

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 2328** Session of
1998

INTRODUCED BY GLADECK, REINARD, GRUITZA, PERZEL, FICHTER,
THOMAS, HENNESSEY, BISHOP, McILHINNEY, YOUNGBLOOD, DEMPSEY,
PRESTON, FEESE, KREBS, L. I. COHEN, MCGILL, RUBLEY, BARD,
PETRONE, GRUPPO, BARLEY, STAIRS, J. TAYLOR, LEH, ROHRER,
C. WILLIAMS, KIRKLAND, MANDERINO, HASAY, LEDERER, KELLER,
DONATUCCI, D. W. SNYDER, MARSICO, MASLAND, SAYLOR, BIRMELIN,
LYNCH, GEIST, TULLI, ROSS, MAJOR, FAIRCHILD, GODSHALL,
SERAFINI, CIVERA, HUTCHINSON, STEIL, PIPPY, HERMAN,
STEVENSON, CLARK, SCHULER, BAKER, ORIE, NAILOR, S. H. SMITH,
MILLER, SATHER, VANCE, E. Z. TAYLOR, EGOLF, DRUCE,
DIGIROLAMO, ZUG, SEYFERT, HESS, BROWNE, DENT, TRELLO,
READSHAW, COWELL, PESCI, CORNELL AND HABAY, MARCH 12, 1998

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF
REPRESENTATIVES, AS AMENDED, APRIL 20, 1998

AN ACT

1 Providing for the creation of keystone opportunity zones to
2 foster economic opportunities in this Commonwealth, to
3 facilitate economic development, stimulate industrial,
4 commercial and residential improvements and prevent physical
5 and infrastructure deterioration of geographic areas within
6 this Commonwealth; authorizing expenditures; providing tax
7 exemptions, tax deductions, tax abatements and tax credits;
8 creating additional obligations of the Commonwealth and local
9 governmental units; prescribing powers and duties of certain
10 State and local departments, agencies and officials; and
11 making appropriations.

12 TABLE OF CONTENTS

13 Chapter 1. Preliminary Provisions
14 Section 101. Short title.
15 Section 102. Legislative findings.
16 Section 103. Definitions.
17 Chapter 3. Keystone Opportunity Zones

1 Section 301. Keystone opportunity zones.
2 Section 302. Application.
3 Section 303. Review.
4 Section 304. Criteria for designation of keystone opportunity
5 zone.
6 Section 305. Zone limitation.
7 Section 306. Residency.
8 Section 307. Qualified businesses.
9 Section 308. Forms.
10 Chapter 5. State Taxes
11 Subchapter A. General Provisions
12 Section 501. State taxes.
13 Subchapter B. Particular State Taxes
14 Section 511. Sales and use tax.
15 Section 512. Personal income tax.
16 Section 513. Residency considerations.
17 Section 514. Information for employer.
18 Section 515. Corporate net income tax.
19 Section 516. Capital stock franchise tax.
20 Chapter 7. Local Taxes
21 Section 701. Local taxes.
22 Section 702. Real property tax.
23 Section 703. Local earned income and net profits taxes;
24 business privilege taxes.
25 Section 704. Mercantile license tax.
26 Section 705. Local sales and use tax.
27 Chapter 9. Administration of Tax Provisions
28 Section 901. Transferability.
29 Section 902. Recapture.
30 Section 903. Delinquent or deficient State or local taxes.

1 Section 904. Code compliance.
2 Section 905. Appeals.
3 Chapter 11. Procedures for Zones
4 Section 1101. Community benefits.
5 Section 1102. Reporting.
6 Section 1103. Other Commonwealth tax credits.
7 Section 1104. Illegal activity.
8 Section 1105. Rules and regulations.
9 Section 1106. Compliance.
10 Section 1107. Penalties.
11 Section 1108. Construction.
12 Section 1109. Applicability.
13 Section 1110. Severability.
14 Section 1111. Repeals.
15 Section 1112. Expiration.
16 Section 1113. Effective date.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

19 CHAPTER 1

20 PRELIMINARY PROVISIONS

21 Section 101. Short title.

22 This act shall be known and may be cited as the Pennsylvania
23 Keystone Opportunity Zone Act.

24 Section 102. Legislative findings.

25 (1) There exists in this Commonwealth areas of economic
26 distress characterized by high unemployment, low investment
27 of new capital, inadequate dwelling conditions, blighted
28 conditions, underutilized, obsolete or abandoned industrial,
29 commercial and residential structures and deteriorating tax
30 bases.

1 (2) These areas require coordinated efforts by private
2 and public entities to restore prosperity and enable the
3 areas to make significant contributions to the economic and
4 social life of this Commonwealth.

5 (3) Long-term economic viability of these areas requires
6 the cooperative involvement of residents, businesses, State
7 and local elected officials and community organizations. It
8 is in the best interest of the Commonwealth to assist and
9 encourage the creation of keystone opportunity zones and to
10 provide temporary relief from certain taxes within the
11 keystone opportunity zones to accomplish the purposes of this
12 act.

13 Section 103. Definitions.

14 The following words and phrases when used in this act shall
15 have the meanings given to them in this section unless the
16 context clearly indicates otherwise:

17 "Business." An association, partnership, corporation, sole
18 proprietorship, limited liability corporation or employer.

19 "Department." The Department of Community and Economic
20 Development of the Commonwealth.

21 "Deteriorated property." Any blighted, impoverished area
22 containing residential, industrial, commercial or other real
23 property that is abandoned, unsafe, vacant, undervalued,
24 underutilized, overgrown, defective, condemned, demolished or
25 which contains economically undesirable land use. The term
26 includes property adjacent to deteriorated property that is
27 significantly undervalued and underutilized due to the proximity
28 of the deteriorated property.

29 "Domicile." The place where a person has a true and fixed
30 home and principal establishment for an indefinite time and to

1 which, whenever absent, that person intends to return. Domicile
2 continues until another place of domicile is established.

3 "Keystone opportunity zone." A defined geographic area
4 comprised of one or more political subdivisions or portions of
5 political subdivisions designated by the Department of Community
6 and Economic Development under Chapter 3. A keystone opportunity
7 zone may be comprised of not more than 12 subzones.

8 "Opportunity plan." A written plan that addresses the
9 criteria and meets the requirements in section 302(a).

10 "Person." Any natural person.

11 "Political subdivision." A county, city, borough, township,
12 town or school district with taxing jurisdiction in a defined
13 geographic area within this Commonwealth.

14 "Qualified business." Any business authorized to do business
15 in this Commonwealth that is located within a keystone
16 opportunity zone and is engaged in the active conduct of a trade
17 or business in accordance with the requirements of section 307.

18 "Qualified political subdivision." A political subdivision
19 that has been designated as a keystone opportunity zone.

20 "Resident." A person who is domiciled and resides in an area
21 that is designated a keystone opportunity zone who meets the
22 requirements of section 306.

23 "Subzone." A clearly defined geographic area containing a
24 minimum of 20 contiguous acres.

25 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,
26 No.2), known as the Tax Reform Code of 1971, and any subsequent
27 amendments thereto.

