

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2498 Session of
2000

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YOUNGBLOOD, PIPPY, HORSEY, MARSICO, THOMAS, MANN AND
WASHINGTON, MAY 2, 2000

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
OCTOBER 11, 2000

AN ACT

1 Amending the act of October 6, 1998 (P.L.705, No.92), entitled
2 "An act providing for the creation of keystone opportunity
3 zones to foster economic opportunities in this Commonwealth,
4 to facilitate economic development, stimulate industrial,
5 commercial and residential improvements and prevent physical
6 and infrastructure deterioration of geographic areas within
7 this Commonwealth; authorizing expenditures; providing tax
8 exemptions, tax deductions, tax abatements and tax credits;
9 creating additional obligations of the Commonwealth and local
10 governmental units; and prescribing powers and duties of
11 certain State and local departments, agencies and officials,"
12 providing for keystone opportunity expansion zones and
13 related matters and for authorized expenditures; further
14 providing for additional tax exemptions, tax deductions, tax
15 abatements and tax credits; and making a repeal.

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

18 Section 1. The title of the act of October 6, 1998 (P.L.705,
19 No.92), known as the Pennsylvania Keystone Opportunity Zone Act,
20 is amended to read:

21 AN ACT

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

12 Section 2. Sections 101, 102, 103 and 301 of the act are
13 amended to read:

14 Section 101. Short title.

15 This act shall be known and may be cited as the
16 [Pennsylvania] Keystone Opportunity Zone and Keystone
17 Opportunity Expansion Zone Act.

18 Section 102. Legislative findings.

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

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

29 (3) Long-term economic viability of these areas requires
30 the cooperative involvement of residents, businesses, State

1 and local elected officials and community organizations. It
2 is in the best interest of the Commonwealth to assist and
3 encourage the creation of keystone opportunity zones and
4 keystone opportunity expansion zones and to provide temporary
5 relief from certain taxes within the [keystone opportunity]
6 zones to accomplish the purposes of this act.

7 Section 103. Definitions.

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

11 "Business." An association, partnership, corporation, sole
12 proprietorship, limited liability [corporation] company or
13 employer.

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

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

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

28 "Institution."

29 (1) Every bank operating as such and having capital
30 stock which is incorporated under any law of this

1 Commonwealth, under the law of the United States or under the
2 law of any other jurisdiction and is located within this
3 Commonwealth.

4 (2) Every operating company having capital stock located
5 within this Commonwealth having any of the powers of
6 companies entitled to the benefits of section 29 of the act
7 of April 29, 1874 (P.L.73, No.32), entitled "An act to
8 provide for the incorporation and regulation of certain
9 corporations," and any supplements thereto and under the act
10 of June 27, 1895 (P.L.399, No.286), entitled "An act
11 conferring upon certain fidelity, insurance, safety deposit,
12 trust and savings companies the powers and privileges of
13 companies incorporated under the provisions of section
14 twenty-nine of an act, entitled 'An act to provide for the
15 incorporation and regulation of certain corporations,'
16 approved April twenty-ninth, Anno Domini one thousand eight
17 hundred and seventy-four, and of the supplements thereto."

18 (3) Every company organized and operating as a bank and
19 trust company or as a trust company having capital stock
20 located in this Commonwealth, whether the institution is
21 incorporated under any law of this Commonwealth, the law of
22 the United States or any law of any jurisdiction. The term
23 shall not include any of such companies, all of the shares of
24 capital stock of which, other than shares necessary to
25 qualify directors, are owned by a company which is liable to
26 pay to the Commonwealth a tax pursuant to Article VII of the
27 Tax Reform Code of 1971.

28 (4) A mutual thrift institution.

29 "Insurance company." Every insurance company, association or
30 exchange, incorporated or organized by or under the laws of this

Commonwealth, the United States, territories, dependencies,
other states or foreign governments, and engaged in transacting
insurance business of any kind or classification within this
Commonwealth, except title insurance companies subject to tax
under Article VIII or XVI of the Tax Reform Code of 1971, as the
case may be, except purely mutual beneficial associations whose
funds for the benefit of members and families or heirs are made
up entirely of the weekly, monthly, quarterly, semiannual or
annual contributions to their members and the accumulated
interest thereon and corporations organized under the former act
of June 21, 1937 (P.L.1948, No.378), known as the Nonprofit
Hospital Plan Act, and under the former act of June 27, 1939
(P.L.1125, No.399), known as the Nonprofit Medical, Osteopathic,
Dental and Podiatry Service Corporation Act.

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

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

"Metropolitan statistical area." A core area containing a
city with a population of 50,000 or more or a Bureau of Census
defined urbanized area of 50,000 with a total metropolitan
population of at least 100,000.

"Mutual thrift institution." Every:

1 (1) Savings bank without capital stock.

2 (2) Building and loan association.

3 (3) Savings and loan association.

4 (4) Savings institution having capital stock.

5 whether the mutual thrift institution is incorporated under any
6 law of this Commonwealth or under the law of the United States,
7 or is incorporated under the law of any other jurisdiction and
8 is located within this Commonwealth.

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

11 "Person." Any natural person.

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

15 "Qualified business." [Any business] A business authorized
16 to do business in this Commonwealth that is located or partially
17 located within a keystone opportunity zone or keystone
18 opportunity expansion zone and is engaged in the active conduct
19 of a trade or business in accordance with the requirements of
20 section 307. An agent, broker or representative of a business is
21 not engaged in the active conduct of trade or business for the
22 business.

23 "Qualified political subdivision." A political subdivision
24 [that has been designated as] that has real property within its
25 jurisdiction which has been designated by the department as a
26 keystone opportunity zone or keystone opportunity expansion
27 zone.

28 "Resident." A person who is domiciled and resides in an area
29 that is designated a keystone opportunity zone or keystone
30 opportunity expansion zone and who meets the requirements of

1 section 306.

2 "Subzone." A clearly defined geographic area containing a
3 minimum of 20 contiguous acres or a minimum of ten contiguous
4 acres in a rural area.

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

8 Section 301. Keystone opportunity zones.

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

14 (b) [Designation] Zone designation.--The department shall
15 designate not more than 12 keystone opportunity zones in this
16 Commonwealth. Persons and businesses within a designated
17 keystone opportunity zone that are qualified under this act
18 shall be entitled to all tax exemptions, deductions, abatements
19 or credits set forth in this act for a period not to exceed [12]
20 15 years beginning January 1, 1999, and ending on or before
21 December 31, [2010] 2013.

22 (c) [Subzones] Subzone designation.--A keystone opportunity
23 zone may be comprised of up to 12 clearly defined subzones
24 [containing a minimum of 20 contiguous acres each. The subzones
25 may or may not be contiguous to each other]. The total number of
26 [subzones] subzone acres in a keystone opportunity zone shall
27 not exceed 5,000 acres in the aggregate. [The department may
28 approve the use of a subzone containing a minimum of ten acres
29 in an area that is not included in a metropolitan statistical
30 area.]

