IV or VI.

20 "Net new employees." The difference between the number of
21 employees for whom W-2 Forms were filed by the employer with the
22 Department of Revenue in the base year and the number of
23 employees for whom W-2 Forms were filed by the employer with the
24 department in the first year a credit is claimed. The term does
25 not include any individual who is an employee of the employer and
26 who has a direct or indirect ownership interest in at least five
27 per cent of the profits, capital or value of the employer. Such
28 ownership interest shall be determined in accordance with
29 section 1563 of the Internal Revenue Code of 1986 (Public Law
30 99-514, 26 U.S.C. § 1563) and the regulations prescribed under

1 that section.

2 "New employee." An employee hired in the year in which the
3 credit is claimed.

4 "Secretary." The Secretary of Revenue of the Commonwealth.

5 Section 2202. Authorization of Credit.--(a) Every employer
6 in this Commonwealth shall be entitled to a credit against any
7 of the taxes imposed by Articles II, III, IV and VI and against
8 any payment of estimated taxes or tentative tax due on account
9 of such taxes for employing at least one net new employee during
10 the tax year.

11 (b) The amount of a tax credit available to an employer who
12 qualifies for a credit under this section shall be equal to
13 fifty per cent of the average new income tax revenue generated
14 by a net new employee in the first year of employment, forty per
15 cent of the new income tax revenue generated by the net new
16 employee in the second year of employment and thirty per cent of
17 new income tax revenue generated by the net new employee in the
18 third year of employment.

19 (c) The amount of the credit which exceeds the employer's
20 tax liability and cannot be utilized in a given tax year may be
21 carried over for credit against the taxes imposed by Articles
22 II, III, IV and VI for not more than five successive tax years.

23 Section 2203. Procedure.--(a) The department shall
24 establish regulations detailing the requirements and procedures
25 applicable to claiming the credit. The department may also
26 request that the employer submit records and other documents
27 which indicate that the requirements of this article have been
28 satisfied.

29 (b) Not later than January 31, 1995, and each January 31
30 thereafter, applications for tax credits must be filed by

1 employers for credits due for new employes hired during the
2 immediately previous calendar year.

3 (c) Not later than June 1, 1995, and each June 1 thereafter,
4 each employer who has filed a complete application for credits
5 pursuant to this section shall be notified by the department in
6 regard to the amount of the tax credit. An application shall be
7 deemed complete and processible only if it is signed and
8 contains the employer's name, address, identifying numbers and
9 sufficient other information and documentation necessary to
10 determine the amount of the tax credit.

11 (d) Appeals of determinations made pursuant to this article
12 shall be made pursuant to the administrative provisions of
13 Article IV, except that the approval of the Auditor General
14 shall not be required.

15 Section 2204. Applicability.--This article shall apply to
16 tax years commencing on or after January 1, 1995.

17 Section 2. This act shall take effect immediately.