28 CHAPTER 3

29 KEYSTONE OPPORTUNITY ZONES

30 Section 301. Keystone opportunity zones.

1 (a) Establishment.--There is hereby established within the
2 department a program providing for the designation of portions
3 of this Commonwealth as keystone opportunity zones. A keystone
4 opportunity zone shall be comprised of deteriorated property and
5 shall not exceed a total of 5,000 acres.

6 (b) Designation.--The department shall designate not more
7 than 12 keystone opportunity zones in this Commonwealth. Persons
8 and businesses within the designated keystone opportunity zone
9 that are qualified under this act shall be entitled to all tax
10 exemptions, deductions, abatements and credits set forth in this
11 act for a period not to exceed 12 years beginning January 1,
12 1999, and ending on or before December 31, 2010.

13 (c) Subzones.--A keystone opportunity zone may be comprised
14 of up to 12 clearly defined subzones containing a minimum of 20
15 contiguous acres each. The subzones may or may not be contiguous
16 to each other. The total number of subzones shall not exceed
17 5,000 acres in the aggregate.

18 (d) Authorization for local tax exemption.--Every political
19 subdivision in which a proposed keystone opportunity zone is
20 located is hereby authorized to provide tax exemptions,
21 deductions, abatements or credits to persons and businesses
22 qualified under this act. The political subdivision shall agree
23 to provide exemptions, deductions, abatements or credits from
24 all local taxes set forth in this act in order to qualify to be
25 designated a keystone opportunity zone within that political
26 subdivision. Except as provided in section 303(e), the
27 exemptions, deductions, abatements or credits shall be effective
28 January 1, 1999, if designation of a keystone opportunity zone
29 within the political subdivisions is granted by the department.
30 The exemptions, deductions, abatements or credits shall be

1 binding upon the political subdivision for the duration of the
2 keystone opportunity zone designation.

3 Section 302. Application.

4 (a) Initial application.--One or more political
5 subdivisions, or a designee of one or more political
6 subdivisions, may apply to the department to designate a
7 keystone opportunity zone within the political subdivision or
8 portions thereof. The application shall contain the following:

9 (1) The geographic area of the proposed keystone
10 opportunity zone. The geographic area shall be located within
11 the boundaries of the political subdivision and shall not
12 contain more than 5,000 acres.

13 (2) An opportunity plan that shall include the
14 following:

15 (i) A detailed map of the proposed keystone
16 opportunity zone, including all subzones, to include
17 geographic boundaries, total area and present use and
18 conditions of the land and structures.

19 (ii) Evidence of support from and participation of
20 local government, school districts and other educational
21 institutions, business groups, community organizations
22 and the public.

23 (iii) A proposal to increase economic opportunity,
24 reduce crime, improve education, facilitate
25 infrastructure improvement, reduce the local regulating
26 burden and identify potential jobs and job training
27 opportunities, WHETHER OR NOT THE ZONE IS LOCATED IN AN <—
28 AREA WHICH HAS TAX REVENUE DEDICATED TO THE PAYMENT OF
29 DEBT.

30 (iv) A description of the current social, economic

1 and demographic characteristics of the proposed keystone
2 opportunity zone and anticipated improvements in
3 education, health, human services, public safety and
4 employment.

5 (v) A description of anticipated activity in the
6 keystone opportunity zone and each subzone, including,
7 but not limited to, industrial use, industrial site re-
8 use, commercial or retail use and residential use.

9 (vi) Evidence of potential private and public
10 investment in the keystone opportunity zone.

11 (vii) The role of the proposed keystone opportunity
12 zone in regional economic and community development.

13 (viii) Plans for the administration of the proposed
14 keystone opportunity zone utilizing existing resources.

15 (ix) Any other information deemed appropriate by the
16 department.

17 (3) A report on youth at risk to include issues relating
18 to health, welfare and education.

19 (4) The proposed duration of the keystone opportunity
20 zone AND ALL SUBZONES, not to exceed 12 years. ←

21 (5) A formal, binding ordinance or resolution passed by
22 every political subdivision in which the proposed keystone
23 opportunity zone is located that specifically provides for
24 all local tax exemptions, deductions, abatements or credits
25 for persons and businesses set forth in this act if
26 designation is received by the department, to be effective
27 January 1, 1999.

28 (6) Evidence that the keystone opportunity zone meets
29 the required criteria under section 304.

30 (b) Participation limitation.--A qualified political

1 subdivision shall not be a part of more than one keystone
2 opportunity zone.

3 (c) Application limitation.--A qualified political
4 subdivision may submit only one application to the department
5 for designation as a keystone opportunity zone.

6 Section 303. Review.

7 (a) Action of department.--The department in consultation
8 with the Department of Revenue shall review all completed
9 applications submitted under this act. An application for
10 designation as a keystone opportunity zone shall be received by
11 the department on or before September 30, 1998, in order to be
12 considered by the department.

13 (b) Process.--The department shall do all of the following:

14 (1) Designate up to 12 keystone opportunity zones from
15 applications meeting the criteria in section 304 based upon
16 need and likelihood of success.

17 (2) The department shall not alter the geographic
18 boundaries of the keystone opportunity zone or the duration
19 of the keystone opportunity zone described in the
20 application.

21 (c) Award of designations.--The department shall designate
22 all keystone opportunity zones by November 30, 1998.

23 (d) Effective date of designation.--The designation of a
24 keystone opportunity zone under this act shall take effect on
25 January 1, 1999.

26 (e) Extension.--The department may extend the deadline for
27 the receipt of applications under subsection (a) until December
28 31, 1998, if all 12 zones have not been designated and the
29 extension is necessary to allow eligible political subdivisions
30 to apply. The department shall designate additional keystone

1 opportunity zones under this subsection by February 28, 1999.
2 The designation shall take effect January 1, 1999, or if the
3 designation occurs after January 1, 1999, that subsequent
4 designation shall for all purposes be retroactive to January 1,
5 1999. The designation shall end as provided in section 301(b).
6 Section 304. Criteria for designation of keystone opportunity
7 zone.

8 (a) Specific criteria.--In order to qualify for designation
9 under this act, the proposed keystone opportunity zone shall
10 meet at least two of the following criteria:

11 (1) At least 20% of the population is below the poverty
12 level.

13 (2) The unemployment rate is 1.25 times the Statewide
14 average.

15 (3) At least 20% of all real property within a five-mile
16 radius of the proposed keystone opportunity zone or subzone
17 IN A NONURBAN AREA is ~~abandoned, unoccupied~~ DETERIORATED or <—
18 underutilized.

19 (4) AT LEAST 20% OF ALL REAL PROPERTY WITHIN A ONE-MILE <—
20 RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR SUBZONE
21 IN AN URBAN AREA IS DETERIORATED OR UNDERUTILIZED.

22 ~~(4)~~ (5) At least 20% of all occupied housing within a <—
23 two-mile radius of the proposed keystone opportunity zone or
24 subzone IN A NONURBAN AREA is deteriorated. <—

25 (6) AT LEAST 20% OF ALL OCCUPIED HOUSING WITHIN A ONE- <—
26 MILE RADIUS OF THE PROPOSED KEYSTONE OPPORTUNITY ZONE OR
27 SUBZONE IN AN URBAN AREA IS DETERIORATED.