1 (d) Authorization for local tax exemption.--Every political
2 subdivision within which a proposed keystone opportunity zone is
3 located, whether in whole or in part, is hereby authorized to
4 provide tax exemptions, deductions, abatements or credits to
5 persons and businesses qualified under this act. The political
6 subdivision shall agree to provide exemptions, deductions,
7 abatements or credits from all local taxes set forth in this act
8 in order to qualify to be designated a keystone opportunity zone
9 within that political subdivision. Except as provided in section
10 303(e), the exemptions, deductions, abatements or credits shall
11 be effective January 1, 1999, if designation of a keystone
12 opportunity zone within the political subdivision is granted by
13 the department. The exemptions, deductions, abatements or
14 credits shall be binding upon the political subdivision for the
15 duration of the keystone opportunity zone designation.

16 (e) Authorization to extend State and local tax exemption.--
17 A qualified political subdivision which does not provide for the
18 exemptions, deductions, abatements or credits set forth in this
19 act for a period of 15 years, ending December 31, 2013, may
20 receive departmental approval to extend the State and local tax
21 relief provided by this act for the period ending December 31,
22 2013, provided all qualified political subdivisions within the
23 keystone opportunity zone agree to extend the State and local
24 tax relief provided by this act for the period ending December
25 31, 2013. A qualified political subdivision having an approved
26 keystone opportunity subzone within its jurisdiction shall pass
27 the required ordinance, resolutions or other required action of
28 the qualified political subdivision for the necessary
29 exemptions, deductions, abatements or credits pursuant to this
30 act for the period beginning after December 31, 2008, and ending

1 on December 31, 2013, and shall submit copies to the department
2 of the ordinance, resolutions or other action by June 30, 2001.
3 The department shall approve or deny the request for extension
4 of duration of a keystone opportunity zone by July 31, 2001, and
5 shall provide written notice, irrespective of whether approved
6 or denied, to each qualified political subdivision, resident and
7 qualified business affected. Upon approval of a request for
8 extension of duration of a keystone opportunity zone, the
9 exemptions, deductions, abatements or credits shall be binding
10 upon the qualified political subdivision as provided in
11 subsection (d) and shall be nonrevocable.

12 Section 3. The act is amended by adding a section to read:
13 Section 301.1. Keystone opportunity expansion zones.

14 (a) Establishment.--There is hereby established within the
15 department a program providing for the designation of portions
16 of this Commonwealth as keystone opportunity expansion zones. A
17 keystone opportunity expansion zone shall be comprised of
18 deteriorated property and shall not exceed a total of 1,500
19 acres.

20 (b) Designation.--The department shall designate not more
21 than 12 keystone opportunity expansion zones in this
22 Commonwealth. Persons and businesses within a designated
23 keystone opportunity expansion zone that are qualified under
24 this act shall be entitled to all tax exemptions, deductions,
25 abatements or credits set forth in this act for a period of 13
26 years beginning January 1, 2001, and ending on December 31,
27 2013.

28 (c) Subzones.--A keystone opportunity expansion zone may be
29 comprised of up to eight clearly defined subzones. The total
30 number of subzone acres in a keystone opportunity expansion zone

1 shall not exceed 1,500 acres in the aggregate.

2 (d) Authorization for local tax exemption.--Every political
3 subdivision within which a proposed keystone opportunity
4 expansion zone is located, whether in whole or in part, is
5 hereby authorized to provide tax exemptions, deductions,
6 abatements or credits to persons and businesses qualified under
7 this act. The political subdivision shall agree to provide
8 exemptions, deductions, abatements or credits from all local
9 taxes set forth in this act in order to qualify to be designated
10 a keystone opportunity expansion zone within that political
11 subdivision. The exemptions, deductions, abatements or credits
12 shall be effective January 1, 2001, if designation of a keystone
13 opportunity expansion zone within the political subdivision is
14 granted by the department. The exemptions, deductions,
15 abatements or credits shall be binding upon the political
16 subdivision for the duration of the keystone opportunity
17 expansion zone designation.

18 Section 4. Sections 302, 303, 304, 305, 306, 307, 308, 501,
19 511, 512, 513, 514, 515 and 516 of the act are amended to read:
20 Section 302. Application.

21 (a) Initial application.--One or more political
22 subdivisions, or a designee of one or more political
23 subdivisions, may apply to the department to designate [a
24 keystone opportunity zone] deteriorated property within the
25 political subdivision or portions thereof a keystone opportunity
26 zone or keystone opportunity expansion zone. The application
27 shall contain the following:

28 (1) The geographic area of the proposed keystone
29 opportunity zone or proposed keystone opportunity expansion
30 zone. The geographic area shall be located within the

1 boundaries of the participating political subdivision and
2 shall not contain more than 5,000 acres in the case of a
3 keystone opportunity zone or 1,500 acres in the case of a
4 keystone opportunity expansion zone.

5 (2) An opportunity plan that shall include the
6 following:

7 (i) A detailed map of the proposed keystone
8 opportunity zone [and subzones] or proposed keystone
9 opportunity expansion zone, including geographic
10 boundaries, total area and present use and conditions of
11 the land and structures of the proposed keystone
12 opportunity zone or proposed keystone opportunity
13 expansion zone.

14 (ii) Evidence of support from and participation of
15 local government, school districts and other educational
16 institutions, business groups, community organizations
17 and the public.

18 (iii) A proposal to increase economic opportunity,
19 reduce crime, improve education, facilitate
20 infrastructure improvement, reduce the local regulating
21 burden and identify potential jobs and job training
22 opportunities and which states whether or not the zone is
23 located in an area which has tax revenue dedicated to the
24 payment of debt.

25 (iv) A description of the current social, economic
26 and demographic characteristics of the proposed keystone
27 opportunity zone or proposed keystone opportunity
28 expansion zone and anticipated improvements in education,
29 health, human services, public safety and employment that
30 will result from keystone opportunity zone or keystone

1 opportunity expansion zone designation.

2 (v) A description of anticipated activity in the
3 proposed keystone opportunity zone [and each subzone] or
4 proposed keystone opportunity expansion zone, including,
5 but not limited to, industrial use, industrial site
6 reuse, commercial or retail use and residential use.

7 (vi) Evidence of potential private and public
8 investment in the proposed keystone opportunity zone or
9 proposed keystone opportunity expansion zone.

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

13 (viii) Plans to utilize existing resources for the
14 administration of the proposed keystone opportunity zone
15 or proposed keystone opportunity expansion zone.

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

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

20 (4) The [proposed] duration of the proposed keystone
21 opportunity zone [and all subzones] or proposed keystone
22 opportunity expansion zone. The duration of a keystone
23 opportunity zone may not exceed [12] 15 years. The duration
24 of a keystone opportunity expansion zone is 13 years.

