

---

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, HABAY, CALTAGIRONE AND  
ARGALL, MARCH 12, 1998

---

SENATOR HART, FINANCE, IN SENATE, AS AMENDED, JUNE 1, 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; AND prescribing powers and duties of <—  
10 certain State and local departments, agencies and officials.  
11 ~~providing for economic development zones and grants;~~ <—  
12 ~~establishing the Economic Development Zone Assistance Fund;~~  
13 ~~and making appropriations.~~

14 TABLE OF CONTENTS

15 Chapter 1. Preliminary Provisions  
16 Section 101. Short title.  
17 Section 102. Legislative findings.

1 Section 103. Definitions.

2 Chapter 3. Keystone Opportunity Zones

3 Section 301. Keystone opportunity zones.

4 Section 302. Application.

5 Section 303. Review.

6 Section 304. Criteria for designation of keystone opportunity  
7 zone.

8 Section 305. Zone ~~limitation~~ LIMITATIONS. ←

9 Section 306. Residency.

10 Section 307. Qualified businesses.

11 Section 308. Forms.

12 ~~Section 309. Reduction of exemptions, deductions,~~ ←  
13 ~~abatements or credits.~~

14 Chapter 5. State Taxes

15 Subchapter A. General Provisions

16 Section 501. State taxes.

17 Subchapter B. Particular State Taxes

18 Section 511. Sales and use tax.

19 Section 512. Personal income tax.

20 Section 513. Residency considerations.

21 Section 514. Information for employer.

22 Section 515. Corporate net income tax.

23 Section 516. Capital stock franchise tax.

24 Chapter 7. Local Taxes

25 Section 701. Local taxes.

26 Section 702. Real property tax.

27 Section 703. Local earned income and net profits taxes;  
28 business privilege taxes.

29 Section 704. Mercantile license tax.

30 Section 705. Local sales and use tax.

1 Chapter 9. Administration of Tax Provisions  
2 Section 901. Transferability.  
3 Section 902. Recapture.  
4 Section 903. Delinquent or deficient State or local taxes.  
5 Section 904. Code compliance.  
6 Section 905. Appeals.  
7 Chapter 11. Procedures for Zones  
8 Section 1101. Community benefits.  
9 Section 1102. Reporting.  
10 Section 1103. Other Commonwealth tax credits.  
11 ~~Chapter 13. Economic Development Zones~~ <—  
12 ~~Section 1301. Short title of chapter.~~  
13 ~~Section 1302. Legislative findings.~~  
14 ~~Section 1303. Definitions.~~  
15 ~~Section 1304. Powers and duties.~~  
16 ~~Section 1305. Study on fiscal impact of development zones;~~  
17 ~~contents; recommendations; submission to Governor~~  
18 ~~and General Assembly; funding for cost of study.~~  
19 ~~Section 1306. Economic development zones; designation;~~  
20 ~~duration.~~  
21 ~~Section 1307. Zone development corporation.~~  
22 ~~Section 1308. Preliminary zone development plan.~~  
23 ~~Section 1309. Eligibility for designation.~~  
24 ~~Section 1310. Priority development zones.~~  
25 ~~Section 1311. Designation of eligible areas as development~~  
26 ~~zones.~~  
27 ~~Section 1312. Application for designation; grant or denial;~~  
28 ~~adoption of ordinance of acceptance.~~  
29 ~~Section 1313. Benefits available to qualified business.~~  
30 ~~Section 1314. Award; eligibility of qualified business;~~

1                   ~~schedule.~~

2   ~~Section 1315. Business tax exemption.~~

3   ~~Section 1316. Development zone employee or investment tax~~  
4                   ~~credits; limitations and carryovers.~~

5   ~~Section 1317. Development zone employee tax credit;~~  
6                   ~~qualifications; amount.~~

7   ~~Section 1318. Sales and use tax.~~

8   ~~Section 1319. Partial exemption; certification; disposition of~~  
9                   ~~revenue.~~

10 ~~Section 1320. Regulations.~~

11 ~~Section 1321. State financing assistance; priority to project~~  
12                   ~~in municipality with development zone.~~

13 ~~Section 1322. Skill training programs; delivery.~~

14 ~~Section 1323. Regulations; exemption of development zones.~~

15 ~~Section 1324. Review of State regulations by department.~~

16 ~~Section 1325. Eligibility for incentives by qualified business.~~

17 ~~Section 1326. Qualified business recipient of benefits; annual~~  
18                   ~~certification.~~

19 ~~Section 1327. Fund.~~

20 ~~Section 1328. Constitutionality.~~

21 ~~Chapter 21. Miscellaneous Provisions~~

22 ~~Section 2101. Illegal activity.~~

23 ~~Section 2102. Rules and regulations.~~

24 ~~Section 2103. Compliance.~~

25 ~~Section 2104. Penalties.~~

26 ~~Section 2105. Construction.~~

27 ~~Section 2106. Applicability.~~

28 ~~Section 2107. Severability.~~

29 ~~Section 2108. Repeals.~~

30 ~~Section 2109. Expiration.~~

1 ~~Section 2110. Effective date.~~

2 CHAPTER 13. MISCELLANEOUS PROVISIONS

←

3 SECTION 1301. ILLEGAL ACTIVITY.

4 SECTION 1302. RULES AND REGULATIONS.

5 SECTION 1303. COMPLIANCE.

6 SECTION 1304. PENALTIES.

7 SECTION 1305. CONSTRUCTION.

8 SECTION 1306. APPLICABILITY.

9 SECTION 1307. SEVERABILITY.

10 SECTION 1308. REPEALS.

11 SECTION 1309. EXPIRATION.

12 SECTION 1310. EFFECTIVE DATE.

13 The General Assembly of the Commonwealth of Pennsylvania

14 hereby enacts as follows:

15 CHAPTER 1

16 PRELIMINARY PROVISIONS

17 Section 101. Short title.

18 This act shall be known and may be cited as the Pennsylvania

19 Keystone Opportunity Zone Act.

20 Section 102. Legislative findings.

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

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

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

9 Section 103. Definitions.

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

13          "Business." An association, partnership, corporation, sole  
14          proprietorship, limited liability corporation or employer.

15          "Department." The Department of Community and Economic  
16          Development of the Commonwealth.

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

25          "Domicile." The place where a person has a true and fixed  
26          home and principal establishment for an indefinite time and to  
27          which, whenever absent, that person intends to return. Domicile  
28          continues until another place of domicile is established.

29          "Keystone opportunity zone." A defined geographic area  
30          comprised of one or more political subdivisions or portions of

1 political subdivisions designated by the Department of Community  
2 and Economic Development under Chapter 3. A keystone opportunity  
3 zone may be comprised of not more than 12 subzones.

4 "METROPOLITAN STATISTICAL AREA." A CORE AREA CONTAINING A ←  
5 CITY WITH A POPULATION OF 50,000 OR MORE OR A BUREAU OF CENSUS  
6 DEFINED URBANIZED AREA OF 50,000 WITH A TOTAL METROPOLITAN  
7 POPULATION OF AT LEAST 100,000.

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 OR A MINIMUM OF TEN CONTIGUOUS ←  
25 ACRES IN A RURAL AREA.

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

29 CHAPTER 3

30 KEYSTONE OPPORTUNITY ZONES

1 Section 301. Keystone opportunity zones.

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

7 (b) Designation.--The department shall designate not more  
8 than 12 keystone opportunity zones in this Commonwealth. Persons  
9 and businesses within ~~the~~ A designated keystone opportunity zone <—  
10 that are qualified under this act shall be entitled to all tax  
11 exemptions, deductions, abatements ~~and~~ OR credits set forth in <—  
12 this act for a period not to exceed 12 years beginning January  
13 1, 1999, and ending on or before December 31, 2010.

14 (c) Subzones.--A keystone opportunity zone may be comprised  
15 of up to 12 clearly defined subzones containing a minimum of 20  
16 contiguous acres each. The subzones may or may not be contiguous  
17 to each other. The total number of subzones shall not exceed  
18 5,000 acres in the aggregate. THE DEPARTMENT MAY APPROVE THE USE <—  
19 OF A SUBZONE CONTAINING A MINIMUM OF TEN ACRES IN AN AREA THAT  
20 IS NOT INCLUDED IN A METROPOLITAN STATISTICAL AREA.

21 (d) Authorization for local tax exemption.--Every political  
22 subdivision ~~in~~ WITHIN which a proposed keystone opportunity zone <—  
23 is located, WHETHER IN WHOLE OR IN PART, is hereby authorized to <—  
24 provide tax exemptions, deductions, abatements or credits to  
25 persons and businesses qualified under this act. The political  
26 subdivision shall agree to provide exemptions, deductions,  
27 abatements or credits from all local taxes set forth in this act  
28 in order to qualify to be designated a keystone opportunity zone  
29 within that political subdivision. Except as provided in section  
30 303(e), the exemptions, deductions, abatements or credits shall



1 be effective January 1, 1999, if designation of a keystone  
2 opportunity zone within the political subdivisions is granted by  
3 the department. The exemptions, deductions, abatements or  
4 credits shall be binding upon the political subdivision for the  
5 duration of the keystone opportunity zone designation.

6 Section 302. Application.

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

12 (1) The geographic area of the proposed keystone  
13 opportunity zone. The geographic area shall be located within  
14 the boundaries of the PARTICIPATING political subdivision and <—  
15 shall not contain more than 5,000 acres.

16 (2) An opportunity plan that shall include the  
17 following:

18 (i) A detailed map of the proposed keystone  
19 opportunity zone, ~~including all subzones, to include~~ AND <—  
20 SUBZONES, INCLUDING geographic boundaries, total area and  
21 present use and conditions of the land and structures OF <—  
22 THE PROPOSED KEYSTONE OPPORTUNITY ZONE.

23 (ii) Evidence of support from and participation of  
24 local government, school districts and other educational  
25 institutions, business groups, community organizations  
26 and the public.

27 (iii) A proposal to increase economic opportunity,  
28 reduce crime, improve education, facilitate  
29 infrastructure improvement, reduce the local regulating  
30 burden and identify potential jobs and job training

1 opportunities, AND WHICH STATES whether or not the zone ←—  
2 is located in an area which has tax revenue dedicated to  
3 the payment of debt.

4 (iv) A description of the current social, economic  
5 and demographic characteristics of the proposed keystone  
6 opportunity zone and anticipated improvements in  
7 education, health, human services, public safety and  
8 employment THAT WILL RESULT FROM KEYSTONE OPPORTUNITY ←—  
9 ZONE DESIGNATION.

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

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

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

18 (viii) Plans TO UTILIZE EXISTING RESOURCES for the ←—  
19 administration of the proposed keystone opportunity zone  
20 ~~utilizing existing resources.~~ ←—

21 (ix) Any other information deemed appropriate by the  
22 department.

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

25 (4) The proposed duration of the keystone opportunity  
26 zone and all subzones. THE DURATION MAY not ~~to~~ exceed 12 ←—  
27 years.

28 (5) A formal, binding ordinance or resolution passed by  
29 every political subdivision in which the proposed keystone  
30 opportunity zone is located that specifically provides for

1 all local tax exemptions, deductions, abatements or credits  
2 for persons and businesses set forth in this act if  
3 designation is received by the department, to be effective  
4 January 1, 1999.

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

7 (b) Participation limitation.--A qualified political  
8 subdivision shall not be a part of more than one keystone  
9 opportunity zone.

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

13 Section 303. Review.

14 (a) Action of department.--The department, in consultation <—  
15 with the Department of Revenue, shall review all completed <—  
16 applications submitted under this act. An application for  
17 designation as a keystone opportunity zone shall be received by  
18 the department on or before September 30, 1998, in order to be  
19 considered by the department.

20 (b) Process.--The department shall ~~do all of the following:~~ <—

21 ~~(1) Designate up to 12 keystone opportunity zones from~~  
22 DESIGNATE UP TO 12 KEYSTONE OPPORTUNITY ZONES FROM <—  
23 applications meeting the criteria in section 304 based upon  
24 need and likelihood of ~~success.~~ <—

25 ~~(2) The department shall not alter the geographic~~  
26 SUCCESS. ADDITIONALLY, THE DEPARTMENT SHALL NOT ALTER THE <—  
27 GEOGRAPHIC boundaries of the A keystone opportunity zone or <—  
28 the duration of the A keystone opportunity zone described in <—  
29 the application.

30 (c) Award of designations.--The department shall designate

1 all keystone opportunity zones by November 30, 1998.

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

5 (e) Extension.--The department may extend the deadline for  
6 the receipt of applications under subsection (a) until December  
7 31, 1998, if all 12 zones have not been designated and the  
8 extension is necessary to allow eligible political subdivisions  
9 to apply. The department shall designate additional keystone  
10 opportunity zones under this subsection by February 28, 1999.  
11 The designation shall take effect January 1, 1999, or if the  
12 designation occurs after January 1, 1999, that subsequent  
13 designation shall for all purposes be retroactive to January 1,  
14 1999. The designation shall end as provided in section 301(b).  
15 Section 304. Criteria for designation of keystone opportunity  
16 zone.