28 ~~(5)~~ (7) In an urban area, the median family income is <—
29 80% or less of the Statewide urban median family income.

30 ~~(6)~~ (8) In an area other than an urban area, the median <—

1 family income is 80% or less of the Statewide nonurban median
2 family income.

3 ~~(7)~~ (9) The population loss exceeds 10% in an area that ←
4 includes the proposed keystone opportunity zone and its
5 surrounding area, but is not larger than the county or
6 counties in which the keystone opportunity zone is located,
7 based on census data for the period between 1980 and 1990 or
8 census estimates since 1990 establishing a pattern of
9 population loss.

10 ~~(8)~~ (10) The political subdivision in which the proposed ←
11 keystone opportunity zone is located has experienced a sudden
12 ~~or~~ AND/OR severe job loss. ←

13 ~~(9)~~ (11) At least 33% of the real property in a proposed ←
14 keystone opportunity zone in a nonurban area would otherwise
15 remain underdeveloped or nonperforming due to physical
16 characteristics of the real property.

17 (12) THE AREA HAS SUBSTANTIAL REAL PROPERTY WITH ←
18 ADEQUATE INFRASTRUCTURE AND ENERGY TO SUPPORT NEW OR EXPANDED
19 DEVELOPMENT.

20 (b) Additional criteria.--In addition to the required
21 criteria under subsection (a), the department shall consider the
22 following criteria:

23 (1) Evidence of distress, including, but not limited to,
24 unemployment, percentage of population below 80% of the State
25 median income, poverty rate, deteriorated property and
26 adverse economic and socioeconomic conditions in the proposed
27 keystone opportunity zone.

28 (2) The strength and viability of the proposed goals,
29 objectives and strategies in the opportunity plan.

30 (3) Whether the opportunity plan is creative and

1 innovative in comparison to other applications.

2 (4) Local public and private commitment to the
3 development of the keystone opportunity zone and the
4 potential cooperation of surrounding communities.

5 (5) Existing resources available to the proposed
6 keystone opportunity zone.

7 (6) How keystone opportunity zone designation or
8 economic redevelopment relate to other current economic and
9 community development projects and to regional initiatives or
10 programs.

11 (7) How the local regulatory burden will be eased for
12 businesses operating in the proposed keystone opportunity
13 zone.

14 (8) Proposals to implement educational opportunities and
15 improvements.

16 (9) Crime statistics and proposals to implement local
17 crime reduction measures.

18 (10) Proposals to establish and link job creation and
19 job training.

20 (c) Tax exemption ordinances.--An area shall not be
21 designated as a keystone opportunity zone unless, as a part of
22 the application, each political subdivision in which the
23 proposed keystone opportunity zone is to be located adopts and
24 provides a copy of an ordinance, resolution or other required
25 action from the governing body of each political subdivision
26 that exempts or provides deductions, abatements or credits to
27 qualified persons and qualified businesses from local taxes upon
28 designation of the area as a keystone opportunity zone. All
29 appropriate ordinances and resolutions shall be effective on or
30 before January 1, 1999, if designation as a keystone opportunity

1 is granted. The resolution, ordinance or other required action
2 shall be binding and nonrevocable on the qualified political
3 subdivisions for the duration of the opportunity plan.

4 (d) Urban areas.--The department shall promulgate guidelines
5 which include the definition of "urban area" for the purposes of
6 receiving applications for designation as a keystone opportunity
7 zone.

8 Section 305. Zone limitation.

9 The department shall not designate more than 12 keystone
10 opportunity zones within this Commonwealth.

11 Section 306. Residency.

12 In order to qualify each year for a tax exemption, deduction,
13 abatement or credit under this act, a person shall be domiciled
14 and shall reside in the keystone opportunity zone for a period
15 of 183 consecutive days. The 183-day period may begin on the
16 date of designation by the department or on the date the person
17 first resides within the zone.

18 Section 307. Qualified businesses.

19 (a) Qualifications.--In order to qualify each year for a tax
20 exemption, deduction, abatement or credit under this act, a
21 business shall own or lease real property in the keystone
22 opportunity zone from which the business actively conducts a
23 trade, profession or business. The qualified business shall
24 receive certification from the department that the business is
25 located, and is in the active conduct of a trade, profession or
26 business, within the keystone opportunity zone. The business
27 shall obtain annual renewal of the certification from the
28 department to continue to qualify under this section.

29 (b) Relocation.--Any business that relocates from outside a
30 keystone opportunity zone into a keystone opportunity zone shall

1 not receive any of the exemptions, deductions, abatements or
2 credits set forth in this act unless that business either:

3 (1) increases full-time employment by at least 20% in
4 the first full year of operation within the keystone
5 opportunity zone; or

6 (2) makes a capital investment equivalent to 10% of the
7 gross revenues of that business in the immediately preceding
8 calendar or fiscal year.

9 The department, in consultation with the Department of Revenue,
10 may waive or modify the requirements of this subsection, as
11 appropriate.

12 Section 308. Forms.

13 Applications for designation as a keystone opportunity zone
14 shall be on forms prescribed by the department.

15 CHAPTER 5

16 STATE TAXES

17 SUBCHAPTER A

18 GENERAL PROVISIONS

19 Section 501. State taxes.

20 (a) General rule.--A person who is a resident of a keystone
21 opportunity zone, a qualified business or a nonresident under
22 section 514 shall receive the exemptions, deductions, abatements
23 or credits as provided in this chapter and Chapter 7 for the
24 duration of the keystone opportunity zone designation.

25 Exemptions, deductions, abatements or credits shall expire on
26 the date of expiration of the keystone opportunity zone
27 designation.

28 (b) ~~Duties of Department of Revenue~~ CONSTRUCTION.--The
29 Department of Revenue shall administer, construe and enforce the
30 provisions of this chapter in conjunction with Articles II, III,

<—

1 IV and VI of the Tax Reform Code of 1971.

2 SUBCHAPTER B

3 PARTICULAR STATE TAXES

4 Section 511. Sales and use tax.

5 (a) Exemption.--Sales at retail of services or tangible
6 personal property, other than motor vehicles, to a qualified
7 business for the exclusive use, consumption and utilization of
8 the tangible personal property or service by the qualified
9 business at a ITS facility located within a keystone opportunity zone ←
10 zone are exempt from the sales and use tax imposed under Article
11 II of the Tax Reform Code of 1971.

12 (b) Limitation.--~~Retail sales~~ SALES AT RETAIL or use of ←
13 tangible personal property or services to the tangible personal
14 property that will become a permanent part of real property in
15 accordance with Department of Revenue regulations shall not be
16 eligible for sales or use tax exemption under this section.

17 Section 512. Personal income tax.

18 (a) General rule.--For the 1999 taxable year and each tax
19 year after 1999 and to the extent and for the duration provided
20 in this act a person shall be allowed an exemption for:

21 (1) Compensation received during the time period when
22 the person was a resident of a keystone opportunity zone.