25 (5) A formal, binding ordinance or resolution passed by
26 every political subdivision in which the proposed keystone
27 opportunity zone or proposed keystone opportunity expansion
28 zone is located that specifically provides for all local tax
29 exemptions, deductions, abatements or credits for persons and
30 businesses set forth in this act [if designation is received

1 by the department, to be effective January 1, 1999].

2 (6) Evidence that the proposed keystone opportunity zone
3 or proposed keystone opportunity expansion zone meets the
4 required criteria under section 304.

5 (b) Participation limitation.--A [qualified] political
6 subdivision shall not be a part of more than one proposed
7 keystone opportunity zone or proposed keystone opportunity
8 expansion zone.

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

14 Section 303. Review.

15 (a) Action of department.--The department, in consultation
16 with the Department of Revenue, shall review all completed
17 applications submitted under this act. An application for
18 designation as a keystone opportunity zone shall be received by
19 the department on or before September 30, 1998, in order to be
20 considered by the department. An application for designation as
21 a keystone opportunity expansion zone shall be received by the
22 department on or before December 31, 2000, in order to be
23 considered by the department.

24 (b) Process.--The department shall designate up to 12
25 keystone opportunity zones from applications meeting the
26 criteria in section 304 based upon need and likelihood of
27 success. The department shall designate up to 12 keystone
28 opportunity expansion zones from applications meeting the
29 criteria in section 304 based upon need and likelihood of
30 success. Additionally, the department shall not alter the

geographic boundaries of a keystone opportunity zone or keystone opportunity expansion zone or the duration of a keystone opportunity zone or keystone opportunity expansion zone described in [the] an application.

(c) Award of designations.--The department shall designate all keystone opportunity zones by November 30, 1998. The department shall designate all keystone opportunity expansion zones by February 28, 2001.

(d) Effective date of designation.--The designation of a keystone opportunity zone under this act shall take effect on January 1, 1999. The designation of a keystone opportunity expansion zone under this act shall take effect on January 1, 2001.

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

Section 304. Criteria for designation of keystone opportunity zone.

(a) Specific criteria.--In order to qualify for designation under this act, the proposed keystone opportunity zone or proposed keystone opportunity expansion zone shall meet at least

two of the following criteria:

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

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

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

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

(5) At least 20% of all occupied housing within a two-mile radius of the proposed keystone opportunity zone, proposed keystone opportunity expansion zone or subzone in a nonurban area is deteriorated.

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

(7) In an urban area, the median family income is 80% or less of the urban median family income for that metropolitan statistical area.

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

(9) The population loss exceeds 10% in an area that includes the proposed keystone opportunity zone or proposed keystone opportunity expansion zone and its surrounding area

1 but is not larger than the county or counties in which the
2 proposed keystone opportunity zone or proposed keystone
3 opportunity expansion zone is located, based on census data
4 for the period between 1980 and 1990 or census estimates
5 since 1990 establishing a pattern of population loss.

6 (10) The political subdivision in which the proposed
7 keystone opportunity zone or proposed keystone opportunity
8 expansion zone is located has experienced a sudden and/or
9 severe job loss.

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

15 (12) The area has substantial real property with
16 adequate infrastructure and energy to support new or expanded
17 development.

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

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

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

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

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

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

(6) How keystone opportunity zone or keystone opportunity expansion zone designation or economic redevelopment relates to other current economic and community development projects and to regional initiatives or programs.

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

(8) Proposals to implement educational opportunities and improvements.

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

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

(c) Tax exemption ordinances.--An area shall not be designated as a keystone opportunity zone or a keystone opportunity expansion zone unless, as a part of the application, each political subdivision in which the proposed keystone opportunity zone or proposed keystone opportunity expansion zone is to be located adopts and provides a copy of an ordinance, resolution or other required action from the governing body of each political subdivision that exempts or provides deductions, abatements or credits to qualified persons and qualified businesses from local taxes upon designation of the area as a

1 keystone opportunity zone or keystone opportunity expansion
2 zone. All appropriate ordinances and resolutions shall be
3 effective on or before January 1, 1999, if designation as a
4 keystone opportunity zone is granted. All appropriate ordinances
5 and resolutions shall be effective on January 1, 2001, if
6 designation as a keystone opportunity expansion zone is granted.
7 The resolution, ordinance or other required action shall be
8 binding and nonrevocable on the qualified political subdivisions
9 for the duration of the opportunity plan.

10 (d) Urban areas.--The department shall promulgate guidelines
11 [which] that include the definition of "urban area" for the
12 purposes of receiving applications for designation as a keystone
13 opportunity zone or keystone opportunity expansion zone.

14 Section 305. Zone limitations.

15 The department shall not designate more than 12 keystone
16 opportunity zones within this Commonwealth. No keystone
17 opportunity zone shall encompass an entire political
18 subdivision. The department shall not designate more than 12
19 keystone opportunity expansion zones within this Commonwealth.
20 No keystone opportunity expansion zone shall encompass an entire
21 political subdivision.

22 Section 306. Residency.

23 In order to qualify each year for a tax exemption, deduction,
24 abatement or credit under this act, a person shall be domiciled
25 and shall reside in the keystone opportunity zone or keystone
26 opportunity expansion zone for a period of 184 consecutive days
27 during each taxable year, which may begin on the date of
28 designation by the department or on the date the person first
29 resides within the zone.

30 Section 307. Qualified businesses.

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

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

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

22 (2) makes a capital investment in the property located
23 within a keystone opportunity zone or keystone opportunity
24 expansion zone equivalent to 10% of the gross revenues of
25 that business in the immediately preceding calendar or fiscal
26 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 or keystone opportunity expansion zone
3 shall be on forms prescribed by the 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 501. State taxes.

11 (a) General rule.--A person who is a resident of a keystone
12 opportunity zone or a keystone opportunity expansion zone, a
13 qualified business or a nonresident under section 513 shall
14 receive the exemptions, deductions, abatements or credits as
15 provided in this chapter and Chapter 7 for the duration of the
16 keystone opportunity zone or keystone opportunity expansion zone
17 designation. Exemptions, deductions, abatements or credits shall
18 expire on the date of expiration of the keystone opportunity
19 zone or keystone opportunity expansion zone designation.

20 (b) Construction.--The Department of Revenue shall
21 administer, construe and enforce the provisions of this chapter
22 in conjunction with Articles II, III, IV [and], VI, VII, VII-A,
23 IX and XV of the Tax Reform Code of 1971.

24 Section 511. Sales and use tax.

25 (a) Exemption.--Sales at retail of services or tangible
26 personal property, other than motor vehicles, to a qualified
27 business for the exclusive use, consumption and utilization of
28 the tangible personal property or service by the qualified
29 business at its facility located within a keystone opportunity
30 zone or a keystone opportunity expansion zone are exempt from

1 the sales and use tax imposed under Article II of the Tax Reform
2 Code of 1971.

3 [(b) Limitation.--Sales at retail or use of tangible
4 personal property or services to the tangible personal property
5 that will become a permanent part of real property in accordance
6 with Department of Revenue regulations shall not be eligible for
7 sales or use tax exemption under this section.]