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

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

22 (2) The unemployment rate is 1.25 times the Statewide  
23 average.

24 (3) At least 20% of all real property within a five-mile  
25 radius of the proposed keystone opportunity zone or subzone  
26 in a nonurban area is deteriorated or underutilized.

27 (4) At least 20% of all real property within a one-mile  
28 radius of the proposed keystone opportunity zone or subzone  
29 in an urban area is deteriorated or underutilized.

30 (5) At least 20% of all occupied housing within a two-

1 mile radius of the proposed keystone opportunity zone or  
2 subzone in a nonurban area is deteriorated.

3 (6) At least 20% of all occupied housing within a one-  
4 mile radius of the proposed keystone opportunity zone or  
5 subzone in an urban area is deteriorated.

6 (7) In an urban area, the median family income is 80% or  
7 less of the ~~Statewide urban median family income.~~ URBAN ←  
8 MEDIAN FAMILY INCOME FOR THAT METROPOLITAN STATISTICAL AREA.

9 (8) In an area other than an urban area, the median  
10 family income is 80% or less of the Statewide nonurban median  
11 family income.

12 (9) The population loss exceeds 10% in an area that  
13 includes the proposed keystone opportunity zone and its  
14 surrounding area, but is not larger than the county or  
15 counties in which the keystone opportunity zone is located,  
16 based on census data for the period between 1980 and 1990 or  
17 census estimates since 1990 establishing a pattern of  
18 population loss.

19 (10) The political subdivision in which the proposed  
20 keystone opportunity zone is located has experienced a sudden  
21 and/or severe job loss.

22 (11) At least 33% of the real property in a proposed  
23 keystone opportunity zone in a nonurban area would otherwise  
24 remain underdeveloped or nonperforming due to physical  
25 characteristics of the real property.

26 (12) The area has substantial real property with  
27 adequate infrastructure and energy to support new or expanded  
28 development.

29 ~~(13) Be in an area designated as an enterprise zone by~~ ←  
30 ~~the department under the act of July 9, 1986 (P.L.1216,~~

1 ~~No.108), known as the Enterprise Zone Municipal Tax Exemption~~  
2 ~~Reimbursement Act.~~

3 (b) Additional criteria.--In addition to the required  
4 criteria under subsection (a), the department shall consider the  
5 following criteria:

6 (1) Evidence of distress, including, but not limited to,  
7 unemployment, percentage of population below 80% of the State  
8 median income, poverty rate, deteriorated property and  
9 adverse economic and socioeconomic conditions in the proposed  
10 keystone opportunity zone.

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

13 (3) Whether the opportunity plan is creative and  
14 innovative in comparison to other applications.

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

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

20 (6) How keystone opportunity zone designation or  
21 economic redevelopment ~~relate~~ RELATES to other current ←  
22 economic and community development projects and to regional  
23 initiatives or programs.

24 (7) How the local regulatory burden will be eased for  
25 businesses operating in the proposed keystone opportunity  
26 zone.

27 (8) Proposals to implement educational opportunities and  
28 improvements.

29 (9) Crime statistics and proposals to implement local  
30 crime reduction measures.

1 (10) Proposals to establish and link job creation and  
2 job training.

3 (c) Tax exemption ordinances.--An area shall not be  
4 designated as a keystone opportunity zone unless, as a part of  
5 the application, each political subdivision in which the  
6 proposed keystone opportunity zone is to be located adopts and  
7 provides a copy of an ordinance, resolution or other required  
8 action from the governing body of each political subdivision  
9 that exempts or provides deductions, abatements or credits to  
10 qualified persons and qualified businesses from local taxes upon  
11 designation of the area as a keystone opportunity zone. All  
12 appropriate ordinances and resolutions shall be effective on or  
13 before January 1, 1999, if designation as a keystone opportunity  
14 is granted. The resolution, ordinance or other required action  
15 shall be binding and nonrevocable on the qualified political  
16 subdivisions for the duration of the opportunity plan.

17 (d) Urban areas.--The department shall promulgate guidelines  
18 which include the definition of "urban area" for the purposes of  
19 receiving applications for designation as a keystone opportunity  
20 zone.

21 Section 305. Zone ~~limitation~~ LIMITATIONS. <—

22 The department shall not designate more than 12 keystone  
23 opportunity zones within this Commonwealth. NO KEYSTONE <—  
24 OPPORTUNITY ZONE SHALL ENCOMPASS AN ENTIRE POLITICAL  
25 SUBDIVISION.

26 Section 306. Residency.

27 In order to qualify each year for a tax exemption, deduction,  
28 abatement or credit under this act, a person shall be domiciled  
29 and shall reside in the keystone opportunity zone for a period  
30 of ~~one year. The one year period~~ 184 CONSECUTIVE DAYS, WHICH may <—

1 begin on the date of designation by the department or on the  
2 date the person first resides within the zone. ~~Residency~~ ←  
3 ~~requirements must be met for each year that the keystone~~  
4 ~~opportunity zone is in existence.~~

5 Section 307. Qualified businesses.

6 (a) Qualifications.--In order to qualify each year for a tax  
7 exemption, deduction, abatement or credit under this act, a  
8 business shall own or lease real property in the keystone  
9 opportunity zone from which the business actively conducts a  
10 trade, profession or business. The qualified business shall  
11 receive certification from the department that the business is  
12 located, and is in the active conduct of a trade, profession or  
13 business, within the keystone opportunity zone. The business  
14 shall obtain annual renewal of the certification from the  
15 department to continue to qualify under this section.

16 (b) Relocation.--Any business that relocates from outside a  
17 keystone opportunity zone into a keystone opportunity zone shall  
18 not receive any of the exemptions, deductions, abatements or  
19 credits set forth in this act unless that business either:

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

23 (2) makes a capital investment IN THE PROPERTY LOCATED ←  
24 WITHIN A KEYSTONE OPPORTUNITY ZONE equivalent to 10% of the  
25 gross revenues of that business in the immediately preceding  
26 calendar or fiscal year.

27 The department, in consultation with the Department of Revenue,  
28 may waive or modify the requirements of this subsection, as  
29 appropriate.

30 Section 308. Forms.



1 (a) Application forms.--Applications for designation as a  
2 keystone opportunity zone shall be on forms prescribed by the  
3 department.

4 (b) Department assistance.--The department shall assist  
5 political subdivisions in using the Internet as a tool for  
6 encouraging new business DEVELOPMENT, including assisting <—  
7 political subdivisions in making available via the Internet  
8 information, applications and other forms necessary under this  
9 act.

10 ~~Section 309. Reduction of exemptions, deductions, abatements or <—~~  
11 ~~credits.~~

12 ~~During the last three years that the taxpayer is eligible for~~  
13 ~~an exemption, deduction, abatement or credit, the exemption,~~  
14 ~~deduction, abatement or credit shall be reduced by the following~~  
15 ~~percentages:~~

16 ~~(1) For the tax year that is two years before the final~~  
17 ~~year of designation as a keystone opportunity zone, the~~  
18 ~~percentage shall be 25%.~~

19 ~~(2) For the tax year immediately preceding the final~~  
20 ~~year of designation as a keystone opportunity zone, the~~  
21 ~~percentage shall be 50%.~~

22 ~~(3) For the tax year that is the final year of~~  
23 ~~designation as a keystone opportunity zone, the percentage~~  
24 ~~shall be 75%.~~

25 CHAPTER 5

26 STATE TAXES

27 SUBCHAPTER A

28 GENERAL PROVISIONS

29 Section 501. State taxes.

30 (a) General rule.--A person who is a resident of a keystone

1 opportunity zone, a qualified business or a nonresident under  
2 section ~~514~~ 513 shall receive the exemptions, deductions,  
3 abatements or credits as provided in this chapter and Chapter 7  
4 for the duration of the keystone opportunity zone designation.  
5 Exemptions, deductions, abatements or credits shall expire on  
6 the date of expiration of the keystone opportunity zone  
7 designation.

8 (b) Construction.--The Department of Revenue shall  
9 administer, construe and enforce the provisions of this chapter  
10 in conjunction with Articles II, III, IV and VI of the Tax  
11 Reform Code of 1971.

12 SUBCHAPTER B

13 PARTICULAR STATE TAXES

14 Section 511. Sales and use tax.

15 (a) Exemption.--Sales at retail of services or tangible  
16 personal property, other than motor vehicles, to a qualified  
17 business for the exclusive use, consumption and utilization of  
18 the tangible personal property or service by the qualified  
19 business at its facility located within a keystone opportunity  
20 zone are exempt from the sales and use tax imposed under Article  
21 II of the Tax Reform Code of 1971.

22 (b) Limitation.--Sales at retail or use of tangible personal  
23 property or services to the tangible personal property that will  
24 become a permanent part of real property in accordance with  
25 Department of Revenue regulations shall not be eligible for  
26 sales or use tax exemption under this section.

27 Section 512. Personal income tax.

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

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

3           (2) Net income from the operation of a qualified  
4 business received by a resident or nonresident of a keystone  
5 opportunity zone attributable to business activity conducted  
6 within a keystone opportunity zone after provision for all  
7 costs and expenses incurred in the conduct thereof,  
8 determined either on a cash or accrual basis in accordance  
9 with accepted accounting principles and practices but without  
10 deduction of taxes based on income.

11           (3) (i) Net gains or income, less net losses, derived  
12 by a resident or nonresident of a keystone opportunity  
13 zone from the sale, exchange or disposition of real or  
14 tangible personal property located in a keystone  
15 opportunity zone as determined in accordance with  
16 accepted accounting principles and practices.

17           (ii) Net gains, less net losses, realized by a  
18 resident of a keystone opportunity zone from the sale,  
19 exchange or disposition of intangible personal property  
20 or obligations issued on or after February 1, 1994, by  
21 the Commonwealth, a public authority, commission, board  
22 or other Commonwealth agency, political subdivision or  
23 authority created by a political subdivision or by the  
24 Federal Government as determined in accordance with  
25 accepted accounting principles and practices.

26           (iii) The exemption from income for gain or loss  
27 provided for in this subparagraph shall be prorated based  
28 on either:

29           (A) the percentage of time, based on calendar  
30 days, the property was held by the taxpayer while a

1 resident of a keystone opportunity zone in relation  
2 to the total time THE PROPERTY WAS held by the  
3 taxpayer; or

4 (B) the percentage of time, based on calendar  
5 days, the real or tangible personal property located  
6 in the keystone opportunity zone was held by a  
7 nonresident of a keystone opportunity zone during the  
8 time period the keystone opportunity zone was in  
9 effect in relation to the total time held THE REAL OR  
10 TANGIBLE PERSONAL PROPERTY WAS HELD BY A NONRESIDENT.

11 (4) Net gains or income derived from or in the form of  
12 rents received by a person, whether a resident or nonresident  
13 of a keystone opportunity zone, to the extent that income or  
14 loss from the rental of real or tangible personal property is  
15 allocable to a keystone opportunity zone. For purposes of  
16 calculating this exemption:

17 (i) Net rents derived from real or tangible personal  
18 property located in a keystone opportunity zone are  
19 allocable to a keystone opportunity zone.

20 (ii) If the tangible personal property was used both  
21 within and without the keystone opportunity zone during  
22 the taxable year, only the net income attributable to use  
23 in the keystone opportunity zone is exempt. The net  
24 rental income shall be multiplied by a fraction, the  
25 numerator of which is the number of days the property was  
26 used in the keystone opportunity zone and the denominator  
27 which is the total days of use.

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

30 (6) Interest received during the time period the person

1 was a resident of a keystone opportunity zone.

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

5 (b) Limitation.--A resident or nonresident may not apply an  
6 exemption from income under this act for any class of income  
7 against any other classes of income or gain. A resident or  
8 nonresident may not carry back or carry forward any exemption  
9 under this act from year to year.

10 Section 513. Residency considerations.

11 If a person completes the residency requirements under  
12 section 306 or if a nonresident realizes income attributable to  
13 business activity or property within a keystone opportunity zone  
14 on or before the end of the tax year, the person may claim the  
15 exemptions from income for the items set forth in section 512  
16 for that portion of the tax year that the person was a resident  
17 or for that portion of the tax year during which the area is  
18 designated as a keystone opportunity zone. If the person  
19 ~~completes~~ MEETS the residency requirements under section 306 in ←  
20 a tax year subsequent to the tax year in which the person first  
21 resided in the keystone opportunity zone, the person may file an  
22 amended tax return within the applicable statute of limitations  
23 to claim an exemption from income for the period of residency  
24 within the keystone opportunity zone.

25 Section 514. Information for employer.

26 (a) Duty of employee.--Every person who is an employee that  
27 qualifies as a resident of a keystone opportunity zone shall  
28 furnish to his or her employer information, as prescribed by the  
29 Department of Revenue, necessary for the employer to withhold  
30 the correct amount of tax. An employee shall furnish

1 notification to his or her employer of any changes to the  
2 information within 20 days after the change. An employee shall  
3 notify his or her employer that the employee has completed the  
4 residency requirements under section 306.