23 (2) Net income from the operation of a qualified
24 business received by a resident or nonresident of a keystone
25 opportunity zone attributable to business activity conducted
26 within a keystone opportunity zone after provision for all
27 costs and expenses incurred in the conduct thereof,
28 determined either on a cash or accrual basis in accordance
29 with accepted accounting principles and practices but without
30 deduction of taxes based on income.

1 (3) (i) Net gains or income, less net losses, derived
2 by a resident or nonresident of a keystone opportunity
3 zone from the sale, exchange or disposition of real or
4 tangible personal property located in a keystone
5 opportunity zone as determined in accordance with
6 accepted accounting principles and practices.

7 (ii) Net gains, less net losses, realized by a
8 resident of a keystone opportunity zone from the sale,
9 exchange or disposition of intangible personal property
10 or obligations issued on or after February 1, 1994, by
11 the Commonwealth, a public authority, commission, board
12 or other Commonwealth agency, political subdivision or
13 authority created by a political subdivision or by the
14 Federal Government as determined in accordance with
15 accepted accounting principles and practices.

16 (iii) The exemption from income for gain or loss
17 provided for in this subparagraph shall be prorated based
18 on either:

19 (A) the percentage of time, based on calendar
20 days, the property was held by the taxpayer while a
21 resident of a keystone opportunity zone in relation
22 to the total time held by the taxpayer; or

23 (B) the percentage of time, based on calendar
24 days, the real or tangible personal property located
25 in the keystone opportunity zone was held by a
26 nonresident of a keystone opportunity zone during the
27 time period the keystone opportunity zone was in
28 effect in relation to the total time held.

29 (4) Net gains or income derived from or in the form of
30 rents received by a person, whether a resident or nonresident

1 of a keystone opportunity zone, to the extent that income or
2 loss from the rental of real or tangible personal property is
3 allocable to a keystone opportunity zone. For purposes of
4 calculating this exemption:

5 (i) Net rents derived from real or tangible personal
6 property located in a keystone opportunity zone are
7 allocable to a keystone opportunity zone.

8 (ii) If the tangible personal property was used both
9 within and without the keystone opportunity zone during
10 the taxable year, only the net income attributable to use
11 in the keystone opportunity zone is exempt. The net
12 rental income shall be multiplied by a fraction, the
13 numerator of which is the number of days the property was
14 used in the keystone opportunity zone and the denominator
15 which is the total days of use.

16 (5) Dividends received during the time the person was a
17 resident of a keystone opportunity zone.

18 (6) Interest received during the time period the person
19 was a resident of a keystone opportunity zone.

20 (7) Net gains or income derived through estates or
21 trusts received by a resident of a keystone opportunity zone
22 at the time of such receipt.

23 (b) Limitation.--A resident or nonresident may not apply an
24 exemption from income under this act for any class of income
25 against any other classes of income or gain. A resident or
26 nonresident may not carry back or carry forward any exemption
27 under this act from year to year.

28 Section 513. Residency considerations.

29 If a person completes the residency requirements under
30 section 306 or if a nonresident realizes income attributable to

1 business activity or property within a keystone opportunity zone
2 on or before the end of the tax year, the person may claim the
3 exemptions from income for the items set forth in section 512
4 for that portion of the tax year that the person was a resident
5 or for that portion of the tax year during which the area is
6 designated as a keystone opportunity zone. If the person
7 completes the residency requirements under section 306 in a tax
8 year subsequent to the tax year in which the person first
9 resided in the keystone opportunity zone, the person may file an
10 amended tax return within the applicable statute of limitations
11 to claim an exemption from income for the period of residency
12 within the keystone opportunity zone.

13 Section 514. Information for employer.

14 (a) Duty of employee.--Every person who is an employee that
15 qualifies as a resident of a keystone opportunity zone shall
16 furnish to his or her employer information, as prescribed by the
17 Department of Revenue, necessary for the employer to withhold
18 the correct amount of tax. An employee shall furnish
19 notification to his or her employer of any changes to the
20 information within 20 days after the change. An employee shall
21 notify his or her employer that the employee has completed the
22 residency requirements under section 306.

23 (b) Duty of employer.--Within 20 days after an employer
24 receives information from an employee pursuant to subsection
25 (a), the employer shall forward a copy of that information to
26 the Department of Revenue. The information shall not be given
27 retroactive effect for withholding purposes. The employer shall
28 not be required to withhold tax from the compensation paid to a
29 resident of a keystone opportunity zone, if reasonable under the
30 circumstances, unless directed by the Department of Revenue to

1 withhold tax from the compensation on some other basis. If an
2 employee fails or refuses to furnish the information, or
3 furnishes information that the employer reasonably and in good
4 faith believes to be inaccurate, the employer shall withhold the
5 full rate of tax from the employee's total compensation.

6 Section 515. Corporate net income tax.

7 (a) Credits.--For the tax years that begin on or after
8 January 1, 1999, a corporation that qualifies as a qualified
9 business under this act may claim a credit against the tax
10 imposed by Article IV of the Tax Reform Code of 1971 for the
11 taxable year to the extent of the tax liability attributable to
12 business activity conducted within a keystone opportunity zone
13 in the taxable year.

14 (b) Tax liability determinations.--The corporate tax
15 liability attributable to business activity conducted within a
16 keystone opportunity zone shall be determined by multiplying the
17 corporation's taxable income that is attributable to business
18 activity conducted within the keystone opportunity zone by the
19 rate of tax imposed under Article IV of the Tax Reform Code of
20 1971 for the taxable year.

21 (c) Determinations of attributable tax liability.--Tax
22 liability attributable to business activity conducted within a
23 keystone opportunity zone shall be computed, construed,
24 administered and enforced in conformity with Article IV of the
25 Tax Reform Code of 1971 and with specific reference to the
26 following:

27 (1) If the entire business of the corporation in this
28 Commonwealth is transacted wholly within the keystone
29 opportunity zone, the taxable income attributable to business
30 activity within a keystone opportunity zone shall consist of

1 the Pennsylvania taxable income as determined under Article
2 IV of the Tax Reform Code of 1971.

3 (2) If the entire business of the corporation in this
4 Commonwealth is not transacted wholly within the keystone
5 opportunity zone, the taxable income of a corporation in a
6 keystone opportunity zone shall be determined upon such
7 portion of the Pennsylvania taxable income of such
8 corporation attributable to business activity conducted
9 within the keystone opportunity zone and apportioned in
10 accordance with subsection (d).

11 (d) Income apportionment.--All taxable income of a qualified
12 business shall be apportioned to the keystone opportunity zone
13 by multiplying the Pennsylvania taxable income by a fraction,
14 the numerator of which is the property factor plus the payroll
15 factor plus the sales factor and the denominator of which is
16 three.

17 (1) The property factor is a fraction, the numerator of
18 which is the average value of the taxpayer's real and
19 tangible personal property owned or rented and used in the
20 keystone opportunity zone during the tax period and the
21 denominator of which is the average value of all the
22 taxpayer's real and tangible personal property owned or
23 rented and used in this Commonwealth during the tax period
24 but shall not include the security interest of any
25 corporation as seller or lessor in personal property sold or
26 leased under a conditional sale, bailment lease, chattel
27 mortgage or other contract providing for the retention of a
28 lien or title as security for the sales price of the
29 property.