8 (b) Construction contracts.--For any construction contract
9 performed in a keystone opportunity zone or keystone opportunity
10 expansion zone, the exemption provided in subsection (a) shall
11 only apply to the sale at retail or use of building machinery
12 and 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 or keystone opportunity expansion zone. For the purposes of
17 the keystone opportunity zone and keystone opportunity expansion
18 zone exemption, building machinery and equipment shall include
19 distribution equipment purchased for the exclusive use,
20 consumption and utilization in a keystone opportunity zone or
21 keystone opportunity expansion zone facility.

22 Section 512. Personal income tax.

23 (a) General rule.--[For the 1999 taxable year and each tax
24 year after 1999 and to the extent and for the duration provided
25 in this act a] A person shall be allowed an exemption for:

26 (1) Compensation received during the time period when
27 the person was a resident of a keystone opportunity zone or
28 keystone opportunity expansion zone.

29 (2) Net income from the operation of a qualified
30 business received by a resident or nonresident of a keystone

1 opportunity zone or keystone opportunity expansion zone
2 attributable to business activity conducted within a keystone
3 opportunity zone [after provision for all costs and expenses
4 incurred in the conduct thereof] or keystone opportunity
5 expansion zone, determined [either on a cash or accrual
6 basis] in accordance with [accepted accounting principles and
7 practices but without deduction of taxes based on income.]
8 section 515 of this act, except that any business that
9 operates both within and outside this Commonwealth, before
10 computing its keystone opportunity zone or keystone
11 opportunity expansion zone exemption, shall first determine
12 its Pennsylvania activity over its activity everywhere by
13 applying the three-factor apportionment formula as set forth
14 in Department of Revenue personal income tax regulations
15 applicable to income apportionment in connection with a
16 business, trade or profession carried on both within and
17 outside this Commonwealth.

18 (3) All of the following:

19 (i) Net gains or income, less net losses, derived by
20 a resident or nonresident of a keystone opportunity zone
21 or keystone opportunity expansion zone from the sale,
22 exchange or other disposition of real or tangible
23 personal property located in a keystone opportunity zone
24 or keystone opportunity expansion zone as determined in
25 accordance with accepted accounting principles and
26 practices. The exemption provided in this subparagraph
27 shall not apply to the sale, exchange or other
28 disposition of any stock of goods, merchandise or
29 inventory, or any operational assets unless the transfer
30 is in connection with the sale, exchange or other

1 disposition of all of the assets in complete liquidation
2 of a qualified business located in a keystone opportunity
3 zone or keystone opportunity expansion zone. This
4 subparagraph shall apply to intangible personal property
5 employed in a trade, profession or business in a keystone
6 opportunity zone or keystone opportunity expansion zone
7 by a qualified business, but only when transferred in
8 connection with a sale, exchange or other disposition of
9 all of the assets in complete liquidation of the
10 qualified business in the keystone opportunity zone or
11 keystone opportunity expansion zone.

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

22 (iii) The exemption from income for gain or loss
23 provided for in [this subparagraph] subparagraphs (i) and
24 (ii) shall be prorated based on [either] the following:

25 (A) In the case of gains, less net losses, in
26 subparagraph (i), the percentage of time, based on
27 calendar days, the property located in a keystone
28 opportunity zone or keystone opportunity expansion
29 zone was held by [the taxpayer while] a resident or
30 nonresident of [a keystone opportunity] the zone

1 during the time period the zone was in effect in
2 relation to the total time the property was held [by
3 the taxpayer; or].

4 (B) In the case of gains, less net losses, in
5 subparagraph (ii), the percentage of time, based on
6 calendar days, the [real or tangible personal]
7 property [located in the keystone opportunity zone]
8 was held by the taxpayer while a [nonresident]
9 resident of a keystone opportunity zone [during the
10 time period the keystone opportunity zone was in
11 effect] or keystone opportunity expansion zone in
12 relation to the total time the [real or tangible
13 personal] property was held [by a nonresident].

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

21 (i) Net rents derived from real or tangible personal
22 property located in a keystone opportunity zone or
23 keystone opportunity expansion zone are allocable to a
24 keystone opportunity zone or keystone opportunity
25 expansion zone.

26 (ii) If the tangible personal property was used both
27 within and without the keystone opportunity zone or
28 keystone opportunity expansion zone during the taxable
29 year, only the net income attributable to use in the
30 keystone opportunity zone or keystone opportunity

1 expansion zone is exempt. The net rental income shall be
2 multiplied by a fraction, the numerator of which is the
3 number of days the property was used in the keystone
4 opportunity zone or keystone opportunity expansion zone
5 and the denominator which is the total days of use.

6 (5) Dividends received during the time the person was a
7 resident of a keystone opportunity zone or keystone
8 opportunity expansion zone.

9 (6) Interest received during the time period the person
10 was a resident of a keystone opportunity zone or keystone
11 opportunity expansion zone.

12 (7) [Net gains or income derived through estates or
13 trusts received by a resident of a keystone opportunity zone
14 at the time of such receipt.] The part of the income or gains
15 received by an estate or trust for its taxable year ending
16 within or with the resident-beneficiary's taxable year,
17 which, under the governing instrument and applicable State
18 law, is required to be distributed currently or is in fact
19 paid or credited to the resident-beneficiary and which would
20 have been exempt under this act if received by a resident-
21 beneficiary directly.

22 (a.1) Exemption.--Beginning in taxable year 1999, a person
23 located in a designated keystone opportunity zone shall be
24 allowed an exemption under subsection (a) from the tax imposed
25 by Article III of the Tax Reform Code of 1971 for the classes of
26 income set forth in subsection (a). Beginning in taxable year
27 2001, a person located in a designated keystone opportunity
28 expansion zone shall be allowed an exemption under subsection
29 (a) from the tax imposed by Article III of the Tax Reform Code
30 of 1971 for the classes of income set forth in subsection (a).

1 (a.2) Pass-through entities.--The exemptions provided for in
2 this section shall apply to all of the following:

3 (1) The income or gain of a partnership or association.
4 The partner or member shall be entitled to the exemptions
5 under this section for the partner's or member's share,
6 whether or not distributed, of the income or gain received by
7 the partnership or association for its taxable year.

8 (2) The income or gain of a Pennsylvania S corporation.
9 The shareholder shall be entitled to the exemptions under
10 this section for the shareholder's pro rata share, whether or
11 not distributed, of the income or gain received by the
12 corporation for its taxable year ending within or with the
13 shareholder's taxable year.

14 (b) Limitation.--A partnership, association, Subchapter S
15 corporation, resident or nonresident may not apply an exemption
16 from income under this act for any class of income against any
17 other classes of income or gain. A partnership, association,
18 Subchapter S corporation, resident or nonresident may not carry
19 back or carry forward any exemption under this act from year to
20 year. The credit allowed under this section shall not exceed the
21 tax liability of the taxpayer under Article III of the Tax
22 Reform Code of 1971 for the tax year.