5 (b) Duty of employer.--Within 20 days after an employer  
6 receives information from an employee pursuant to subsection  
7 (a), the employer shall forward a copy of that information to  
8 the Department of Revenue. The information shall not be given  
9 retroactive effect for withholding purposes. The employer shall  
10 not be required to withhold tax from the compensation paid to a  
11 resident of a keystone opportunity zone, if reasonable under the  
12 circumstances, unless directed by the Department of Revenue to  
13 withhold tax from the compensation on some other basis. If an  
14 employee fails or refuses to furnish the information, or  
15 furnishes information that the employer reasonably and in good  
16 faith believes to be inaccurate, the employer shall withhold the  
17 full rate of tax from the employee's total compensation.

18 Section 515. Corporate net income tax.

19 (a) Credits.--For the tax years that begin on or after  
20 January 1, 1999, a corporation that qualifies as a qualified  
21 business under this act may claim a credit against the tax  
22 imposed by Article IV of the Tax Reform Code of 1971 for the  
23 taxable year to the extent of the tax liability attributable to  
24 business activity conducted within a keystone opportunity zone  
25 in the taxable year. The business activity must be conducted  
26 directly by a corporation in the keystone opportunity zone in  
27 order for the corporation to claim the tax credit.

28 (b) Tax liability determinations.--The corporate tax  
29 liability attributable to business activity conducted within a  
30 keystone opportunity zone shall be determined by multiplying the

1 corporation's taxable income that is attributable to business  
2 activity conducted within the keystone opportunity zone by the  
3 rate of tax imposed under Article IV of the Tax Reform Code of  
4 1971 for the taxable year.

5 (c) Determinations of attributable tax liability.--Tax  
6 liability attributable to business activity conducted within a  
7 keystone opportunity zone shall be computed, construed,  
8 administered and enforced in conformity with Article IV of the  
9 Tax Reform Code of 1971 and with specific reference to the  
10 following:

11 (1) If the entire business of the corporation in this  
12 Commonwealth is transacted wholly within the keystone  
13 opportunity zone, the taxable income attributable to business  
14 activity within a keystone opportunity zone shall consist of  
15 the Pennsylvania taxable income as determined under Article  
16 IV of the Tax Reform Code of 1971.

17 (2) If the entire business of the corporation in this  
18 Commonwealth is not transacted wholly within the keystone  
19 opportunity zone, the taxable income of a corporation in a  
20 keystone opportunity zone shall be determined upon such  
21 portion of the Pennsylvania taxable income of such  
22 corporation attributable to business activity conducted  
23 within the keystone opportunity zone and apportioned in  
24 accordance with subsection (d).

25 (d) Income apportionment.--All taxable income of a qualified  
26 business shall be apportioned to the keystone opportunity zone  
27 by multiplying the Pennsylvania taxable income by a fraction,  
28 the numerator of which is the property factor plus the payroll  
29 factor plus the sales factor and the denominator of which is  
30 three.

1           (1) The property factor is a fraction, the numerator of  
2           which is the average value of the taxpayer's real and  
3           tangible personal property owned or rented and used in the  
4           keystone opportunity zone during the tax period and the  
5           denominator of which is the average value of all the  
6           taxpayer's real and tangible personal property owned or  
7           rented and used in this Commonwealth during the tax period  
8           but shall not include the security interest of any  
9           corporation as seller or lessor in personal property sold or  
10          leased under a conditional sale, bailment lease, chattel  
11          mortgage or other contract providing for the retention of a  
12          lien or title as security for the sales price of the  
13          property.

14          (2) (i) The payroll factor is a fraction, the numerator  
15          of which is the total amount paid in the keystone  
16          opportunity zone during the tax period by the taxpayer  
17          for compensation and the denominator of which is the  
18          total compensation paid in this Commonwealth during the  
19          tax period.

20          (ii) Compensation is paid in the keystone  
21          opportunity zone if:

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

24                  (B) the person's service is performed both  
25                  within and without the keystone opportunity zone, but  
26                  the service performed without the keystone  
27                  opportunity zone is incidental to the person's  
28                  service within the keystone opportunity zone; or

29                  (C) some of the service is performed in the  
30                  keystone opportunity zone and the base of operations



1 or, if there is no base of operations, the place from  
2 which the service is directed or controlled is in the  
3 keystone opportunity zone, or the base of operations  
4 or the place from which the service is directed or  
5 controlled is not in any location in which some part  
6 of the service is performed, but the person's  
7 residence is in the keystone opportunity zone.

8 (3) The sales factor is a fraction, the numerator of  
9 which is the total sales of the taxpayer in the keystone  
10 opportunity zone during the tax period, and the denominator  
11 of which is the total sales of the taxpayer in this  
12 Commonwealth during the tax period.

13 (i) Sales of tangible personal property are in the  
14 keystone opportunity zone if the property is delivered or  
15 shipped to a purchaser within the keystone opportunity  
16 zone regardless of the F.O.B. point or other conditions  
17 of the sale.

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

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

22 (B) the income-producing activity is performed  
23 both within and without the keystone opportunity zone  
24 and a greater proportion of the income-producing  
25 activity is performed in the keystone opportunity  
26 zone than in any other location, based on costs of  
27 performance.

28 (e) Computation.--A corporation shall compute its  
29 Commonwealth taxable income in conformity with Article IV of the  
30 Tax Reform Code of 1971 with no adjustments or subtractions for

1 keystone opportunity zone taxable income.

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

5 (g) Section not applicable to certain businesses.--Any  
6 portion of the taxpayer's taxable income that is attributable to  
7 the operation of a railroad, truck, bus or airline company,  
8 pipeline or natural gas company, ~~municipal waste landfill~~, water ←  
9 transportation company, a corporation that qualifies as a  
10 regulated investment company under Article IV of the Tax Reform  
11 Code of 1971, or holding company as defined in Article VI of the  
12 Tax Reform Code of 1971 and any business activity that is  
13 associated or affiliated with the operation of these business  
14 activities shall not be used to calculate a credit under this  
15 section.

16 Section 516. Capital stock franchise tax.

17 (a) Credits.--For tax years that begin on or after January  
18 1, 1999, a corporation that is a qualified business under  
19 section 307(a) may claim a credit against the tax imposed by  
20 Article VI of the Tax Reform Code of 1971 for the taxable year  
21 to the extent of the tax liability attributable to the capital  
22 employed within a keystone opportunity zone in the taxable year.

23 (b) Tax liability.--The corporation's tax liability  
24 attributable to capital employed within a keystone opportunity  
25 zone shall be determined by multiplying the corporation's  
26 taxable value attributable to capital employed within the  
27 keystone opportunity zone by the rate of tax imposed under  
28 Article VI of the Tax Reform Code of 1971 for the taxable year.  
29 The corporation shall compute its Pennsylvania taxable value in  
30 conformity with Article VI of the Tax Reform Code of 1971 with

1 no adjustments or subtractions for the capital employed in the  
2 keystone opportunity zone.

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

7 (1) If the entire business of the corporation in this  
8 Commonwealth is transacted wholly within a keystone  
9 opportunity zone, the taxable value attributable to the  
10 capital employed within a keystone opportunity zone shall  
11 consist of the Pennsylvania taxable value as determined under  
12 Article VI of the Tax Reform Code of 1971.

13 (2) If the entire business of the corporation in this  
14 Commonwealth is not wholly transacted within a keystone  
15 opportunity zone, the taxable value of a corporation in a  
16 keystone opportunity zone shall be determined upon such  
17 portion of the Pennsylvania taxable value attributable to the  
18 capital employed within the keystone opportunity zone by  
19 employing the apportionment factors set forth in subsection  
20 (d).

21 (d) Capital stock and franchise tax apportionment.--For  
22 purposes of apportionment of the capital stock and franchise  
23 tax, the apportionment fraction shall be the property factor  
24 plus the payroll factor plus the sales factor as the numerator  
25 and the denominator shall be three. In determining the relevant  
26 apportionment factors, the numerator of the property, payroll  
27 and sales factors shall not include any property, payroll and  
28 sales attributable to manufacturing, processing, research and  
29 development activities conducted within a keystone opportunity  
30 zone and the denominator of the property, payroll and sales

1 factors shall not include any property, payroll and sales  
2 attributable to manufacturing, processing and research and  
3 development activities conducted within this Commonwealth but  
4 without a keystone opportunity zone.

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

8 (f) Credit not available.--Any portion of the taxpayer's tax  
9 liability that is attributable to the capital employed in the  
10 operation of a railroad, truck, bus or airline company, pipeline  
11 or natural gas company, water transportation company, a  
12 corporation that qualifies, regulated investment company under  
13 Article IV of the Tax Reform Code of 1971, or holding company as  
14 defined in Article VI of the Tax Reform Code of 1971 and any  
15 capital employed in a business activity that is associated or  
16 affiliated with the operation of these business activities shall  
17 not be used to calculate a credit under this section.

18 CHAPTER 7

19 LOCAL TAXES

20 Section 701. Local taxes.

21 Every political subdivision in which a designated keystone  
22 opportunity zone is located shall exempt, deduct, abate or  
23 credit local taxes in accordance with ordinances and resolutions  
24 adopted under section 301(d). Failure to exempt, deduct, abate  
25 or credit local taxes shall result in the revocation of the  
26 keystone opportunity zone designation.

27 Section 702. Real property tax.

28 (a) General rule.--Notwithstanding the act of May 22, 1933  
29 (P.L.853, No.155), known as The General County Assessment Law,  
30 and the act of May 21, 1943 (P.L.571, No.254), known as The

1 Fourth to Eighth Class County Assessment Law, each qualified  
2 political subdivision for taxable years beginning on or after  
3 January 1, 1999, shall by ordinance or resolution abate 100% of  
4 the real property taxation on the assessed valuation of  
5 deteriorated property in an area designated as a keystone  
6 opportunity zone within this Commonwealth.

7 (b) Investment in lieu of tax payment.--

8 (1) A qualified political subdivision may require a  
9 resident of deteriorated real property to invest up to 25% of  
10 all real property taxes, which would have been due if the  
11 real property was not located in a keystone opportunity zone,  
12 in improvements to the real property, in order for the  
13 residents to be qualified for exemptions, credits and  
14 abatements under this act.

15 (2) A nonresident owner of deteriorated real property  
16 who leases the real property to a person for residential use  
17 shall invest 50% of all real property taxes, which would have  
18 been due if the real property was not located in a keystone  
19 opportunity zone, in improvements to the real property.

20 (c) Application for tax abatement.--Any person requesting  
21 real property tax abatement pursuant to ordinances or  
22 resolutions adopted pursuant to this act shall notify each  
23 ~~political subdivision~~ COUNTY OR OTHER DESIGNATED ASSESSMENT OFFICE <—  
24 OFFICE granting such abatement in writing on a form provided by  
25 that ~~political subdivision~~ ASSESSMENT OFFICE within 30 days of <—  
26 the designation as a keystone opportunity zone or within 30 days  
27 of the transfer of ownership of the real property subject to  
28 abatement. A copy of the abatement request shall be forwarded by  
29 the ~~political subdivision to the board of assessment or other~~ <—  
30 ~~appropriate assessment agency.~~ COUNTY OR OTHER DESIGNATED <—

1 ASSESSMENT OFFICE TO THE POLITICAL SUBDIVISION.

2 (d) Annual real property report.--Every ~~qualified political~~ <—  
3 ~~subdivision~~ KEYSTONE OPPORTUNITY ZONE shall submit to the <—  
4 department an annual report by ~~December 31~~ JANUARY 31 of each <—  
5 calendar year of all real property and the owners and addresses  
6 of that real property at any time during the PRECEDING year <—  
7 which is located in a designated keystone opportunity zone.

8 (e) Interest and penalties.--If the department or a  
9 political subdivision finds that a person claimed an abatement  
10 of real property tax to which the person was not entitled under  
11 this act, the person shall be liable for the abated taxes and  
12 subject to the applicable interest and penalty provisions  
13 provided by law.

14 (f) Calculations for education subsidy for school  
15 districts.--In determining the market value of real property in  
16 each school district, the State Tax Equalization Board shall  
17 exclude any increase in value above the base value prior to the  
18 effect of the abatement of local taxes to the extent and during  
19 the period of time that real estate tax revenues attributable to  
20 such increased value are not available to the school district  
21 for general school district purposes.

22 Section 703. Local earned income and net profits taxes;  
23 business privilege taxes.

24 (a) General exemption.--To the extent that a qualified  
25 political subdivision has enacted any tax on the privilege of  
26 engaging in any business or profession, measured by gross  
27 receipts or on a flat rate basis, earned income or net profits,  
28 as defined in the act of December 31, 1965 (P.L.1257, No.511),  
29 known as The Local Tax Enabling Act, imposed within the  
30 boundaries of a keystone opportunity zone, such qualified

1 political subdivision shall exempt from the imposition or  
2 operation of such local tax ordinances, statutes, regulations or  
3 otherwise:

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

6 (2) The earned income received by a resident of a  
7 keystone opportunity zone.