30 (2) (i) The payroll factor is a fraction, the numerator

1 of which is the total amount paid in the keystone
2 opportunity zone during the tax period by the taxpayer
3 for compensation and the denominator of which is the
4 total compensation paid in this Commonwealth during the
5 tax period.

6 (ii) Compensation is paid in the keystone
7 opportunity zone if:

8 (A) the person's service is performed entirely
9 within the keystone opportunity zone;

10 (B) the person's service is performed both
11 within and without the keystone opportunity zone, but
12 the service performed without the keystone
13 opportunity zone is incidental to the person's
14 service within the keystone opportunity zone; or

15 (C) some of the service is performed in the
16 keystone opportunity zone and the base of operations
17 or, if there is no base of operations, the place from
18 which the service is directed or controlled is in the
19 keystone opportunity zone, or the base of operations
20 or the place from which the service is directed or
21 controlled is not in any location in which some part
22 of the service is performed, but the person's
23 residence is in the keystone opportunity zone.

24 (3) The sales factor is a fraction, the numerator of
25 which is the total sales of the taxpayer in the keystone
26 opportunity zone during the tax period, and the denominator
27 of which is the total sales of the taxpayer in this
28 Commonwealth during the tax period.

29 (i) Sales of tangible personal property are in the
30 keystone opportunity zone if the property is delivered or

1 shipped to a purchaser within the keystone opportunity
2 zone regardless of the F.O.B. point or other conditions
3 of the sale.

4 (ii) Sales, other than sales of tangible personal
5 property, are in the keystone opportunity zone if:

6 (A) the income-producing activity is performed
7 in the keystone opportunity zone; or

8 (B) the income-producing activity is performed
9 both within and without the keystone opportunity zone
10 and a greater proportion of the income-producing
11 activity is performed in the keystone opportunity
12 zone than in any other location, based on costs of
13 performance.

14 (e) Computation.--A corporation shall compute its
15 Commonwealth taxable income in conformity with Article IV of the
16 Tax Reform Code of 1971 with no adjustments or subtractions for
17 keystone opportunity zone taxable income.

18 (f) Credit.--The credit allowed under this section shall not
19 exceed the corporate net income tax liability of the taxpayer
20 for the tax year.

21 (g) Section not applicable to certain businesses.--Any
22 portion of the taxpayer's taxable income that is attributable to
23 the operation of a railroad, truck, bus or airline company,
24 pipeline or natural gas company, water transportation company, a
25 corporation that qualifies as a regulated investment company
26 under Article IV of the Tax Reform Code of 1971, or holding
27 company as defined in Article VI of the Tax Reform Code of 1971
28 and any business activity that is associated or affiliated with
29 the operation of these business activities shall not be used to
30 calculate a credit under this section.

1 Section 516. Capital stock franchise tax.

2 (a) Credits.--For tax years that begin on or after January
3 1, 1999, a corporation that is a qualified business under
4 section 501(c) may claim a credit against the tax imposed by
5 Article VI of the Tax Reform Code of 1971 for the taxable year
6 to the extent of the tax liability attributable to the capital
7 employed within a keystone opportunity zone in the taxable year.

8 (b) Tax liability.--The corporation's tax liability
9 attributable to capital employed within a keystone opportunity
10 zone shall be determined by multiplying the corporation's
11 taxable value attributable to capital employed within the
12 keystone opportunity zone by the rate of tax imposed under
13 Article VI of the Tax Reform Code of 1971 for the taxable year.
14 The corporation shall compute its Pennsylvania taxable value in
15 conformity with Article VI of the Tax Reform Code of 1971 with
16 no adjustments or subtractions for the capital employed in the
17 keystone opportunity zone.

18 (c) Determination of attributable tax liability.--The
19 determination of the corporation's taxable value attributable to
20 the capital employed within a keystone opportunity zone shall be
21 determined with specific reference to the following:

22 (1) If the entire business of the corporation in this
23 Commonwealth is transacted wholly within a keystone
24 opportunity zone, the taxable value attributable to the
25 capital employed within a keystone opportunity zone shall
26 consist of the Pennsylvania taxable value as determined under
27 Article VI of the Tax Reform Code of 1971.

28 (2) If the entire business of the corporation in this
29 Commonwealth is not wholly transacted within a keystone
30 opportunity zone, the taxable value of a corporation in a

1 keystone opportunity zone shall be determined upon such
2 portion of the Pennsylvania taxable value attributable to the
3 capital employed within the keystone opportunity zone by
4 employing the apportionment factors set forth in subsection
5 (d).

6 (d) Capital stock and franchise tax apportionment.--For
7 purposes of apportionment of the capital stock and franchise
8 tax, the apportionment fraction shall be the property factor
9 plus the payroll factor plus the sales factor as the numerator
10 and the denominator shall be three. In determining the relevant
11 apportionment factors, the numerator of the property, payroll
12 and sales factors shall not include any property, payroll and
13 sales attributable to manufacturing, processing, research and
14 development activities conducted within a keystone opportunity
15 zone and the denominator of the property, payroll and sales
16 factors shall not include any property, payroll and sales
17 attributable to manufacturing, processing and research and
18 development activities conducted within this Commonwealth but
19 without a keystone opportunity zone.

20 (e) Limitation on amount of credit.--The credit allowed
21 under this section shall not exceed the capital stock franchise
22 tax liability of the taxpayer for the tax year.

23 (f) Credit not available.--Any portion of the taxpayer's tax
24 liability that is attributable to the capital employed in the
25 operation of a railroad, truck, bus or airline company, pipeline
26 or natural gas company, water transportation company, a
27 corporation that qualifies, regulated investment company under
28 Article IV of the Tax Reform Code of 1971, or holding company as
29 defined in Article VI of the Tax Reform Code of 1971 and any
30 capital employed in a business activity that is associated or

1 affiliated with the operation of these business activities shall
2 not be used to calculate a credit under this section.

3 CHAPTER 7

4 LOCAL TAXES

5 Section 701. Local taxes.

6 Every political subdivision in which a designated keystone
7 opportunity zone is located shall exempt, deduct, abate or
8 credit local taxes in accordance with ordinances and resolutions
9 adopted under section 301(d). Failure to exempt, deduct, abate
10 or credit local taxes shall result in the revocation of the
11 keystone opportunity zone designation.

12 Section 702. Real property tax.

13 (a) General rule.--Notwithstanding the act of May 22, 1933
14 (P.L.853, No.155), known as The General County Assessment Law,
15 and the act of May 21, 1943 (P.L.571, No.254), known as The
16 Fourth to Eighth Class County Assessment Law, each qualified
17 political subdivision for taxable years beginning on or after
18 January 1, 1999, shall by ordinance or resolution abate 100% of
19 the real property taxation on the assessed valuation of
20 deteriorated property in an area designated as a keystone
21 opportunity zone within this Commonwealth.