23 (c) Section not applicable to certain entities.--Any portion
24 of net income or gain that is attributable to operation of a
25 railroad, truck, bus or airline company, pipeline or natural gas
26 company, water transportation company, an entity which would
27 qualify as a regulated investment company under Article IV of
28 the Tax Reform Code of 1971 or would qualify as a holding
29 company under Article VI of the Tax Reform Code of 1971 and any
30 entity activity which is associated or affiliated with any of

these operations shall not be used to calculate an exemption under this section. This subsection shall not apply to the exemption from tax provided in subsection (a)(5).

Section 513. Residency considerations.

If a person completes the residency requirements under section 306 or if a nonresident realizes income attributable to business activity or property within a keystone opportunity zone or keystone opportunity expansion zone on or before the end of the tax year, the person may claim the exemptions from income for the items set forth in section 512 for that portion of the tax year that the person was a resident or for that portion of the tax year during which the area is designated as a keystone opportunity zone or keystone opportunity expansion zone. [If the person meets the residency requirements under section 306 in a tax year subsequent to the tax year in which the person first resided in the keystone opportunity zone, the person may file an amended tax return within the applicable statute of limitations to claim an exemption from income for the period of residency within the keystone opportunity zone.

Section 514. Information for employer.

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

(b) Duty of employer.--Within 20 days after an employer

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

13 Section 515. Corporate net income tax.

14 (a) Credits.--For the tax years that begin on or after
15 January 1, 1999, a corporation that [qualifies as] is a
16 qualified business under this act may claim a credit against the
17 tax imposed by Article IV of the Tax Reform Code of 1971 for
18 [the taxable year to the extent of the] tax liability
19 attributable to business activity conducted within [a] the
20 keystone opportunity zone in the taxable year. For the tax years
21 that begin on or after January 1, 2001, a corporation that is a
22 qualified business under this act may claim a credit against the
23 tax imposed by Article IV of the Tax Reform Code of 1971 for tax
24 liability attributable to business activity conducted within the
25 keystone opportunity expansion zone in the taxable year. The
26 business activity must be conducted directly by a corporation in
27 the keystone opportunity zone or keystone opportunity expansion
28 zone in order for the corporation to claim the tax credit.

29 (b) Tax liability determinations.--The corporate tax
30 liability attributable to business activity conducted within a

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

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

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

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

30 (d) Income apportionment.--[All taxable income of] The

1 taxable income of a corporation that is a qualified business
2 shall be apportioned to the keystone opportunity zone or
3 keystone opportunity expansion zone by multiplying the
4 Pennsylvania taxable income by a fraction, the numerator of
5 which is the property factor plus the payroll factor plus the
6 sales factor and the denominator of which is three[.], in
7 accordance with the following:

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

21 (2) (i) The payroll factor is a fraction, the numerator
22 of which is the total amount paid in the keystone
23 opportunity zone or keystone opportunity expansion zone
24 during the tax period by the taxpayer for compensation
25 and the denominator of which is the total compensation
26 paid in this Commonwealth during the tax period.

27 (ii) Compensation is paid in the keystone
28 opportunity zone or keystone opportunity expansion zone
29 if:

30 (A) the person's service is performed entirely

1 within the keystone opportunity zone or keystone
2 opportunity expansion zone;

3 (B) the person's service is performed both
4 within and without the keystone opportunity zone or
5 keystone opportunity expansion zone, but the service
6 performed without the keystone opportunity zone or
7 keystone opportunity expansion zone is incidental to
8 the person's service within the keystone opportunity
9 zone or keystone opportunity expansion zone; or

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

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

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

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

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

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

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

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

22 (f) [Credit] Limitation on amount of credit.--The credit
23 allowed under this section shall not exceed the [corporate net
24 income] tax liability of the taxpayer under Article IV of the
25 Tax Reform Code of 1971 for the tax year.

26 (g) Section not applicable to certain businesses.--Any
27 portion of the taxpayer's taxable income that is attributable to
28 the operation of a railroad, truck, bus or airline company,
29 pipeline or natural gas company, water transportation company, a
30 corporation that qualifies as a regulated investment company

1 under Article IV of the Tax Reform Code of 1971 or holding
2 company as defined in Article VI of the Tax Reform Code of 1971
3 and any business activity that is associated or affiliated with
4 the operation of these business activities shall not be used to
5 calculate a credit under this section.

6 Section 516. Capital stock franchise tax.

7 (a) Credits.--For tax years that begin on or after January
8 1, 1999, a corporation that is a qualified business under
9 [section 307(a)] this act may claim a credit against the tax
10 imposed by Article VI of the Tax Reform Code of 1971 for [the
11 taxable year to the extent of the] tax liability attributable to
12 the capital employed within [a] the keystone opportunity zone in
13 the taxable year. For tax years that begin on or after January
14 1, 2001, a corporation that is a qualified business under this
15 act may claim a credit against the tax imposed by Article VI of
16 the Tax Reform Code of 1971 for tax liability attributable to
17 the capital employed within the keystone opportunity expansion
18 zone in the taxable year. The business activity must be
19 conducted directly by a corporation in the keystone opportunity
20 zone or keystone opportunity expansion zone in order for the
21 corporation to claim the tax credit.

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

1 1971 with no adjustments or subtractions for the capital
2 employed in the keystone opportunity zone or keystone
3 opportunity expansion zone.

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

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

16 (2) If the entire business of the corporation in this
17 Commonwealth is not wholly transacted within a keystone
18 opportunity zone or keystone opportunity expansion zone, the
19 taxable value of a corporation in a keystone opportunity zone
20 or keystone opportunity expansion zone shall be determined
21 upon such portion of the Pennsylvania taxable value
22 attributable to the capital employed within the keystone
23 opportunity zone or keystone opportunity expansion zone by
24 employing the apportionment factors set forth in [subsection
25 (d)] section 515(d).

26 [(d) Capital stock and franchise tax apportionment.--For
27 purposes of apportionment of the capital stock and franchise
28 tax, the apportionment fraction shall be the property factor
29 plus the payroll factor plus the sales factor as the numerator,
30 and the denominator shall be three. In determining the relevant

1 apportionment factors, the numerator of the property, payroll
2 and sales factors shall not include any property, payroll and
3 sales attributable to manufacturing, processing, research and
4 development activities conducted within a keystone opportunity
5 zone, and the denominator of the property, payroll and sales
6 factors shall not include any property, payroll and sales
7 attributable to manufacturing, processing and research and
8 development activities conducted within this Commonwealth but
9 without a keystone opportunity zone.]

10 (e) Limitation on amount of credit.--The credit allowed
11 under this section shall not exceed the [capital stock
12 franchise] tax liability of the taxpayer under Article VI of the
13 Tax Reform Code of 1971 for the tax year.