8 (3) The net profits of a qualified business received by  
9 a resident or nonresident of a keystone opportunity zone  
10 attributable to business activity conducted within a keystone  
11 opportunity zone.

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

14 (1) pursuant to the act of August 5, 1932, (Sp.Sess.  
15 P.L.45, No.45), referred to as the Sterling Act, the act of  
16 March 10, 1949 (P.L.30, No.14), known as the Public School  
17 Code of 1949, the act of August 24, 1961 (P.L.1135, No.508),  
18 referred to as the First Class A School District Earned  
19 Income Tax Act, the act of August 9, 1963 (P.L.640, No.338)  
20 entitled, "An act empowering cities of the first class,  
21 coterminous with school districts of the first class, to  
22 authorize the boards of public education of such school  
23 districts to impose certain additional taxes for school  
24 district purposes, and providing for the levy, assessment and  
25 collection of such taxes," the act of May 30, 1984 (P.L.345,  
26 No.69), known as the First Class City Business Tax Reform  
27 Act, or the act of June 5, 1991 (P.L.9, No.6), known as the  
28 Pennsylvania Intergovernmental Cooperation Authority Act for  
29 Cities of the First Class, enacted a tax on:

30 (i) the privilege of engaging in a profession or

1 business;

2 (ii) wages or compensation;

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

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

6 (2) The qualified political subdivision shall provide an  
7 exemption, deduction, abatement or credit from the imposition  
8 and operation of such local tax ordinance or resolution ~~any~~ <—

9 ALL of the following: <—

10 (i) ~~a~~ A person or qualified business, whether a <—  
11 resident or a nonresident of a keystone opportunity zone,  
12 for the privilege of engaging in a business or profession  
13 within a keystone opportunity zone. <—

14 (ii) ~~salaries~~ SALARIES, wages, commissions, <—  
15 compensation or other income received for services  
16 rendered or work performed by a resident of a keystone  
17 opportunity zone. <—

18 (iii) ~~the~~ THE gross or net income or gross or net <—  
19 profits realized from the operation of a qualified  
20 business to the extent attributable to business activity  
21 conducted within a keystone opportunity zone; ~~or~~. <—

22 (iv) ~~the~~ THE occupancy or use of real property <—  
23 located within the keystone opportunity zone.

24 (c) Limitation on withholding.--Every employer required to  
25 withhold any local tax on the earned income, wages or  
26 compensation of one or more persons within the particular  
27 political subdivision shall not withhold such tax on earned  
28 income, wages or compensation paid to any person or his personal  
29 representative during any period when the qualified political  
30 subdivision has by ordinance or resolution provided for the



1 exemption from tax as provided in section 701 and the person is  
2 a resident of a keystone opportunity zone.

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

12 (e) Duty of employer.--Within 20 days after an employer  
13 receives information from an employee pursuant to subsection (a) <—  
14 (D), the employer shall forward a copy of that information to <—  
15 the political subdivision OR OTHER AGENCY DESIGNATED BY THE <—  
16 POLITICAL SUBDIVISION. The information shall not be given  
17 retroactive effect for withholding purposes. The employer shall  
18 not be required to withhold tax from the wages, earned income or  
19 compensation paid to a resident of a keystone opportunity zone,  
20 if reasonable under the circumstances, unless directed by the  
21 political subdivision to withhold tax from the wages, earned  
22 income or compensation on some other basis. If an employee fails  
23 or refuses to furnish the information, or furnishes information  
24 that the employer reasonably and in good faith believes to be  
25 inaccurate, the employer shall withhold the full rate of tax  
26 from the employee's total wages, earned income or compensation.

27 (f) Calculation for education subsidy for school district.--  
28 In determining the personal income valuation of a school  
29 district, the Secretary of Revenue shall exclude any increase in  
30 the valuation as defined in section 2501(9.1) of the act of

1 March 10, 1949 (P.L.30, No.14), known as the Public School Code  
2 of 1949, above the base value prior to the abatement of local  
3 taxes in a keystone opportunity zone located within the school  
4 district to the extent and during the period of time that  
5 personal income revenues attributable to the increase in the  
6 personal income valuation are not available to the school  
7 district for general school district purposes.

8 Section 704. Mercantile license tax.

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

23 Section 705. Local sales and use tax.

24 (a) General rule.--The political subdivision shall exempt  
25 sales at retail of services or tangible personal property,  
26 except motor vehicles, to a qualified business for the exclusive  
27 use, consumption and utilization of the tangible personal  
28 property or service, by the qualified business at its facility  
29 located within a keystone opportunity zone from a city or county  
30 tax on purchase price authorized under Article XXXI-B of the act

1 of July 28, 1953 (P.L.723, No.230), known as the Second Class  
2 County Code, as amended, and the act of June 5, 1991 (P.L.9,  
3 No.6), known as the Pennsylvania Intergovernmental Cooperation  
4 Authority Act for Cities of the First Class, as amended.

5 ~~(b) Exclusion. Sales at retail or use of tangible personal~~ <—  
6 ~~property or services to that tangible personal property that~~  
7 ~~will become a permanent part of the real property in accordance~~  
8 ~~with Department of Revenue regulations shall not be eligible for~~  
9 ~~the exclusion provided for under this subsection.~~

10 (B) REAL PROPERTY.--THE EXEMPTION PROVIDED IN SUBSECTION (A) <—  
11 SHALL APPLY TO THE SALE AT RETAIL OF BUILDING MACHINERY AND  
12 EQUIPMENT TO A QUALIFIED BUSINESS, OR TO A CONSTRUCTION  
13 CONTRACTOR PURSUANT TO A CONSTRUCTION CONTRACT WITH A QUALIFIED  
14 BUSINESS FOR THE EXCLUSIVE USE, CONSUMPTION AND UTILIZATION BY  
15 THE QUALIFIED BUSINESS AT ITS FACILITY IN A KEYSTONE OPPORTUNITY  
16 ZONE.

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

## 20 CHAPTER 9

### 21 ADMINISTRATION OF TAX PROVISIONS

22 Section 901. Transferability.

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

26 Section 902. Recapture.

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

1 State and political subdivision which granted the exemption,  
2 deduction, abatement or credit received in accordance with the  
3 following:

4 (1) If a qualified business relocates within three years  
5 from the date of any claim, 66% of all the exemptions,  
6 deductions, abatements or credits previously received due to  
7 that qualified business's participation in the keystone  
8 opportunity zone shall be refunded TO THE COMMONWEALTH AND <—  
9 THE POLITICAL SUBDIVISION.

10 (2) If a qualified business relocates within three to  
11 five years from the date of any claim, 33% of all exemptions,  
12 deductions, abatements or credits previously received from  
13 participation in the keystone opportunity zone shall be  
14 refunded TO THE COMMONWEALTH AND THE POLITICAL SUBDIVISION. <—

15 (3) If the qualified business was located within a  
16 facility operated by a nonprofit organization to assist in  
17 the creation and development of a start-up business, no  
18 ~~refund~~, exemption, deduction, abatement or credit shall be <—  
19 ~~required~~. REFUNDED. <—

20 ~~(b) Waiver.~~ <—

21 ~~(1) The department, in consultation with the Department~~

22 (B) WAIVER.--THE DEPARTMENT, IN CONSULTATION WITH THE <—  
23 DEPARTMENT of Revenue AND THE POLITICAL SUBDIVISION, may waive <—  
24 or modify recapture requirements under this section if the  
25 department determines that the business relocation was due to  
26 circumstances beyond the control of the business including, but  
27 not limited to:

28 ~~(i) natural disaster;~~ <—

29 ~~(ii) unforeseen industry trends; or~~

30 ~~(iii) loss of a major supplier or market.~~

1           ~~(2) If the department waives or modifies the recapture~~  
2           ~~requirements, the department shall refund to the political~~  
3           ~~subdivision which granted the exemption, deduction, abatement~~  
4           ~~or credit the amount otherwise due the political subdivision~~  
5           ~~under subsection (a) absent the waiver or modification. This~~  
6           ~~paragraph shall not apply to business relocations due to~~  
7           ~~natural disaster.~~

8           (1) NATURAL DISASTER; ←

9           (2) UNFORESEEN INDUSTRY TRENDS; OR

10          (3) LOSS OF A MAJOR SUPPLIER OR MARKET.

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

14           (1) the date the return or other report for the tax or  
15 fee is due;

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

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

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

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

23          (b) Qualified business.--

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

28           (2) No qualified business may claim or receive an  
29 exemption, deduction, abatement or credit under this act if  
30 any person or business with a 20% or greater interest in that

1 qualified business is not in full compliance with all State  
2 and local tax laws, ordinances and resolutions.

3 (c) Later compliance and eligibility.--Any person or  
4 qualified business that is not eligible to claim an exemption,  
5 deduction, abatement or credit due to noncompliance with any  
6 State or local tax law may become eligible if that person  
7 subsequently comes into full compliance with all State and local  
8 tax laws to the satisfaction of the Department of Revenue or the  
9 political subdivision within the calendar year in which the  
10 noncompliance first occurred. If full compliance is not attained  
11 by December 31 of the calendar year in which noncompliance first  
12 occurred, then that person or qualified business is precluded  
13 from claiming any exemption, deduction, abatement or credit for  
14 that calendar year, whether or not full compliance is achieved  
15 in subsequent calendar years.

16 Section 904. Code compliance.

17 (a) General rule.--A person or qualified business shall be  
18 precluded from claiming any exemption, deduction, abatement or  
19 credit provided for in this act if that person or qualified  
20 business owns real property in a keystone opportunity zone and  
21 the real property is not in compliance with all applicable State  
22 and local zoning, building and housing laws, ordinances or codes  
23 and the real property owner has not filed an affidavit with the  
24 political subdivision attesting to compliance for that calendar  
25 year before December 31 with the political subdivision in which  
26 the real property is located.

27 (b) Opportunity to achieve compliance.--The person or  
28 qualified business who is not in compliance under subsection (a)  
29 shall have until December 31 of the calendar year following  
30 designation of the real property as part of a keystone

1 opportunity zone to be in compliance in order to claim any State  
2 exemptions, deductions, abatements or credits for that year. If  
3 full compliance is not attained by December 31 of that calendar  
4 year, the person is precluded from claiming any exemption,  
5 deduction or credit for that calendar year, whether or not  
6 compliance is achieved in a subsequent calendar year. The  
7 political subdivision may extend the time period in which a  
8 person or qualified business must come into compliance with a  
9 local ordinance or building code for a period not to exceed one  
10 year if the political subdivision determines that the person or  
11 qualified business has made and shall continue to make a good  
12 faith effort to come into compliance and that an extension will  
13 enable the person to achieve full compliance. Qualified  
14 political subdivisions are required to notify the Department of  
15 Revenue in writing of all persons or qualified businesses not in  
16 compliance with this subsection within 30 days following the end  
17 of each calendar year.

18 Section 905. Appeals.

19 A person shall be deemed to be in compliance with any State  
20 or local tax for purposes of this section if that person had  
21 made a timely administrative or judicial appeal for that  
22 particular tax or has entered into and is in compliance with a  
23 duly authorized deferred payment plan with the Department of  
24 Revenue or political subdivision for that particular tax.

## 25 CHAPTER 11

### 26 PROCEDURES FOR ZONES

27 Section 1101. Community benefits.

28 (a) Implementation grant.--The department may provide a one-  
29 time \$250,000 grant to the keystone opportunity zone to  
30 implement the opportunity plan and to provide an annual update

1 of real property ownership and other information to the  
2 Department of Revenue. The annual update shall describe progress  
3 on all proposals required as part of the opportunity plan and  
4 other information as required by the department. A separate  
5 application must be submitted to the department outlining a  
6 budget and implementation narrative. The grant shall be drawn  
7 down as needed over a period not to exceed the first five years  
8 of designation as a keystone opportunity zone. Grant funds shall  
9 be provided from the housing and redevelopment appropriations.  
10 Keystone opportunity zones shall comply with the provisions of  
11 the appropriation.

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

16 (c) Priority consideration.--Projects in keystone  
17 opportunity zones shall receive priority consideration for State  
18 assistance under State economic, community and economic  
19 development programs and community building initiatives.

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

23 (e) Education.--The Department of Education shall provide  
24 technical assistance to school districts located in or school  
25 districts having parts of their districts located in keystone  
26 opportunity zones.

27 (f) Local governments.--The Center for Local Government  
28 Services in the department shall provide technical assistance to  
29 political subdivisions relating to taxation, implementation of  
30 the opportunity plan, establishing annual benchmarks and annual



1 reporting requirements to the departments. Additionally, the  
2 Center for Local Government Services shall provide political  
3 subdivisions in keystone opportunity zones with technical  
4 assistance to encourage the implementation of best practices in  
5 achieving efficient and effective local government  
6 administration and shall coordinate activities with other  
7 departments and agencies providing various assistance to  
8 communities.