22 (B) INVESTMENT IN LIEU OF TAX PAYMENT.--A QUALIFIED <—
23 POLITICAL SUBDIVISION MAY REQUIRE A RESIDENT OF DETERIORATED
24 REAL PROPERTY TO INVEST UP TO 25% OF ALL REAL PROPERTY TAXES,
25 WHICH WOULD HAVE BEEN DUE IF THE REAL PROPERTY WAS NOT LOCATED
26 IN A KEYSTONE OPPORTUNITY ZONE, IN IMPROVEMENTS TO THE REAL
27 PROPERTY, IN ORDER FOR THE RESIDENTS TO BE QUALIFIED FOR
28 EXEMPTIONS, CREDITS AND ABATEMENTS UNDER THIS ACT.

29 ~~(b)~~ (C) Application for tax abatement.--Any person <—
30 requesting real property tax abatement pursuant to ordinances or

1 resolutions adopted pursuant to this act shall notify each
2 political subdivision granting such abatement in writing on a
3 form provided by that political subdivision within 30 days of
4 the designation as a keystone opportunity zone or within 30 days
5 of the transfer of ownership of the real property subject to
6 abatement. A copy of the abatement request shall be forwarded by
7 the political subdivision to the board of assessment or other
8 appropriate assessment agency.

9 ~~(e)~~ (D) Annual real property report.--Every qualified <—
10 political subdivision shall submit to the department an annual
11 report by December 31 of each calendar year of all real property
12 and the owners and addresses of that real property at any time
13 during the year which is located in a designated keystone
14 opportunity zone.

15 ~~(d)~~ (E) Interest and penalties.--If the department or a <—
16 political subdivision finds that a person claimed an abatement
17 of real property tax to which the person was not entitled under
18 this act, the person shall be liable for the abated taxes and
19 subject to the applicable interest and penalty provisions
20 provided by law.

21 ~~(e)~~ (F) Calculations for education subsidy for school <—
22 districts.--In determining the market value of real property in
23 each school district, the State Tax Equalization Board shall
24 exclude any increase in value above the base value prior to the
25 effect of the abatement of local taxes to the extent and during
26 the period of time that real estate tax revenues attributable to
27 such increased value are not available to the school district
28 for general school district purposes.

29 Section 703. Local earned income and net profits taxes;
30 business privilege taxes.

1 (a) General exemption.--To the extent that a qualified
2 political subdivision has enacted any tax on the privilege of
3 engaging in any business or profession, measured by gross
4 receipts or on a flat rate basis, earned income or net profits,
5 as defined in the act of December 31, 1965 (P.L.1257, No.511),
6 known as The Local Tax Enabling Act, imposed within the
7 boundaries of a keystone opportunity zone, such qualified
8 political subdivision shall exempt from the imposition or
9 operation of such local tax ordinances, statutes, regulations or
10 otherwise:

11 (1) The business gross receipts for operations conducted
12 by a qualified business within a keystone opportunity zone.

13 (2) The earned income received by a resident of a
14 keystone opportunity zone.

15 (3) The net profits of a qualified business received by
16 a resident or nonresident of a keystone opportunity zone
17 attributable to business activity conducted within a keystone
18 opportunity zone.

19 (b) Additional exemptions.--To the extent that a qualified
20 political subdivision has:

21 (1) pursuant to the act of August 5, 1932, (Sp.Sess.
22 P.L.45, No.45), referred to as the Sterling Act, the act of
23 March 10, 1949 (P.L.30, No.14), known as the Public School
24 Code of 1949, the act of August 24, 1961 (P.L.1135, No.508),
25 referred to as the First Class A School District Earned
26 Income Tax Act, the act of August 9, 1963 (P.L.640, No.338)
27 entitled, "An act empowering cities of the first class,
28 coterminous with school districts of the first class, to
29 authorize the boards of public education of such school
30 districts to impose certain additional taxes for school

1 district purposes, and providing for the levy, assessment and
2 collection of such taxes," the act of May 30, 1984 (P.L.345,
3 No.69), known as the First Class City Business Tax Reform
4 Act, or the act of June 5, 1991 (P.L.9, No.6), known as the
5 Pennsylvania Intergovernmental Cooperation Authority Act for
6 Cities of the First Class, enacted a tax on:

7 (i) the privilege of engaging in a profession or
8 business;

9 (ii) wages or compensation;

10 (iii) net profits from the operation of a business,
11 profession or other activity; or

12 (iv) the occupancy or use of real property.

13 (2) The qualified political subdivision shall provide an
14 exemption, deduction, abatement or credit from the imposition
15 and operation of such local tax ordinance or resolution any
16 of the following:

17 (i) a person or qualified business, whether a
18 resident or a nonresident of a keystone opportunity zone,
19 for the privilege of engaging in a business or profession
20 within a keystone opportunity zone;

21 (ii) salaries, wages, commissions, compensation or
22 other income received for services rendered or work
23 performed by a resident of a keystone opportunity zone;

24 (iii) the gross or net income or gross or net
25 profits realized from the operation of a qualified
26 business to the extent attributable to business activity
27 conducted within a keystone opportunity zone; or

28 (iv) the occupancy or use of real property located
29 within the keystone opportunity zone.

30 (c) Limitation on withholding.--Every employer required to

1 withhold any local tax on the earned income, wages or
2 compensation of one or more persons within the particular
3 political subdivision shall not withhold such tax on earned
4 income, wages or compensation paid to any person or his personal
5 representative during any period when the qualified political
6 subdivision has by ordinance or resolution provided for the
7 exemption from tax as provided in section 701 and the person is
8 a resident of a keystone opportunity zone.

9 (d) Information for employer.--Every person who is an
10 employee that qualifies as a resident of a keystone opportunity
11 zone shall furnish to his or her employer information, as
12 prescribed by the political subdivision, necessary for the
13 employer to withhold the correct amount of tax. An employee
14 shall furnish notification to his or her employer of any changes
15 to the information within 20 days after the change. An employee
16 shall notify his or her employer that the employee has completed
17 the residency requirements under section 306.

18 (e) Duty of employer.--Within 20 days after an employer
19 receives information from an employee pursuant to subsection
20 (a), the employer shall forward a copy of that information to
21 the political subdivision. The information shall not be given
22 retroactive effect for withholding purposes. The employer shall
23 not be required to withhold tax from the WAGES, EARNED INCOME OR <—
24 compensation paid to a resident of a keystone opportunity zone,
25 if reasonable under the circumstances, unless directed by the
26 political subdivision to withhold tax from the WAGES, EARNED <—
27 INCOME OR compensation on some other basis. If an employee fails
28 or refuses to furnish the information, or furnishes information
29 that the employer reasonably and in good faith believes to be
30 inaccurate, the employer shall withhold the full rate of tax

1 from the employee's total WAGES, EARNED INCOME OR compensation. ←

2 (f) Calculation for education subsidy for school district.--

3 In determining the personal income valuation of a school
4 district, the Secretary of Revenue shall exclude any increase in
5 the valuation as defined in section 2501(9.1) of the act of
6 March 10, 1949 (P.L.30, No.14), known as the Public School Code
7 of 1949, above the base value prior to the abatement of local
8 taxes in a keystone opportunity zone located within the school
9 district to the extent and during the period of time that
10 personal income revenues attributable to the increase in the
11 personal income valuation are not available to the school
12 district for general school district purposes.