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

25 Section 5. The act is amended by adding sections to read:
26 Section 517. Bank and trust company shares tax, alternative
27 bank and trust company shares tax and mutual
28 thrift institutions tax.

29 (a) Credits.--For tax years that begin on or after January
30 1, 2001, an institution that is a qualified business under this

1 act may claim a credit against the tax imposed by Article VII,
2 VII-A or XV of the Tax Reform Code of 1971, for tax liability
3 attributable to business activity conducted within the keystone
4 opportunity zone or keystone opportunity expansion zone in the
5 taxable year. The business activity must be conducted directly
6 by an institution in the keystone opportunity zone or keystone
7 opportunity expansion zone in order for the institution to claim
8 the tax credit.

9 (b) Tax liability.--The institution's tax liability
10 attributable to business activity conducted within a keystone
11 opportunity zone or keystone opportunity expansion zone shall be
12 determined by multiplying the taxable amount of its shares or
13 net income that is attributable to business activity conducted
14 within the keystone opportunity zone or keystone opportunity
15 expansion zone by the rate of tax imposed under Article VII,
16 VII-A or XV of the Tax Reform Code of 1971 for the taxable year.
17 The institution shall compute the Pennsylvania taxable amount of
18 its shares or net income in conformity with Article VII, VII-A
19 or XV of the Tax Reform Code of 1971.

20 (c) Determination of attributable taxable liability.--The
21 taxable shares or the income of an institution that is a
22 qualified business shall be apportioned to the keystone
23 opportunity zone or keystone opportunity expansion zone by
24 multiplying the Pennsylvania taxable shares or income by a
25 fraction, the numerator of which is the payroll factor plus the
26 receipts factor plus the deposits factor and the denominator of
27 which is three.

28 (1) The payroll factor is a fraction, the numerator of
29 which is the total wages paid in a keystone opportunity zone
30 or keystone opportunity expansion zone during the tax period

1 by the taxpayer and the denominator of which is the total
2 wages paid in this Commonwealth during the period. Wages are
3 paid in a keystone opportunity zone or keystone opportunity
4 expansion zone if they are paid to an employee having a
5 regular presence in the keystone opportunity zone or keystone
6 opportunity expansion zone.

7 (2) The receipts factor is a fraction, the numerator of
8 which is total receipts of the taxpayer in a keystone
9 opportunity zone or keystone opportunity expansion zone
10 during the tax period and the denominator of which is the
11 total receipts located in this Commonwealth. Receipts do not
12 include principal repayments on loans or credit, travel and
13 entertainment cards. Receipts from the sale or disposition of
14 intangible and tangible property include only the net gain
15 received from the sale or disposition. The location of
16 receipts shall be determined as follows:

17 (i) Receipts from loans primarily secured by real
18 property are located in a keystone opportunity zone or
19 keystone opportunity expansion zone if the predominant
20 portion of the real property is located in the keystone
21 opportunity zone or the keystone opportunity expansion
22 zone and the application and negotiation, or
23 administrative responsibility occurs at a qualified
24 business.

25 (ii) Receipts from loans not primarily secured by
26 real property are located in a keystone opportunity zone
27 or keystone opportunity expansion zone if the obligor, in
28 the case of an individual, resides in a keystone
29 opportunity zone or keystone opportunity expansion zone
30 or, in the case of a corporation, if the corporation's

1 commercial domicile is located in a keystone opportunity
2 zone or keystone opportunity expansion zone, and the
3 application and negotiation, or administrative
4 responsibility occurs at a qualified business.

5 (iii) Receipts from performance of services are
6 located in a keystone opportunity zone or keystone
7 opportunity expansion zone if the services are performed
8 in the keystone opportunity zone or keystone opportunity
9 expansion zone. If services are performed partly within
10 the keystone opportunity zone or keystone opportunity
11 expansion zone and partly outside the keystone
12 opportunity zone or keystone opportunity expansion zone,
13 the keystone opportunity zone or keystone opportunity
14 expansion zone receipts shall be the ratio that the time
15 spent in performing the services in the keystone
16 opportunity zone or keystone opportunity expansion zone
17 bears to the total time spent in performing the services
18 in this Commonwealth. Time spent in performing services
19 in the keystone opportunity zone or keystone opportunity
20 expansion zone is the time spent by employees having a
21 regular presence in the keystone opportunity zone or
22 keystone opportunity expansion zone in performing the
23 services.

24 (iv) Receipts from lease transactions are located in
25 a keystone opportunity zone or keystone opportunity
26 expansion zone if the leased property is located in the
27 keystone opportunity zone or keystone opportunity
28 expansion zone.

29 (v) Receipts from interest or service charges,
30 excluding merchant discounts, from credit, travel and

1 entertainment card receivables and credit card holders'
2 fees are located in a keystone opportunity zone or
3 keystone opportunity expansion zone if the credit card
4 holder, in the case of an individual, resides in a
5 keystone opportunity zone or keystone opportunity
6 expansion zone or, in the case of a corporation, if the
7 corporation's commercial domicile is located in a
8 keystone opportunity zone or keystone opportunity
9 expansion zone.

10 (vi) Receipts from interest, dividends and net gains
11 from the sale or disposition of intangibles, exclusive of
12 those receipts described elsewhere in this paragraph, are
13 located in a keystone opportunity zone or keystone
14 opportunity expansion zone if the institution maintains a
15 qualified business that treats such intangibles as assets
16 on its books or records.

17 (vii) Receipts from fees or charges from the
18 issuance of traveler's checks and money orders are
19 located in a keystone opportunity zone or keystone
20 opportunity expansion zone if the traveler's checks or
21 money orders are issued in the keystone opportunity zone
22 or keystone opportunity expansion zone.

23 (viii) Receipts from sales of tangible property are
24 located in a keystone opportunity zone or keystone
25 opportunity expansion zone if the property is delivered
26 or shipped to a purchaser located in a keystone
27 opportunity zone or keystone opportunity expansion zone,
28 regardless of the free on board point or other conditions
29 of the sale.

30 (ix) Receipts not specifically treated under this

1 paragraph are located in a keystone opportunity zone or
2 keystone opportunity expansion zone if the greatest
3 portion of the income-producing activities are performed
4 in the keystone opportunity zone or keystone opportunity
5 expansion zone, based on costs of performance.

6 (3) The deposits factor is a fraction, the numerator of
7 which is the average value of deposits located in a keystone
8 opportunity zone or keystone opportunity expansion zone
9 during the taxable year and the denominator of which is the
10 average value of the total deposits in this Commonwealth
11 during the taxable year. The average value of deposits is to
12 be computed on a quarterly basis. Deposits are located in the
13 keystone opportunity zone or keystone opportunity expansion
14 zone if the institution maintains a qualified business that
15 properly treats the deposits as a liability on its books or
16 records. A deposit is considered to be properly treated as a
17 liability on the books or records of a qualified business if:

18 (i) the deposit account was opened or transferred to
19 the qualified business by or at the direction of the
20 depositor, regardless of where subsequent deposits or
21 withdrawals are made;

22 (ii) the employees regularly connected with the
23 qualified business are primarily responsible for
24 servicing the depositor's general banking and other
25 financial needs; and

26 (iii) at least one of the following factors occurs
27 at the qualified business:

28 (A) The deposit was solicited by an employee
29 regularly connected with the qualified business,
30 regardless of where the deposit was actually

1 solicited.