9 (g) Community-based organizations.--The department shall  
10 provide technical assistance for capacity building of existing  
11 community-based organizations dealing with socio-economic needs,  
12 housing assistance and job training in the keystone opportunity  
13 zones.

14 Section 1102. Reporting.

15 The department shall report to the General Assembly on the  
16 economic effects of this act in each keystone opportunity zone  
17 every four years.

18 Section 1103. Other Commonwealth tax credits.

19 A person or qualified business that is entitled to claim an  
20 exemption, deduction, abatement or credit in accordance with the  
21 provisions of this act shall not be entitled to claim or  
22 accumulate any of the following exemptions, deductions,  
23 abatements or credits that it may otherwise have qualified for  
24 due to activity within a keystone opportunity zone:

25 (1) Tax Reform Code of 1971:

26 (i) Article XVII relating to economic revitalization  
27 tax credits;

28 (ii) Article XVII-A relating to employment incentive  
29 payments;

30 (iii) Article XVII-B relating to research and

- 1 development tax credits; or
- 2 (iv) Article XIX-A relating to neighborhood
- 3 assistance and enterprise zone tax credits;
- 4 (2) tax credits under section 109 of the act of December
- 5 19, 1996 (P.L.1478, No.190), known as the Waste Tire
- 6 Recycling Act;
- 7 (3) homeowners mortgage credits;
- 8 (4) insurance premiums tax credits; and
- 9 (5) job creation tax credit under the act of June 29,
- 10 1996 (P.L.434, No.67), known as the Job Enhancement Act.

11 The person or qualified business may apply the exemptions,

12 deductions, abatements or credits to income realized from

13 activity or transactions outside the keystone opportunity zone,

14 but only for the taxable year to which the exemptions,

15 deductions, abatements or credits apply. The provisions of this

16 section shall apply only to the taxes set forth in Chapters 5

17 and 7.

18 ~~CHAPTER 13~~ ←

19 ~~ECONOMIC DEVELOPMENT ZONES~~

20 ~~Section 1301. Short title of chapter.~~

21 ~~This chapter shall be known and may be cited as the Economic~~

22 ~~Development Zones Act.~~

23 ~~Section 1302. Legislative findings.~~

24 ~~The General Assembly finds and declares as follows:~~

25 ~~(1) There persist in this Commonwealth areas of economic~~

26 ~~distress characterized by high unemployment, low investment~~

27 ~~of new capital, blighted conditions, obsolete or abandoned~~

28 ~~industrial or commercial structures and deteriorating tax~~

29 ~~bases.~~

30 ~~(2) The severe and persistent deterioration of these~~

1 ~~areas demands vigorous and coordinated efforts by private and~~  
2 ~~public entities to restore their prosperity and enable them~~  
3 ~~to resume significant contributions to the economic and~~  
4 ~~social life of this Commonwealth.~~

5 ~~(3) The economic revitalization of these areas requires~~  
6 ~~application of the skills and entrepreneurial vigor of~~  
7 ~~private enterprise. It is the responsibility of government to~~  
8 ~~provide a framework within which:~~

9 ~~(i) encouragement is given to private capital~~  
10 ~~investment in these areas;~~

11 ~~(ii) disincentives to investment are removed or~~  
12 ~~abated; and~~

13 ~~(iii) mechanisms are provided for the coordination~~  
14 ~~and cooperation of private and public agencies in~~  
15 ~~restoring the economic viability and prosperity of these~~  
16 ~~areas.~~

17 ~~Section 1303. Definitions.~~

18 ~~The following words and phrases when used in this chapter~~  
19 ~~shall have the meanings given to them in this section unless the~~  
20 ~~context clearly indicates otherwise:~~

21 ~~"Development zone." A zone designated by the department~~  
22 ~~under this chapter. Such a zone shall be known as a PennZone.~~

23 ~~"Fund." The Economic Development Zone Assistance Fund~~  
24 ~~established in section 1327.~~

25 ~~"Public assistance." Income maintenance funds administered~~  
26 ~~by the Department of Public Welfare or by a county assistance~~  
27 ~~office.~~

28 ~~"Qualified business." An entity authorized to do business in~~  
29 ~~this Commonwealth which meets any of the following:~~

30 ~~(1) At the time of designation as a development zone, is~~

1 ~~engaged in the active conduct of a trade or business in that~~  
2 ~~zone.~~

3 ~~(2) After that designation but during the designation~~  
4 ~~period, becomes newly engaged in the active conduct of a~~  
5 ~~trade or business in that development zone and has at least~~  
6 ~~25% of its full time employees employed at a business~~  
7 ~~location in the zone who are:~~

8 ~~(i) residents within the zone, within another zone~~  
9 ~~or within a qualifying municipality;~~

10 ~~(ii) unemployed for at least six months prior to~~  
11 ~~being hired and residing in this Commonwealth;~~

12 ~~(iii) recipients of public assistance programs for~~  
13 ~~at least six months prior to being hired; or~~

14 ~~(iv) determined to be economically disadvantaged~~  
15 ~~pursuant to the Jobs Training Partnership Act (Public Law~~  
16 ~~97-300, 29 U.S.C. § 1501 et seq.).~~

17 ~~"Qualifying municipality." Any of the following:~~

18 ~~(1) A municipality in which the municipal average annual~~  
19 ~~unemployment rate for the preceding two years exceeded the~~  
20 ~~State average annual unemployment rate.~~

21 ~~(2) A municipality which qualifies under the act of July~~  
22 ~~10, 1987 (P.L. 246, No. 47), known as the Municipalities~~  
23 ~~Financial Recovery Act.~~

24 ~~(3) At the time of designation as a development zone,~~  
25 ~~has at least 1,000 unemployed persons.~~

26 ~~The annual average of unemployed persons, the total number of~~  
27 ~~unemployed persons and the average annual unemployment rates~~  
28 ~~shall be estimated for the relevant calendar year by the~~  
29 ~~Department of Labor and Industry. For any municipality for which~~  
30 ~~the Department of Labor and Industry is unable to estimate the~~

1 ~~annual average of unemployed persons, the total number of~~  
2 ~~unemployed persons and the average annual unemployment rate, the~~  
3 ~~Department of Labor and Industry shall determine the estimate~~  
4 ~~based upon unemployment data in the most recent Federal~~  
5 ~~decennial census.~~

6 ~~"Zone."— A development zone.~~

7 ~~"Zone development corporation."— A nonprofit corporation or~~  
8 ~~association created or designated by the governing body of a~~  
9 ~~qualifying municipality to formulate and propose a preliminary~~  
10 ~~zone development plan under section 1308 and to prepare,~~  
11 ~~monitor, administer and implement the zone development plan.~~

12 ~~"Zone development plan."— A plan adopted by the governing~~  
13 ~~body of a qualifying municipality for the development of a~~  
14 ~~development zone in the municipality and for the direction and~~  
15 ~~coordination of activities of the municipality, development zone~~  
16 ~~businesses and community organizations within the development~~  
17 ~~zone toward the economic betterment of the residents of the~~  
18 ~~development zone and the municipality.~~

19 ~~"Zone neighborhood association."— A corporation or~~  
20 ~~association of persons who either are residents of or have their~~  
21 ~~principal place of employment in a municipality in which a~~  
22 ~~development zone has been designated which is organized under 15~~  
23 ~~Pa.C.S. (relating to corporations and unincorporated~~  
24 ~~associations) or other applicable law and which has for its~~  
25 ~~principal purpose the encouragement and support of community~~  
26 ~~activities within, or on behalf of, the zone so as to:~~

27 ~~(1) stimulate economic activity;~~

28 ~~(2) increase or preserve residential amenities; or~~

29 ~~(3) otherwise encourage community cooperation in~~

30 ~~achieving the goals of the zone development plan.~~

1 ~~Section 1304. Powers and duties.~~

2 ~~The department has the following powers and duties:~~

3 ~~(1) Promulgate regulations to administer this chapter.~~

4 ~~(2) Receive and evaluate applications of municipalities~~  
5 ~~for the designation of development zones.~~

6 ~~(3) Enter into discussions with applying municipalities~~  
7 ~~regarding zone development plans.~~

8 ~~(4) Act as agent of the Commonwealth with respect to~~  
9 ~~zone development plans and in determining the State furnished~~  
10 ~~components to be included in those plans.~~

11 ~~(5) Designate development zones.~~

12 ~~(6) Exercise continuing review and supervision of the~~  
13 ~~implementation of zone development plans.~~

14 ~~(7) Receive and evaluate proposals of qualifying~~  
15 ~~municipalities in which development zones are designated for~~  
16 ~~funding of projects and increased eligible municipal services~~  
17 ~~from the fund and certify annually to the State Treasurer~~  
18 ~~amounts to be paid from the fund to support approved projects~~  
19 ~~and increased eligible municipal services in development~~  
20 ~~zones.~~

21 ~~(8) Assist and represent qualifying municipalities in~~  
22 ~~negotiations with, or proceedings before, Federal or State~~  
23 ~~agencies to secure necessary or appropriate assistance,~~  
24 ~~support and cooperation in the implementation of zone~~  
25 ~~development plans in accordance with this chapter and any~~  
26 ~~other applicable Federal or State law.~~

27 ~~(9) Upon request, assist agencies of municipal~~  
28 ~~government in gathering, compiling and organizing data to~~  
29 ~~support an application for designation of a development zone~~  
30 ~~and in identifying and coordinating the elements of a zone~~

1 ~~development plan suitable for the development zone seeking to~~  
2 ~~be designated.~~

3 ~~(10) Provide assistance to State and local government~~  
4 ~~agencies relating to application for the securing of permits,~~  
5 ~~licenses and other regulatory approvals to assure~~  
6 ~~consideration and expeditious handling of regulatory~~  
7 ~~requirements of any development zone business, zone~~  
8 ~~development corporation or zone neighborhood association.~~  
9 ~~Regulatory agencies of the Commonwealth and political~~  
10 ~~subdivisions may agree to simplification, consolidation or~~  
11 ~~other liberalization of procedural requirements requested by~~  
12 ~~the department which is not inconsistent with provisions of~~  
13 ~~law.~~

14 ~~(11) Assist the Commonwealth in applying to, or entering~~  
15 ~~into negotiations or agreements with, the Federal Government~~  
16 ~~for Federal enterprise zone designations.~~

17 ~~(12) Exercise continuing review of the implementation of~~  
18 ~~this chapter and report annually to the Governor and the~~  
19 ~~General Assembly on the effectiveness of development zones in~~  
20 ~~addressing the conditions cited in this chapter, including~~  
21 ~~any recommendations for legislation to improve the~~  
22 ~~effectiveness of operation of those development zones. The~~  
23 ~~report shall be submitted annually by July 31.~~

24 ~~Section 1305. Study on fiscal impact of development zones;~~  
25 ~~contents; recommendations; submission to Governor~~  
26 ~~and General Assembly; funding for cost of study.~~

27 ~~In addition to the duties of the department required under~~  
28 ~~section 1304, the department shall also prepare a fiscal impact~~  
29 ~~study of each development zone. The study shall include an~~  
30 ~~analysis of the effects of each development zone on the local~~

~~1 economy of the area in which the zone is located and an  
2 assessment of the effectiveness of the development zones in  
3 addressing the purposes of this chapter. The study shall be  
4 completed within a reasonable time after the end of one year  
5 following the designation of the development zones. The  
6 department shall submit its study to the Governor and the  
7 General Assembly, including any recommendations for legislation  
8 to improve the effectiveness of operation of the development  
9 zones, within two years from the effective date of this section.  
10 The department shall use funds available from the account  
11 created in the name of the department in the fund for the  
12 administration of the program to pay for the cost of the study.~~

~~13 Section 1306. Economic development zones; designation;  
14 duration.~~

~~15 The department shall designate development zones from among  
16 those areas of qualifying municipalities determined to be  
17 eligible under this chapter. No more than 30 development zones  
18 shall be in effect at any one time. No more than one development  
19 zone shall be designated in any one municipality. A designation  
20 granted shall be for a period of 10 years and may be renewed for  
21 one additional ten year period. In designating development  
22 zones, the department shall seek to avoid excessive geographic  
23 concentration of development zones in any particular region of  
24 this Commonwealth. The department shall accept applications  
25 within 90 days of the effective date of the final adoption of  
26 regulations under this act. Priority consideration for initial  
27 designation of these zones by the department shall be given to  
28 zones located in qualifying municipalities that had at least  
29 1,500 unemployed persons based upon the February 1998  
30 Pennsylvania Civilian Labor Force Data by City/Borough/Township~~



~~1 of Residence as published by the Department of Labor and  
2 Industry. For any municipality for which unemployment data is  
3 not available in the February 1998 Pennsylvania Civilian Labor  
4 Force Data by City/Borough/Township of Residence as published by  
5 the Department of Labor and Industry, the Department of Labor  
6 and Industry shall determine the number of unemployed persons in  
7 that municipality based upon unemployment data in the most  
8 recent Federal decennial census.~~