13 Section 704. Mercantile license tax.

14 No person or qualified business in a keystone opportunity
15 zone shall be required to pay any fee authorized pursuant to a
16 mercantile license tax imposed under the act of June 20, 1947
17 (P.L.745, No.320), entitled, as amended, "An act to provide
18 revenue for school districts of the first class A by imposing a
19 temporary mercantile license tax on persons engaging in certain
20 occupations and businesses therein; providing for its levy and
21 collection; for the issuance of mercantile licenses upon the
22 payment of fees therefor; conferring and imposing powers and
23 duties on boards of public education, receivers of school taxes
24 and school treasurers in such districts; saving certain
25 ordinances of council of certain cities, and providing
26 compensation for certain officers, and employes and imposing
27 penalties."

28 Section 705. Local sales and use tax.

29 (a) General rule.--The political subdivision shall exempt
30 sales at retail of services or tangible personal property,

1 except motor vehicles, to a qualified business for the exclusive
2 use, consumption and utilization of the tangible personal
3 property or service, by the qualified business at its facility
4 located within a keystone opportunity zone from a city or county
5 tax on purchase price authorized under Article XXXI-B of the act
6 of July 28, 1953 (P.L.723, No.230), known as the Second Class
7 County Code, as amended, and the act of June 5, 1991 (P.L.9,
8 No.6), known as the Pennsylvania Intergovernmental Cooperation
9 Authority Act for Cities of the First Class, as amended.

10 (b) Exclusion.--Sales at retail or use of tangible personal
11 property or services to that tangible personal property that
12 will become a permanent part of the real property in accordance
13 with Department of Revenue regulations shall not be eligible for
14 the exclusion provided for under this subsection.

15 (c) Definition.--Sales at retail of tangible personal
16 property and services shall be defined in accordance with
17 Article II of the Tax Reform Code of 1971.

18 CHAPTER 9

19 ADMINISTRATION OF TAX PROVISIONS

20 Section 901. Transferability.

21 Any exemption, deduction, abatement or credit provided to any
22 person under Chapter 5 or 7 is nontransferable and cannot be
23 applied, used or assigned to any other person or tax account.

24 Section 902. Recapture.

25 (a) General rule.--If any qualified business located within
26 a keystone opportunity zone has received an exemption,
27 deduction, abatement or credit under this act and subsequently
28 relocates outside of the zone, that business shall refund to the
29 State and political subdivision which granted the exemption,
30 deduction, abatement or credit received in accordance with the

1 following:

2 (1) If a qualified business relocates within three years
3 from the date of any claim, 66% of all the exemptions,
4 deductions, abatements or credits previously received due to
5 that qualified business's participation in the keystone
6 opportunity zone shall be refunded.

7 (2) If a qualified business relocates within three to
8 five years from the date of any claim, 33% of all exemptions,
9 deductions, abatements or credits previously received from
10 participation in the keystone opportunity zone shall be
11 refunded.

12 (3) If the qualified business was located within a
13 facility operated by a nonprofit organization to assist in
14 the creation and development of a start-up business, no
15 REFUND, exemption, deduction, abatement or credit shall be ←
16 required.

17 (b) Waiver.--The department, in consultation with the
18 Department of Revenue, may waive or modify recapture
19 requirements under this section if the department determines
20 that the business relocation was due to circumstances beyond the
21 control of the business including, but not limited to:

22 (1) natural disaster;

23 (2) unforeseen industry trends; or

24 (3) loss of a major supplier or market.

25 (c) Determination of claim date.--For purposes of this
26 section, an exemption, deduction, abatement or credit is deemed
27 to be claimed on the later of:

28 (1) the date the return or other report for the tax or
29 fee is due;

30 (2) the date the return is filed; or

1 (3) the date the tax or fee would be paid.

2 Section 903. Delinquent or deficient State or local taxes.

3 (a) Persons.--No person may claim or receive an exemption,
4 deduction, abatement or credit under this act unless that person
5 is in full compliance with all State and local tax laws, and
6 related ordinances and resolutions.

7 (b) Qualified business.--

8 (1) No qualified business may claim or receive an
9 exemption, deduction, abatement or credit under this act
10 unless that qualified business is in full compliance with all
11 State and local tax laws, ordinances and resolutions.

12 (2) No qualified business may claim or receive an
13 exemption, deduction, abatement or credit under this act if
14 any person or business with a 20% or greater interest in that
15 qualified business is not in full compliance with all State
16 and local tax laws, ordinances and resolutions.

17 (c) Later compliance and eligibility.--Any person or
18 qualified business that is not eligible to claim an exemption,
19 deduction, abatement or credit due to noncompliance with any
20 State or local tax law may become eligible if that person
21 subsequently comes into full compliance with all State and local
22 tax laws to the satisfaction of the Department of Revenue or the
23 political subdivision within the calendar year in which the
24 noncompliance first occurred. If full compliance is not attained
25 by December 31 of the calendar year in which noncompliance first
26 occurred, then that person or qualified business is precluded
27 from claiming any exemption, deduction, abatement or credit for
28 that calendar year, whether or not full compliance is achieved
29 in subsequent calendar years.

30 Section 904. Code compliance.

1 (a) General rule.--A person or qualified business shall be
2 precluded from claiming any exemption, deduction, abatement or
3 credit provided for in this act if that person or qualified
4 business owns real property in a keystone opportunity zone and
5 the real property is not in compliance with all applicable State
6 and local zoning, building and housing laws, ordinances or codes
7 and the real property owner has not filed an affidavit with the
8 political subdivision attesting to compliance for that calendar
9 year before December 31 with the political subdivision in which
10 the real property is located.

11 (b) Opportunity to achieve compliance.--The person or
12 qualified business who is not in compliance under subsection (a)
13 shall have until December 31 of the calendar year ~~that the~~ <—
14 ~~noncompliance first occurred~~ FOLLOWING DESIGNATION OF THE REAL <—
15 PROPERTY AS PART OF A KEYSTONE OPPORTUNITY ZONE to be in
16 compliance in order to claim any State exemptions, deductions,
17 abatements or credits for that year. If full compliance is not
18 attained by December 31 of that calendar year, the person is
19 precluded from claiming any exemption, deduction or credit for
20 that calendar year, whether or not compliance is achieved in a
21 subsequent calendar year. THE POLITICAL SUBDIVISION MAY EXTEND <—
22 THE TIME PERIOD IN WHICH A PERSON OR QUALIFIED BUSINESS MUST
23 COME INTO COMPLIANCE WITH A LOCAL ORDINANCE OR BUILDING CODE FOR
24 A PERIOD NOT TO EXCEED ONE YEAR IF THE POLITICAL SUBDIVISION
25 DETERMINES THAT THE PERSON OR QUALIFIED BUSINESS HAS MADE AND
26 SHALL CONTINUE TO MAKE A GOOD FAITH EFFORT TO COME INTO
27 COMPLIANCE AND THAT AN EXTENSION WILL ENABLE THE PERSON TO
28 ACHIEVE FULL COMPLIANCE. Qualified political subdivisions are
29 required to notify the Department of Revenue in writing of all
30 persons or qualified businesses not in compliance with this

1 subsection within 30 days following the end of each calendar
2 year.