2 (B) The terms governing the deposit were
3 negotiated by employees regularly connected with the
4 qualified business, regardless of where the
5 negotiations were actually conducted.

6 (C) The essential records relating to the
7 deposit are physically located at the qualified
8 business and the deposit is serviced at the qualified
9 business.

10 (d) Limitation on amount of credit.--The credit allowed
11 under this section shall not exceed 50% of the tax liability of
12 the taxpayer under Article VII, VII-A or XV of the Tax Reform
13 Code of 1971 for the tax year.

14 Section 518. Keystone opportunity zone job tax credit or
15 keystone opportunity expansion zone job tax
16 credit.

17 (a) Credits.--For tax years that begin on or after January
18 1, 2001, an insurance company that is a qualified business under
19 this act may apply to the Department of Revenue for a job tax
20 credit against the tax imposed by Article IX of the Tax Reform
21 Code of 1971 for all full-time jobs within a keystone
22 opportunity zone or keystone opportunity expansion zone in the
23 taxable year. The job must be held directly with an insurance
24 company in the keystone opportunity zone or keystone opportunity
25 expansion zone in order for the insurance company to apply for
26 the tax credit. The Department of Revenue will prescribe the
27 form and manner to obtain the credit.

28 (b) Section not applicable to certain insurance companies.--

29 (1) An insurance company that relocates from a location
30 in a political subdivision in this Commonwealth that is not

in a keystone opportunity zone or keystone opportunity expansion zone to a location in a keystone opportunity zone or keystone opportunity expansion zone may not apply for a credit for an existing job that is transferred, discontinued or lost in this Commonwealth which is attributable to the relocation.

(2) An insurance company that has relocated pursuant to subsection (b)(1) may apply for a keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit for a new full-time job that is created in the keystone opportunity zone or keystone opportunity expansion zone. A new full-time job is created with an insurance company if the average monthly employment for that insurance company has increased from the prior 12-month calendar year in the zone.

(c) Application of credit.--An insurance company shall apply for a credit by January 15 for the previous calendar year.

(d) Apportionment.--The Department of Revenue shall apportion a keystone opportunity zone job tax credit or a keystone opportunity expansion zone job tax credit for an insurance company that is a qualified business that has not operated in a keystone opportunity zone or keystone opportunity expansion zone for a full fiscal year.

(e) Credit determinations.--The keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit shall be determined by multiplying the monthly average of all full-time jobs by the allowance. The allowance for purposes of the keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit for taxable years beginning within the dates set forth shall be as follows:

1	<u>January 1, 2001, to</u>		
2	<u>December 31, 2001</u>	<u>\$500 per job</u>	
3	<u>January 1, 2002, to</u>		
4	<u>December 31, 2002</u>	<u>\$650 \$750 per job</u>	<—
5	<u>January 1, 2003, to</u>		
6	<u>December 31, 2003</u>	<u>\$800 \$1,000 per job</u>	<—
7	<u>January 1, 2004, to</u>		
8	<u>December 31, 2004</u>	<u>\$950 \$1,250 per job</u>	<—
9	<u>January 1, 2005, to</u>		
10	<u>December 31, 2005</u>	<u>\$1,100 \$1,250 per job</u>	<—
11	<u>January 1, 2006, to</u>		
12	<u>December 31, 2006</u>	<u>\$1,250 per job</u>	
13	<u>January 1, 2007, to</u>		
14	<u>December 31, 2007</u>	<u>\$1,250 per job</u>	
15	<u>January 1, 2008, to</u>		
16	<u>December 31, 2008</u>	<u>\$1,250 per job</u>	
17	<u>January 1, 2009, to</u>		
18	<u>December 31, 2009</u>	<u>\$1,250 per job</u>	
19	<u>January 1, 2010, to</u>		
20	<u>December 31, 2010</u>	<u>\$1,250 per job</u>	
21	<u>January 1, 2011, to</u>		
22	<u>December 31, 2011</u>	<u>\$1,250 per job</u>	
23	<u>January 1, 2012, to</u>		
24	<u>December 31, 2012</u>	<u>\$1,250 per job</u>	
25	<u>January 1, 2013, to</u>		
26	<u>December 31, 2013</u>	<u>\$1,250 per job</u>	
27	<u>(f) Notification of credit.--By February 15, the Department</u>		
28	<u>of Revenue shall notify an insurance company of the amount of</u>		
29	<u>the insurance company's tax credit approved.</u>		
30	<u>(g) Limitation on amount of credit.--The tax credit allowed</u>		

under this section shall not exceed 50% of the tax liability of the insurance company under Article IX of the Tax Reform Code of 1971 for the tax year. An insurance company may not carry back or forward any credit received under this section.

(h) Allocation.--The total amount of credits approved by the Department of Revenue under this section shall not exceed \$1,000,000 annually. If the credits exceed the \$1,000,000 cap in a given year, the credits will be allocated on a pro-rata basis.

(i) Calculation of allocation.--If the total amount of keystone opportunity zone job tax credits and keystone opportunity expansion zone job tax credits applied for by all insurance companies under this section exceeds \$1,000,000 then the credit to be received by each insurance company shall be the product of \$1,000,000 multiplied by the quotient of the credit applied for by the insurance company divided by the total of all credits applied for by all insurance companies, the algebraic equivalent of which is:

insurance company's keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit = \$1,000,000 X (the amount of keystone opportunity zone job tax credit or keystone opportunity expansion zone job tax credit applied for by the insurance company/the sum of all keystone opportunity zone job tax credits and keystone opportunity expansion zone job tax credits applied for by all insurance companies).

(j) Relief from additional retaliatory tax.--The tax credit taken by an insurance company under this section shall not be included in determining liability for retaliatory taxes imposed under section 212 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of 1921.

1 (k) Hold-harmless clause.--The tax credits allowed by this
2 section shall not reduce the amounts which would otherwise be
3 payable for firemen's relief pension or retirement purposes or
4 for police pension retirement or disability purposes. The
5 Department of Revenue shall transfer by June 30 of each fiscal
6 year an amount equal to the tax credits taken under this section
7 by foreign fire and casualty insurance companies from the
8 General Fund to the Municipal Pension Aid Fund and the Fire
9 Insurance Tax Fund, as appropriate.

10 Section 6. Sections 701, 702, 703, 704, 705, 901, 902, 903,
11 904 and 905 of the act are amended to read:

12 Section 701. Local taxes.

13 (a) General rule.--Every political subdivision in which a
14 designated keystone opportunity zone is located shall exempt,
15 deduct, abate or credit local taxes in accordance with
16 ordinances and resolutions adopted under section 301(d). Failure
17 to exempt, deduct, abate or credit local taxes shall result in
18 the revocation of the keystone opportunity zone designation.