~~9 Section 1307.—Zone development corporation.~~

~~10 (a) Designation.—The governing body of a qualifying  
11 municipality may, by ordinance, designate a nonprofit  
12 corporation established pursuant to the provisions of 15 Pa.C.S.  
13 (relating to corporations and unincorporated associations) to  
14 act as the zone development corporation for the municipality. A  
15 zone development corporation so designated shall include on its  
16 board of directors representatives of the government of the  
17 qualifying municipality, members of the business community, and  
18 representatives of community organizations in the municipality.  
19 The total membership of the board of directors shall be broadly  
20 representative of businesses and communities within the  
21 municipality notwithstanding the provisions of any other law to  
22 the contrary.~~

~~23 (b) Status.—A zone development corporation shall be  
24 considered to be an industrial development corporation for the  
25 purpose of receiving State financial or technical assistance as  
26 may be available. The creation of a zone development corporation  
27 shall not preclude a qualifying municipality from creating  
28 another industrial development corporation for the municipality  
29 with responsibilities not related to the development zone nor  
30 preclude that other corporation from receiving State financial~~

1 ~~or technical assistance.~~

2 ~~Section 1308. Preliminary zone development plan.~~

3 ~~Before applying for designation of a development zone, the~~  
4 ~~municipal governing body shall cause a preliminary zone~~  
5 ~~development plan to be formulated, either by a zone development~~  
6 ~~corporation or by the governing body, with the assistance of~~  
7 ~~those officers and agencies of the municipality as the governing~~  
8 ~~body may see fit. The preliminary zone development plan shall~~  
9 ~~set forth the boundaries of the proposed development zone,~~  
10 ~~findings of fact concerning the economic and social conditions~~  
11 ~~existing in the area proposed for a development zone and the~~  
12 ~~municipality's policy and intentions for addressing these~~  
13 ~~conditions. The preliminary zone development plan may include~~  
14 ~~proposals respecting:~~

15 ~~(1) Utilizing the powers conferred on the municipality~~  
16 ~~by law for the purpose of stimulating investment in and~~  
17 ~~economic development of the proposed zone.~~

18 ~~(2) Utilizing State assistance through the provisions of~~  
19 ~~this act relating to State taxes.~~

20 ~~(3) Securing the involvement in and commitment to zone~~  
21 ~~economic development by private entities, including zone~~  
22 ~~neighborhood associations, voluntary community organizations~~  
23 ~~supported by residents and businesses in the development~~  
24 ~~zone.~~

25 ~~(4) Utilizing the powers conferred by law to revise~~  
26 ~~municipal planning and zoning ordinances and other land use~~  
27 ~~regulations as they pertain to the development zone, in order~~  
28 ~~to enhance the attraction of the zone to prospective~~  
29 ~~developers.~~

30 ~~(5) Increasing the availability and efficiency of~~

1 support services, public and private, generally used by and  
2 necessary for the efficient functioning of commercial and  
3 industrial facilities in the area and the extent to which the  
4 increase or improvement is to be provided and financed by the  
5 municipal government or by other entities.

6 ~~Section 1309.— Eligibility for designation.~~

7 ~~An area defined by a continuous border within one qualifying~~  
8 ~~municipality or within two or more contiguous qualifying~~  
9 ~~municipalities and two noncontiguous areas each having a~~  
10 ~~continuous border within two noncontiguous qualifying~~  
11 ~~municipalities shall be eligible for designation as a~~  
12 ~~development zone if it meets the criteria established by the~~  
13 ~~department under this chapter relating to the incidence of~~  
14 ~~unemployment and general economic distress.~~

15 ~~Section 1310.— Priority development zones.~~

16 ~~The first areas and municipalities designated as development~~  
17 ~~zones by the department shall be those areas and municipalities~~  
18 ~~accorded priority consideration under section 1306.~~

19 ~~Section 1311.— Designation of eligible areas as development~~  
20 ~~zones.~~

21 ~~(a) General rule.— In designating eligible areas as~~  
22 ~~development zones, the department shall accord preference to~~  
23 ~~zone development plans which:~~

24 ~~(1) Have the greatest potential for success in~~  
25 ~~stimulating primarily new economic activity in the area.~~

26 ~~(2) Are designed to address the greatest degree of~~  
27 ~~distress, as measured by existing levels of unemployment,~~  
28 ~~poverty and property tax arrearages.~~

29 ~~(3) Demonstrate the most substantial and reliable~~  
30 ~~commitments of resources by zone businesses, zone~~

1 neighborhood associations, voluntary community organizations  
2 and other private entities to the economic success of the  
3 zone.

4 (4) Demonstrate the most substantial effort and  
5 commitment by the municipality to encourage economic activity  
6 in the area and to remove disincentives for job creation  
7 compatible with the fiscal condition of the municipality.

8 (b) Additional considerations. In addition to the  
9 considerations set forth in subsection (a), the department in  
10 evaluating a zone development plan for designation purposes  
11 shall consider:

12 (1) The likelihood of attracting Federal assistance to  
13 projects in the eligible area and of obtaining Federal  
14 designation of the area as an enterprise zone for Federal tax  
15 purposes.

16 (2) The adverse or beneficial effects of a development  
17 zone located at the proposed area upon economic development  
18 activities or projects of State or other public agencies or  
19 authorities which are in operation, or are approved for  
20 operation, in the qualifying municipality.

21 (3) The degree of commitment made by public and private  
22 entities to utilize minority contractors and assure equal  
23 opportunities for employment in connection with any  
24 construction or reconstruction to be undertaken in the  
25 eligible area.

26 (4) The impact of the zone development plan upon the  
27 social, natural and historic environment of the eligible  
28 area.

29 (5) The degree to which the implementation of the plan  
30 involves the relocation of residents from the eligible area

1 and the adequacy of commitments and provisions with respect  
2 thereto.

3 ~~Section 1312. Application for designation; grant or denial;  
4 adoption of ordinance of acceptance.~~

5 ~~(a) Application. A qualifying municipality may designate  
6 any area set forth in the zone development plan as a development  
7 zone. The municipality may then make written application to the  
8 department to have the area selected for Federal and State  
9 assistance offered to development zones or either type of  
10 assistance. The application shall include the zone development  
11 plan adopted for the area and any other information the  
12 department may require.~~

13 ~~(b) Review. Upon receipt of an application from the  
14 qualifying municipality, the department shall review the  
15 application to determine whether the area described in the  
16 application qualifies for State assistance under the criteria of  
17 this chapter.~~

18 ~~(c) Procedure. The department shall establish a date for  
19 the receipt of initial applications for designations under this  
20 chapter, which shall be within one year of the effective date of  
21 this section. Thereafter, the department shall complete its  
22 review within 90 days of receipt of an application, but may  
23 extend this time period by an additional 60 days if necessary.  
24 If the department denies the application, it shall inform the  
25 municipality of that fact in writing setting forth the reasons  
26 for the denial.~~

27 ~~(d) Ordinance. The designation of a development zone by the  
28 department shall take effect upon the adoption by the qualifying  
29 municipality of an ordinance accepting that designation.~~

30 ~~Section 1313. Benefits available to qualified business.~~

1 ~~A qualified business in a development zone shall be eligible~~  
2 ~~to receive those benefits authorized in sections 1314 through~~  
3 ~~1318 as determined to be applicable by the department. The~~  
4 ~~department shall state in writing to the qualifying municipality~~  
5 ~~at the time of designation its determinations as to which~~  
6 ~~benefits apply in that development zone.~~

7 ~~Section 1314. Award; eligibility of qualified business;~~  
8 ~~schedule.~~

9 ~~A qualified business shall be eligible for an award based~~  
10 ~~upon the amount of unemployment insurance tax it has paid for~~  
11 ~~those new employees who meet the criteria set forth in the~~  
12 ~~definition of "qualified business" under section 1303. The award~~  
13 ~~shall apply only to those new employees whose gross salaries are~~  
14 ~~less than \$4,500 per quarter and shall commence in the next~~  
15 ~~succeeding quarter. The award shall be based on the following~~  
16 ~~schedule:~~

17	<del>First four years in zone</del>	<del>an amount equal to 50% of the</del>
18		<del>employer's unemployment</del>
19		<del>insurance payment.</del>
20	<del>Second four years in zone</del>	<del>an amount equal to 40% of the</del>
21		<del>employer's unemployment</del>
22		<del>insurance payment.</del>
23	<del>Third four years in zone</del>	<del>an amount equal to 30% of the</del>
24		<del>employer's unemployment</del>
25		<del>insurance payment.</del>
26	<del>Fourth four years in zone</del>	<del>an amount equal to 20% of the</del>
27		<del>employer's unemployment</del>
28		<del>insurance payment.</del>
29	<del>Fifth four years in zone</del>	<del>an amount equal to 10% of the</del>
30		<del>employer's unemployment</del>

1 ~~insurance payment.~~

2 ~~Section 1315. Business tax exemption.~~

3 ~~A qualified business subject to the provisions of Article VI~~  
4 ~~of the act of March 4, 1971 (P.L.6, No.2), known as the Tax~~  
5 ~~Reform Code of 1971, employing a larger number of persons at a~~  
6 ~~place of business located within a development zone than at all~~  
7 ~~other places of business of the taxpayer within this~~  
8 ~~Commonwealth shall be exempt from the tax imposed pursuant to~~  
9 ~~Article VI of the Tax Reform Code of 1971 for a period of 20 tax~~  
10 ~~years from the date of designation of the development zone, or~~  
11 ~~for a period of 20 tax years from the date upon which the~~  
12 ~~taxpayer is first subject to the provisions of Article VI of the~~  
13 ~~Tax Reform Code of 1971, whichever date is later. The~~  
14 ~~termination of the designation of a development zone shall not~~  
15 ~~terminate the exemption provided under this section if the~~  
16 ~~exemption was granted prior to the end of the designation~~  
17 ~~period.~~

18 ~~Section 1316. Development zone employee or investment tax~~  
19 ~~credits; limitations and carryovers.~~

20 ~~Development zone employee tax credits or development zone~~  
21 ~~investment tax credits provided under this chapter shall not~~  
22 ~~reduce a taxpayer's tax liability under the act of March 4, 1971~~  
23 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971, for the tax~~  
24 ~~to which the tax credit applies in any tax year by more than 50%~~  
25 ~~of the amount otherwise due; but either employee tax credits or~~  
26 ~~investment tax credits remaining and unused in a tax year may be~~  
27 ~~carried forward by the taxpayer to the next succeeding tax year~~  
28 ~~and applied against 50% of the amount of tax otherwise due in~~  
29 ~~that succeeding tax year.~~

30 ~~Section 1317. Development zone employee tax credit;~~

1                   ~~qualifications; amount.~~

2           ~~Any qualified business subject to the provisions of Part IV~~  
3 ~~or IV A of Article III or Article IV of the act of March 4, 1971~~  
4 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971, as actively~~  
5 ~~engaged in the conduct of business from a location within a~~  
6 ~~development zone which does business at that location consisting~~  
7 ~~primarily of manufacturing or other business that is not retail~~  
8 ~~sales or warehousing oriented shall receive a development zone~~  
9 ~~employee tax credit against the amount of tax imposed under Part~~  
10 ~~IV or IV A of Article III or Article IV of the Tax Reform Code~~  
11 ~~of 1971.~~

12           ~~(1) A one time credit of \$1,500 for each new full time,~~  
13 ~~permanent employee employed at that location who:~~

14                   ~~(i) is a resident of the qualifying municipality in~~  
15 ~~which the development zone is located or of any other~~  
16 ~~qualifying municipality in which a development zone is~~  
17 ~~located; and~~

18                   ~~(ii) immediately prior to employment by the taxpayer~~  
19 ~~was unemployed for at least 90 days or was dependent upon~~  
20 ~~public assistance as the primary source of income.~~

21           ~~(2) A one time credit of \$500 for each new full time,~~  
22 ~~permanent employee employed at that location who:~~

23                   ~~(i) is a resident of a qualifying municipality in~~  
24 ~~which the development zone is located or of any other~~  
25 ~~qualifying municipality in which a development zone is~~  
26 ~~located;~~

27                   ~~(ii) does not meet the requirements of paragraph~~  
28 ~~(1); and~~

29                   ~~(iii) was not, immediately prior to employment by~~  
30 ~~the taxpayer, employed at a location within the~~



1           ~~qualifying municipality.~~

2           ~~(3) A qualified business which is not entitled to an~~  
3           ~~employee tax credit under this section but which meets the~~  
4           ~~eligibility criteria under section 1325(3) shall receive a~~  
5           ~~one time credit in an amount equal to 8% of each new~~  
6           ~~investment made by the qualified business in the development~~  
7           ~~zone under an agreement approved by the department. This~~  
8           ~~credit shall be applied against the taxpayer's tax liability~~  
9           ~~under Part IV or IV A of Article III or Article IV subject to~~  
10          ~~the limitations and carryforward provisions set forth in~~  
11          ~~section 1316. A qualified business may not claim an employee~~  
12          ~~tax credit and an investment tax credit authorized under this~~  
13          ~~paragraph in the same year, regardless of whether those~~  
14          ~~credits were earned for the tax year or carried forward from~~  
15          ~~a previous year.~~