3 Section 905. Appeals.

4 A person shall be deemed to be in ~~noncompliance~~ COMPLIANCE ←
5 with any State or local tax for purposes of this section if that
6 person had made a timely administrative or judicial appeal for
7 that particular tax or has entered into and is in compliance
8 with a duly authorized deferred payment plan with the Department
9 of Revenue or political subdivision for that particular tax.

10 CHAPTER 11

11 PROCEDURES FOR ZONES

12 Section 1101. Community benefits.

13 (a) Implementation grant.--The department may provide a one-
14 time \$250,000 grant to the keystone opportunity zone to
15 implement the opportunity plan and to provide an annual update
16 of real property ownership and other information to the
17 Department of Revenue. The annual update shall describe progress
18 on all proposals required as part of the opportunity plan and
19 other information as required by the department. A separate
20 application must be submitted to the department outlining a
21 budget and implementation narrative. The grant shall be drawn
22 down as needed over a period not to exceed the first five years
23 of designation as a keystone opportunity zone. Grant funds shall
24 be provided from the housing and redevelopment appropriations.
25 Keystone opportunity zones shall comply with the provisions of
26 the appropriation.

27 (b) Reduced interest.--Projects in designated keystone
28 opportunity zones that are approved for Pennsylvania Industrial
29 Development Authority (PIDA), or Small Business First financing
30 shall receive the lowest interest rate extended to borrowers.

1 (c) Priority consideration.--Projects in keystone
2 opportunity zones shall receive priority consideration for State
3 assistance under State economic, community and economic
4 development programs and community building initiatives.

5 (d) Marketing.--The department shall develop and implement a
6 consolidated marketing strategy for the keystone opportunity
7 zones for use in job retention and attraction activities.

8 (e) Education.--The Department of Education shall provide
9 technical assistance to school districts located in or school
10 districts having parts of their districts located in keystone
11 opportunity zones.

12 (f) Local governments.--The Center for Local Government
13 Services in the department shall provide technical assistance to
14 political subdivisions relating to taxation, implementation of
15 the opportunity plan, establishing annual benchmarks and annual
16 reporting requirements to the departments. Additionally, the
17 Center for Local Government Services shall provide political
18 subdivisions in keystone opportunity zones with technical
19 assistance to encourage the implementation of best practices in
20 achieving efficient and effective local government
21 administration and shall coordinate activities with other
22 departments and agencies providing various assistance to
23 communities.

24 (g) Community-based organizations.--The department shall
25 provide technical assistance for capacity building of existing
26 community-based organizations dealing with socio-economic needs,
27 housing assistance and job training in the keystone opportunity
28 zones.

29 Section 1102. Reporting.

30 The department shall report to the General Assembly on the

1 economic effects of this act in each keystone opportunity zone
2 ~~by December 31, 2011.~~ EVERY FOUR YEARS. ←

3 Section 1103. Other Commonwealth tax credits.

4 A person or qualified business that is entitled to claim an
5 exemption, deduction, abatement or credit in accordance with the
6 provisions of this act shall not be entitled to claim or
7 accumulate any of the following exemptions, deductions,
8 abatements or credits that it may otherwise have qualified for
9 due to activity within a keystone opportunity zone:

10 (1) Tax Reform Code of 1971:

11 (i) Article XVII relating to economic revitalization
12 tax credits;

13 (ii) Article XVII-A relating to employment incentive
14 payments;

15 (iii) Article XVII-B relating to research and
16 development tax credits; or

17 (iv) Article XIX-A relating to neighborhood
18 assistance and enterprise zone tax credits;

19 (2) tax credits under section 109 of the act of December
20 19, 1996 (P.L.1478, No.190), known as the Waste Tire
21 Recycling Act;

22 (3) homeowners mortgage credits;

23 (4) insurance premiums tax credits; and

24 (5) job creation tax credit under the act of June 29,
25 1996 (P.L.434, No.67), known as the Job Enhancement Act.

26 The person or qualified business may apply the exemptions,
27 deductions, abatements or credits to income realized from
28 activity or transactions outside the keystone opportunity zone,
29 but only for the taxable year to which the exemptions,
30 deductions, abatements or credits apply. The provisions of this

1 section shall apply only to the taxes set forth in Chapters 5
2 and 7.

3 Section 1104. Illegal activity.

4 Any funds or other forms of consideration received by a
5 person or business conducting any type of illegal activity shall
6 not be eligible for any of the exemptions, deductions,
7 abatements and credits or any other benefits that are created
8 under this act.

9 Section 1105. Rules and regulations.

10 The Department of Revenue shall promulgate such rules and
11 regulations as may be necessary to effectuate the provisions of
12 this act. The department shall promulgate such rules and
13 regulations as may be necessary to effectuate the provisions of
14 this act.

15 Section 1106. Compliance.

16 Any person eligible for an exemption, deduction or credit
17 under this act shall comply with all reporting, filing and
18 compliance requirements pursuant to the Tax Reform Code of 1971,
19 unless otherwise provided for in this act.

20 Section 1107. Penalties.

21 (a) Civil penalty.--

22 (1) In addition to any penalties authorized by the Tax
23 Reform Code of 1971 for violations of that act, the
24 Department of Revenue may impose an additional administrative
25 penalty not to exceed \$10,000 for any act or violation of
26 this act relating to State and local taxes, including the
27 filing of any false statement, return or document.

28 (2) The department may impose a civil penalty not to
29 exceed \$10,000 for a violation of this act, including the
30 filing of any false statement, return or document.

1 (b) Criminal penalty.--In addition to any criminal penalty
2 under the Tax Reform Code of 1971, any person who knowingly
3 violates any of the provisions of this act commits a misdemeanor
4 of the third degree.

5 Section 1108. Construction.

6 This act shall be interpreted to ensure that all provisions
7 relating to State and local tax exemptions, deductions,
8 abatements and credits are strictly construed in favor of the
9 Commonwealth.

10 Section 1109. Applicability.

11 The provisions of this act shall be applied prospectively. No
12 person or business may claim any exemption, deduction, abatement
13 or credit until that person or business becomes qualified under
14 this act, and, in the case of a business, receives certification
15 from the department that the business is qualified.

16 Section 1110. Severability.

17 The provisions of this act are severable. If any provision of
18 this act or its application to any person or circumstance is
19 held invalid, the invalidity shall not affect other provisions
20 or applications of this act which can be given effect without
21 the invalid provision or application.

22 Section 1111. Repeals.

23 All acts and parts of acts are repealed insofar as they are
24 inconsistent with this act.

25 Section 1112. Expiration.

26 This act and all benefits associated with this act shall
27 terminate December 31, 2010.

28 Section 1113. Effective date.

29 This act shall take effect immediately.