16          ~~(4) The development zone employee tax credit shall be~~  
17          ~~allowed in the tax year immediately following the tax year in~~  
18          ~~which the new full time, permanent employee was first~~  
19          ~~employed by the taxpayer and shall be permitted in any tax~~  
20          ~~year of a 20 year period from the date of designation of the~~  
21          ~~development zone or of a period of 20 tax years from the date~~  
22          ~~within that designation period upon which the taxpayer is~~  
23          ~~first subject to the provisions of Part IV or IV A of Article~~  
24          ~~III or Article IV of the Tax Reform Code of 1971, whichever~~  
25          ~~date is later. The termination of the designation of a~~  
26          ~~development zone shall not terminate the eligibility period~~  
27          ~~provided under this section.~~

28          ~~(5) A tax credit shall be permitted under this section~~  
29          ~~only for those new full time, permanent employees who have~~  
30          ~~been employed for at least six continuous months by the~~

1 ~~taxpayer during the tax year for which the tax credit is~~  
2 ~~claimed.~~

3 ~~(6) A newly employed employee shall not be deemed a new~~  
4 ~~full time, permanent employee for the purposes of this~~  
5 ~~section unless the total number of full time, permanent~~  
6 ~~employees, including the newly employed employee, employed by~~  
7 ~~the employer in the development zone during the calendar year~~  
8 ~~exceeds the greatest number of full time, permanent employees~~  
9 ~~employed in the development zone by the employer during any~~  
10 ~~prior calendar year during the period commencing with the~~  
11 ~~date of development zone designation.~~

12 ~~Section 1318. Sales and use tax.~~

13 ~~(a) General rule. Except as set forth in subsection (b),~~  
14 ~~retail sales of tangible personal property and sales of services~~  
15 ~~to a qualified business for the exclusive use or consumption of~~  
16 ~~such business within a development zone are exempt from the~~  
17 ~~taxes imposed under section 202 of the act of March 4, 1971~~  
18 ~~(P.L.6, No.2), known as the Tax Reform Code of 1971.~~

19 ~~(b) Exception. Subsection (a) does not apply to retail~~  
20 ~~sales of any of the following:~~

21 ~~(1) Motor vehicles the sale of which is otherwise~~  
22 ~~taxable under Article II of the Tax Reform Code of 1971.~~

23 ~~(2) "Liquor" or "malt or brewed beverages" as defined in~~  
24 ~~section 102 of the act of April 12, 1951 (P.L.90, No.21),~~  
25 ~~known as the Liquor Code.~~

26 ~~(3) "Cigarettes" as defined in section 1201 of the Tax~~  
27 ~~Reform Code of 1971.~~

28 ~~(4) Utility services.~~

29 ~~(5) Telecommunications services.~~

30 ~~(6) Energy.~~

1 ~~Section 1319. Partial exemption; certification; disposition of~~  
2 ~~revenue.~~

3 ~~(a) Partial exemption.~~

4 ~~(1) Except as set forth in paragraph (2), retail sales~~  
5 ~~made by a certified vendor from a place of business owned or~~  
6 ~~leased and regularly operated by the vendor for the purpose~~  
7 ~~of making retail sales and located in a development zone are~~  
8 ~~exempt from 50% of the tax imposed by section 202 of the act~~  
9 ~~of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code~~  
10 ~~of 1971.~~

11 ~~(2) Paragraph (1) does not apply to retail sales of any~~  
12 ~~of the following:~~

13 ~~(i) Motor vehicles the sale of which is otherwise~~  
14 ~~taxable under Article II of the Tax Reform Code of 1971.~~

15 ~~(ii) "Liquor" or "malt or brewed beverages" as~~  
16 ~~defined in section 102 of the act of April 12, 1951~~  
17 ~~(P.L.90, No.21), known as the Liquor Code.~~

18 ~~(iii) "Cigarettes" as defined in section 1201 of the~~  
19 ~~Tax Reform Code of 1971.~~

20 ~~(iv) Manufacturing machinery, equipment or~~  
21 ~~apparatus.~~

22 ~~(v) Energy. (b) Certification. Any vendor that is~~  
23 ~~a qualified business having a place of business located in a~~  
24 ~~development zone may apply to the Department of Revenue for~~  
25 ~~certification under this section. The Department of Revenue~~  
26 ~~shall certify a vendor if it finds that the vendor owns or~~  
27 ~~leases and regularly operates a place of business located in~~  
28 ~~the development zone for the purpose of making retail sales,~~  
29 ~~that items are regularly exhibited and offered for retail~~  
30 ~~sale at that location and that the place of business is not~~

1 utilized primarily for the purpose of catalog or mail order  
2 sales. The certification under this section shall remain in  
3 effect during the time the business retains its status as a  
4 qualified business meeting the eligibility criteria of  
5 section 1325. The Department of Revenue may revoke a  
6 certification granted under this section if it determines  
7 that the vendor no longer complies with the provisions of  
8 this section notwithstanding any other provisions of law to  
9 the contrary.

10 ~~(c) Disposition of revenue.—~~

11 ~~(1) After first depositing 10% of the gross amount of~~  
12 ~~revenue received from the taxation of retail sales made by~~  
13 ~~certified vendors from business locations in development~~  
14 ~~zones to which the exemption under subsection (a) applies~~  
15 ~~into the account created in the name of the department in the~~  
16 ~~fund, pursuant to section 1327, the remaining 90% shall be~~  
17 ~~deposited immediately upon collection by the Treasury~~  
18 ~~Department, as follows:~~

19 ~~(i) In the first five year period during which the~~  
20 ~~Commonwealth has collected reduced rate revenues within a~~  
21 ~~development zone, all of that revenue shall be deposited~~  
22 ~~in the fund.~~

23 ~~(ii) In the second five year period during which the~~  
24 ~~Commonwealth has collected reduced rate revenues within a~~  
25 ~~development zone, 66 2/3% of that revenue shall be~~  
26 ~~deposited in the fund; and 33 1/3% shall be deposited in~~  
27 ~~the General Fund.~~

28 ~~(iii) In the third five year period during which the~~  
29 ~~Commonwealth has collected reduced rate revenues within a~~  
30 ~~development zone, 33 1/3% of that revenue shall be~~

1           ~~deposited in the fund; and 66 2/3% shall be deposited in~~  
2           ~~the General Fund.~~

3           ~~(iv) In the final period, of the lesser of five~~  
4           ~~years or the existence of the development zone during~~  
5           ~~which the Commonwealth has collected reduced rate~~  
6           ~~revenues within a development zone, all of that revenue~~  
7           ~~shall be deposited in the General Fund.~~

8           ~~(2) No development zone shall receive the deposit~~  
9           ~~benefit granted by any one subparagraph of paragraph (1) for~~  
10          ~~more than five cumulative years.~~

11          ~~(3) The revenues required to be deposited in the fund~~  
12          ~~under this section shall be used for the purposes of that~~  
13          ~~fund and for the uses prescribed in section 1327, subject to~~  
14          ~~annual appropriations being made for those purposes and uses.~~

15          ~~(d) Alternate disposition of revenue. If the partial~~  
16          ~~exemption provided in this section cannot take effect because of~~  
17          ~~the judgment of a court of competent jurisdiction holding it~~  
18          ~~unconstitutional, 50% of the gross amount of revenue received~~  
19          ~~from the taxation of retail sales made by certified vendors from~~  
20          ~~business locations in development zones to which the exemption~~  
21          ~~would have otherwise applied shall be deposited in the fund in~~  
22          ~~the amounts and for the purposes provided in this chapter.~~

23          ~~Section 1320. Regulations.~~

24          ~~(a) Department of Revenue. The Department of Revenue shall~~  
25          ~~promulgate regulations as necessary to effectuate the provisions~~  
26          ~~of sections 1315 through 1319, and sections 1325 and 1327.~~

27          ~~(b) Department. The department shall promulgate regulations~~  
28          ~~as may be necessary to effectuate the provisions of section~~  
29          ~~1314.~~

30          ~~Section 1321. State financing assistance; priority to project~~

1 ~~in municipality with development zone.~~

2 ~~Notwithstanding any provisions of the act of May 17, 1956~~  
3 ~~(1955 P.L.1609, No.537), known as the Pennsylvania Industrial~~  
4 ~~Development Authority Act or any other act to the contrary,~~  
5 ~~projects which are otherwise eligible under the Pennsylvania~~  
6 ~~Industrial Development Authority Act or other statute, but which~~  
7 ~~are located in a municipality in which there is a development~~  
8 ~~zone designated, shall, upon the written recommendation of the~~  
9 ~~department, be accorded priority and the lowest interest rate~~  
10 ~~provided over other eligible projects in receiving assistance~~  
11 ~~from the Pennsylvania Industrial Development Authority or from~~  
12 ~~any agency or authority.~~

13 ~~Section 1322. Skill training programs; delivery.~~

14 ~~The Department of Labor and Industry and the Department of~~  
15 ~~Education shall jointly develop and coordinate the delivery of~~  
16 ~~skill training programs necessary to meet the needs of~~  
17 ~~qualifying businesses.~~

18 ~~Section 1323. Regulations; exemption of development zones.~~

19 ~~In order to carry out the purposes of this chapter, any~~  
20 ~~Commonwealth or local agency may exempt designated development~~  
21 ~~zones from the provisions of any regulation promulgated by that~~  
22 ~~entity or agency, upon finding by the agency that the exemption~~  
23 ~~would not endanger the health and safety of the citizens of this~~  
24 ~~Commonwealth.~~

25 ~~Section 1324. Review of State regulations by department.~~

26 ~~The department shall conduct a continuing review of all~~  
27 ~~Commonwealth regulations and shall recommend to the appropriate~~  
28 ~~administrative bodies including the Independent Regulatory~~  
29 ~~Review Commission the modification or waiver of regulations~~  
30 ~~promulgated by that agency in order to contribute to the~~

1 ~~implementation of this chapter.~~

2 ~~Section 1325. Eligibility for incentives by qualified business.~~

3 ~~To be eligible for any of the incentives provided under this~~  
4 ~~act, a qualified business must demonstrate to the satisfaction~~  
5 ~~of the department that:~~

6 ~~(1) The business will create new employment in the~~  
7 ~~municipality.~~

8 ~~(2) The business will not create unemployment in other~~  
9 ~~areas of this Commonwealth, including the municipality in~~  
10 ~~which the zone is located.~~

11 ~~(3) For the purposes of eligibility for the incentives~~  
12 ~~provided under sections 1315, 1317, 1318 and 1319, a~~  
13 ~~qualified business shall not be required to meet the~~  
14 ~~requirements of paragraph (1) if all of the following apply:~~

15 ~~(i) At the time of designation of the development~~  
16 ~~zone or at the time zone designation is extended by~~  
17 ~~expansion to the location of a business, the qualified~~  
18 ~~business had been engaged in the active conduct of a~~  
19 ~~trade or business in that zone or in the added area of~~  
20 ~~that zone for at least one year.~~

21 ~~(ii) The qualified business employs fewer than 50~~  
22 ~~employees.~~

23 ~~(iii) The qualified business has entered into an~~  
24 ~~agreement, approved by the department, with the governing~~  
25 ~~body of the qualifying municipality in which the~~  
26 ~~development zone is located under which the qualified~~  
27 ~~business agrees to undertake an investment in the~~  
28 ~~development zone in lieu of the employment of new~~  
29 ~~employees. An investment under this subparagraph must be~~  
30 ~~in an amount and of a nature which the municipal~~

1 governing body and the department find contribute  
2 substantially to the economic attractiveness of the  
3 development zone. An investment under this subparagraph  
4 includes all of the following:

5 (A) Improvement of the exterior appearance or  
6 customer facilities of the property constituting the  
7 place of business of the qualified business within  
8 the zone if the improvement is of a permanent nature  
9 and not required to meet existing ordinances or code  
10 regulations.

11 (B) Purchase of equipment by the qualified  
12 business if the equipment is to be used exclusively  
13 in the development zone.

14 (C) Monetary contributions to the qualifying  
15 municipality to undertake improvements to increase  
16 the safety or attractiveness of the zone to  
17 businesses which may wish to locate there or to  
18 consumer visitors to the zone. This clause includes  
19 litter cleanup and control; landscaping; parking  
20 areas and facilities; recreational and rest areas and  
21 facilities; repair or improvements to public streets,  
22 curbing, sidewalks and pedestrian thoroughfares;  
23 street lighting; and increased police, fire or  
24 sanitation services in the development zone.

25 (4) In order to meet the requirement of paragraph  
26 (3)(iii), if the qualified business employs less than 11  
27 individuals, an investment must be in an amount of at least  
28 \$5,000, if the qualified business employs more than ten  
29 individuals, an investment must be in an amount of at least  
30 the number of individuals employed times \$500. A qualified



1 ~~business must make an investment for each year the qualified~~  
2 ~~business does not meet the requirements of paragraph (1). In~~  
3 ~~order to receive the incentives permitted by this section,~~  
4 ~~the business must provide written evidence of the investment~~  
5 ~~to the department.~~

6 ~~Section 1326. Qualified business recipient of benefits; annual~~  
7 ~~certification.~~

8 ~~(a) Requirement. A firm that receives any benefits set~~  
9 ~~forth in sections 1314 through 1322 shall annually certify to~~  
10 ~~the department that it is a qualified business.~~

11 ~~(b) Penalty.—~~

12 ~~(1) A firm may not do any of the following:~~

13 ~~(i) Fail to make the certification under subsection~~  
14 ~~(a).~~

15 ~~(ii) Intentionally falsify data in the certification~~  
16 ~~under subsection (a).~~

17 ~~(2) A firm that violates paragraph (1) commits a~~  
18 ~~misdemeanor of the second degree and shall, upon conviction,~~  
19 ~~be sentenced to pay a fine in the amount of not more than~~  
20 ~~\$5,000 or to imprisonment of not more than two years, or~~  
21 ~~both.~~

22 ~~Section 1327. Fund.~~

23 ~~(a) Establishment. There is hereby established the Economic~~  
24 ~~Development Zone Assistance Fund to be held by the State~~  
25 ~~Treasurer. The fund shall be the repository for all money~~  
26 ~~required to be deposited under section 1319 and money~~  
27 ~~appropriated annually to the fund. All money deposited in the~~  
28 ~~fund shall be held and disbursed in the amounts necessary to~~  
29 ~~fulfill the purposes of this section. The State Treasurer may~~  
30 ~~invest and reinvest any money in the fund in legal obligations~~

1 ~~of the United States or of the Commonwealth or of any political~~  
2 ~~subdivision. Any income from money so invested or reinvested~~  
3 ~~shall be included in the fund. The State Treasurer shall~~  
4 ~~maintain separate accounts for each development zone designated~~  
5 ~~under this chapter and one separate account in the department's~~  
6 ~~name for the administration of the Economic Development Zone~~  
7 ~~Program. The State Treasurer shall credit to each account an~~  
8 ~~amount of the money deposited in the fund proportionate to the~~  
9 ~~amount of revenue collected from the taxation of retail sales~~  
10 ~~made in the zone and appropriated to the development zone~~  
11 ~~assistance fund or an amount of money appropriated to the fund~~  
12 ~~and required to be credited to the development zone account of~~  
13 ~~the qualifying municipality under section 1319. The State~~  
14 ~~Treasurer shall promulgate regulations necessary to govern the~~  
15 ~~administration of the fund for the purposes of this section.~~

16 ~~(b) Use. The fund shall be used for the purpose of~~  
17 ~~assisting qualifying municipalities in which development zones~~  
18 ~~are designated in undertaking public improvements and economic~~  
19 ~~development projects and in upgrading eligible municipal~~  
20 ~~services in development zones.~~

21 ~~(c) Proposal. The governing body of a qualifying~~  
22 ~~municipality in which a development zone is located and the zone~~  
23 ~~development corporation created or designated by the~~  
24 ~~municipality for that development zone may, by resolution~~  
25 ~~jointly adopted after public hearing, propose to undertake a~~  
26 ~~project for the public improvement of the development zone or to~~  
27 ~~increase eligible municipal services in the development zone and~~  
28 ~~to fund that project or increase eligible municipal services~~  
29 ~~from money deposited in the fund and credited to the account~~  
30 ~~maintained by the State Treasurer for the development zone. The~~

1 ~~proposal must set forth a plan for the project or for the~~  
2 ~~increase in eligible municipal services and must include all of~~  
3 ~~the following:~~

4 ~~(1) A description of the proposed project or of the~~  
5 ~~municipal services to be increased.~~

6 ~~(2) An estimate of the total project costs, or of the~~  
7 ~~total costs of increasing the municipal services, and an~~  
8 ~~estimate of the amounts of funding necessary annually from~~  
9 ~~the development zone account.~~

10 ~~(3) A statement of any other revenue sources to be used~~  
11 ~~to finance the project or to fund the increase in eligible~~  
12 ~~municipal services.~~

13 ~~(4) A statement of the time necessary to complete the~~  
14 ~~project or of the time during which the increased municipal~~  
15 ~~services are to be maintained.~~

16 ~~(5) A statement of the manner in which the proposed~~  
17 ~~project or increase in municipal services furthers the~~  
18 ~~municipality's policy and intentions for addressing the~~  
19 ~~economic and social conditions existing in the area of the~~  
20 ~~development zone as set forth in the zone development plan~~  
21 ~~approved by the department.~~

22 ~~(6) A description of the financial and programmatic~~  
23 ~~controls and reporting mechanisms to be used to guarantee~~  
24 ~~that the funds will be spent in accordance with the plan and~~  
25 ~~that the project or increased municipal service will~~  
26 ~~accomplish its purpose.~~

27 ~~(d) Proposal approval. Upon adoption by the governing body~~  
28 ~~of the qualifying municipality and by the zone development~~  
29 ~~corporation, the proposal shall be sent to the department for~~  
30 ~~its evaluation and approval. The department shall approve the~~

1 ~~proposal if it finds all of the following:~~

2 ~~(1) In the case of a project, that the proposed project~~  
3 ~~furtheres the policy and intentions of the zone development~~  
4 ~~plan approved by the department and that the estimated annual~~  
5 ~~payments for the project from the development zone account to~~  
6 ~~which the proposal pertains are not likely to result in a~~  
7 ~~deficit in that account.~~

8 ~~(2) In the case of an increase in eligible municipal~~  
9 ~~services, that the proposed project furtheres the policy and~~  
10 ~~intentions of the zone development plan approved by the~~  
11 ~~department; that the qualifying municipality has furnished~~  
12 ~~satisfactory assurances that the additional policemen or~~  
13 ~~firemen to be hired or the additional vehicles, equipment or~~  
14 ~~apparatus to be purchased or leased shall be used to augment~~  
15 ~~or upgrade public safety in the development zone and shall~~  
16 ~~not be used in other areas of the municipality; that the~~  
17 ~~qualifying municipality shall annually appropriate for the~~  
18 ~~increased eligible municipal services an amount equal to 20%~~  
19 ~~of the amount of annual payments for the eligible municipal~~  
20 ~~services from the development zone account and shall not~~  
21 ~~request for the increased eligible municipal services an~~  
22 ~~amount equal to more than 35% of the amount of annual~~  
23 ~~payments into the development zone account; and that the~~  
24 ~~estimated annual payments for the eligible municipal services~~  
25 ~~from the development zone account to which the proposal~~  
26 ~~pertains are not likely to result in a deficit in that~~  
27 ~~account.~~

28 ~~(c) Certification. If the department approves the proposal,~~  
29 ~~it shall annually, upon its receipt of a written statement from~~  
30 ~~the governing body of the qualifying municipality and the zone~~

1 ~~development corporation, certify to the State Treasurer the~~  
2 ~~amount to be paid in that year from the development zone account~~  
3 ~~in the fund with respect to each project or increase in eligible~~  
4 ~~municipal services approved. The department may revoke approval~~  
5 ~~of a project or an increase in eligible municipal services if it~~  
6 ~~finds that the annual payments made from the fund are not being~~  
7 ~~used as required by this section.~~

8 ~~(f) Payment. Upon certification by the department of the~~  
9 ~~annual amount to be paid to a qualifying zone with respect to~~  
10 ~~any project or increase in eligible municipal services, the~~  
11 ~~State Treasurer shall pay in each year to the qualifying~~  
12 ~~municipality the amount certified, within the limits of the~~  
13 ~~amounts credited to the development zone account of the~~  
14 ~~qualifying municipality.~~

15 ~~(g) Administration. An amount not to exceed one third of~~  
16 ~~the amount deposited in the account created in the name of the~~  
17 ~~department in the fund shall be used by the department for the~~  
18 ~~coordination and administration of the program throughout this~~  
19 ~~Commonwealth, including costs for personnel, operating expenses~~  
20 ~~and marketing. The balance of the remaining amount shall be~~  
21 ~~distributed to qualifying municipalities in proportion to each~~  
22 ~~municipality's contribution to the fund for the coordination and~~  
23 ~~administration of the program within the municipality, including~~  
24 ~~costs for personnel, operating expenses and marketing.~~

25 ~~(h) Definitions. As used in this section, the following~~  
26 ~~words and phrases shall have the meanings given to them in this~~  
27 ~~subsection:~~

28 ~~"Eligible municipal services." The hiring of additional~~  
29 ~~police officers or firefighters assigned duties in the~~  
30 ~~development zone or the purchasing or leasing of additional~~

1 ~~police or fire vehicles, equipment or apparatus to be used for~~  
2 ~~the provision of augmented or upgraded public safety services in~~  
3 ~~the development zone and its immediate vicinity.~~

4 ~~"Project." An activity funded by the fund through the~~  
5 ~~qualified municipality and implemented by the zone development~~  
6 ~~corporation. The term includes all of the following:~~

7 ~~(1) Purchasing, leasing, condemning or otherwise~~  
8 ~~acquiring of land or other property in the development zone~~  
9 ~~or as necessary for a right of way or other easement to or~~  
10 ~~from the development zone; relocating and moving of persons~~  
11 ~~or businesses displaced by the acquisition of land or~~  
12 ~~property.~~

13 ~~(2) Rehabilitation and redevelopment of land or~~  
14 ~~property. This paragraph includes demolition, clearance,~~  
15 ~~removal, relocation, renovation, alteration, construction,~~  
16 ~~reconstruction, installation or repair of land or any~~  
17 ~~building, street, highway, alley, utility, service or other~~  
18 ~~structure or improvement which will lead to increased~~  
19 ~~economic activity within the development zone.~~

20 ~~(3) Acquisition, construction, reconstruction,~~  
21 ~~rehabilitation or installation of public facilities and~~  
22 ~~improvements, except buildings and facilities for the general~~  
23 ~~conduct of government and schools.~~

24 ~~(4) Establishment of revolving loan or grant programs~~  
25 ~~for qualified businesses in the zone to encourage private~~  
26 ~~investment and job creation.~~

27 ~~(5) Establishment of matching grant programs for the~~  
28 ~~establishment or operation of pedestrian malls, special~~  
29 ~~improvement districts and tax increment districts or other~~  
30 ~~appropriate entity.~~

~~(6) The costs associated with activities under paragraphs (1) through (5), including the costs of administrative appraisals, economic and environmental analyses, environmental remediation, engineering, planning, design, architecture, surveying or other professional or managerial services necessary to effectuate the project.~~

~~Section 1328. Constitutionality.~~

~~It is the intention of the General Assembly that, if this chapter cannot take effect in its entirety because of the judgment of any court of competent jurisdiction holding unconstitutional any part or parts thereof, the remaining provisions of this chapter shall be given full force and effect, as completely as if the part or parts held unconstitutional had not been included in this chapter. It is the intention of the General Assembly that, if any court of competent jurisdiction shall hold unconstitutional any provision of this chapter providing for tax exemption or special tax provision, that unconstitutional provision shall become inoperative until such time as it is constitutional. The remaining tax exemptions and special tax provisions of this act shall in any such case be given full force and effect.~~

~~CHAPTER 21~~

~~CHAPTER 13~~ <—

MISCELLANEOUS PROVISIONS

~~Section 2101~~ 1301. Illegal activity. <—

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

1 Section ~~2102~~ 1302. Rules and regulations. <—

2 The Department of Revenue shall promulgate such rules and  
3 regulations as may be necessary to effectuate the provisions of  
4 this act. The department shall promulgate such rules and  
5 regulations as may be necessary to effectuate the provisions of  
6 this act.

7 Section ~~2103~~ 1303. Compliance. <—

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

12 Section ~~2104~~ 1304. Penalties. <—

13 (a) Civil penalty.--

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

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

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

27 Section ~~2105~~ 1305. Construction. <—

28 This act shall be interpreted to ensure that all provisions  
29 relating to State and local tax exemptions, deductions,  
30 abatements and credits are strictly construed in favor of the



1 Commonwealth.

2 Section ~~2106~~ 1306. Applicability. <—

3 The provisions of this act shall be applied prospectively. No  
4 person or business may claim any exemption, deduction, abatement  
5 or credit until that person or business becomes qualified under  
6 this act, and, in the case of a business, receives certification  
7 from the department that the business is qualified.

8 Section ~~2107~~ 1307. Severability. <—

9 The provisions of this act are severable. If any provision of  
10 this act or its application to any person or circumstance is  
11 held invalid, the invalidity shall not affect other provisions  
12 or applications of this act which can be given effect without  
13 the invalid provision or application.

14 Section ~~2108~~ 1308. Repeals. <—

15 All acts and parts of acts are repealed insofar as they are  
16 inconsistent with this act.

17 Section ~~2109~~ 1309. Expiration. <—

18 ~~Except for Chapter 13 and this chapter, this~~ THIS act and all <—  
19 benefits associated with this act shall terminate December 31,  
20 2010.

21 Section ~~2110~~ 1310. Effective date. <—

22 This act shall take effect immediately.