19 (b) Expansion rule.--Every political subdivision in which a
20 designated keystone opportunity expansion zone is located shall
21 exempt, deduct, abate or credit local taxes in accordance with
22 ordinances and resolutions adopted under section 301.1(d).
23 Failure to exempt, deduct, abate or credit local taxes shall
24 result in the revocation of the keystone opportunity expansion
25 zone designation.

26 Section 702. Real property tax.

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

1 political subdivision for taxable years beginning on or after
2 January 1, 1999, shall by ordinance or resolution abate 100% of
3 the real property taxation on the assessed valuation of
4 deteriorated property in an area designated as a keystone
5 opportunity zone within this Commonwealth. The real property tax
6 abatement provided for in this section shall apply to all real
7 property located in a keystone opportunity zone, irrespective of
8 the business activity, if any, made of the realty by its owner,
9 when this act is in effect.

10 (a.1) Expansion rule.--Notwithstanding the act of May 22,
11 1933 (P.L.853, No.155), known as The General County Assessment
12 Law, and the act of May 21, 1943 (P.L.571, No.254), known as The
13 Fourth to Eighth Class County Assessment Law, each political
14 subdivision for taxable years beginning on or after January 1,
15 2001, shall by ordinance or resolution abate 100% of the real
16 property taxation on the assessed valuation of deteriorated
17 property in an area designated as a keystone opportunity
18 expansion zone within this Commonwealth. The real property tax
19 abatement provided for in this section shall apply to all real
20 property located in a keystone opportunity expansion zone,
21 irrespective of the business activity, if any, made of the
22 realty by its owner, when this act is in effect.

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

24 (1) A qualified political subdivision may require a
25 resident of deteriorated real property to invest up to 25% of
26 all real property taxes which would have been due if the real
27 property was not located in a keystone opportunity zone or
28 keystone opportunity expansion zone in improvements to the
29 real property in order for the residents to be qualified for
30 exemptions, credits and abatements under this act.

1 (2) A qualified political subdivision may require a
2 nonresident owner of deteriorated real property who leases
3 the real property to a person for residential use [shall] to
4 invest 50% of all real property taxes which would have been
5 due if the real property was not located in a keystone
6 opportunity zone or keystone opportunity expansion zone, in
7 improvements to the real property.

8 [(c) Application for tax abatement.--Any person requesting
9 real property tax abatement pursuant to ordinances or
10 resolutions adopted pursuant to this act shall notify each
11 county or other designated assessment office granting such
12 abatement in writing on a form provided by that assessment
13 office within 30 days of the designation as a keystone
14 opportunity zone or within 30 days of the transfer of ownership
15 of the real property subject to abatement. A copy of the
16 abatement request shall be forwarded by the county or other
17 designated assessment office to the political subdivision.]

18 (d) Annual real property report.--[Every keystone
19 opportunity zone] By January 31 of each calendar year a
20 political subdivision in which a keystone opportunity zone or
21 keystone opportunity expansion zone is located shall submit to
22 the department [an annual] a report [by January 31 of each
23 calendar year of all] listing the address of each real
24 property[, and the owners and addresses of that real property at
25 any time during the preceding year, which is located in a]
26 designated a keystone opportunity zone or keystone opportunity
27 expansion zone and its owner of record.

28 (e) Interest and penalties.--If the department or a
29 political subdivision finds that a person claimed an abatement
30 of real property tax to which the person was not entitled under

1 this act, the person shall be liable for the abated taxes and
2 subject to the applicable interest and penalty provisions
3 provided by law.

4 (f) Calculations for education subsidy for school
5 districts.--In determining the market value of real property in
6 each school district, the State Tax Equalization Board shall
7 exclude any increase in value above the base value prior to the
8 effect of the abatement of local taxes to the extent and during
9 the period of time that real estate tax revenues attributable to
10 such increased value are not available to the school district
11 for general school district purposes.

12 Section 703. Local earned income and net profits taxes;
13 business privilege taxes.

14 (a) General exemption.--[To the extent that a qualified] If
15 a political subdivision has enacted any tax on the privilege of
16 engaging in any business or profession, measured by gross
17 receipts or on a flat rate basis, earned income or net profits,
18 as defined in the act of December 31, 1965 (P.L.1257, No.511),
19 known as The Local Tax Enabling Act, imposed within the
20 boundaries of a keystone opportunity zone[, such] or keystone
21 opportunity expansion zone, the qualified political subdivision
22 shall exempt from the imposition or operation of [such] the
23 local tax ordinances, statutes, regulations or otherwise:

24 (1) The business gross receipts for operations conducted
25 by a qualified business within a keystone opportunity zone or
26 keystone opportunity expansion zone.

27 (2) The earned income received by a resident of a
28 keystone opportunity zone or keystone opportunity expansion
29 zone.

30 (3) The net profits of a qualified business [received by

1 a resident or nonresident of a keystone opportunity zone]
2 attributable to business activity conducted within a keystone
3 opportunity zone or keystone opportunity expansion zone when
4 imposed by the qualified political subdivision where that
5 qualified business is located.

6 (b) Additional exemptions.--[To the extent that]

7 (1) Paragraph (2) shall apply if a qualified political
8 subdivision has enacted a tax on the privilege of engaging in
9 a profession or business, on wages or compensation, on net
10 profits from the operation of a business or profession or
11 other activity or on the occupancy or use of real property
12 pursuant to any of the following:

13 [(1) Pursuant to the]

14 (i) The act of August 5, 1932 (Sp.Sess. P.L.45,
15 No.45), referred to as the Sterling Act[, the].

16 (ii) The act of March 10, 1949 (P.L.30, No.14),
17 known as the Public School Code of 1949[, the].

18 (iii) The act of August 24, 1961 (P.L.1135, No.508),
19 referred to as the First Class A School District Earned
20 Income Tax Act[, the].

21 (iv) The act of August 9, 1963 (P.L.640, No.338),
22 entitled "An act empowering cities of the first class,
23 coterminous with school districts of the first class, to
24 authorize the boards of public education of such school
25 districts to impose certain additional taxes for school
26 district purposes, and providing for the levy, assessment
27 and collection of such taxes[, the]."

28 (v) The act of May 30, 1984 (P.L.345, No.69), known
29 as the First Class City Business Tax Reform Act[, or
30 the].

1 (vi) The act of June 5, 1991 (P.L.9, No.6), known as
2 the Pennsylvania Intergovernmental Cooperation Authority
3 Act for Cities of the First Class[, enacted a tax on:

4 (i) the privilege of engaging in a profession or
5 business;

6 (ii) wages or compensation;

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

9 (iv) the occupancy or use of real property].

10 (2) [The] If there is an enactment under paragraph (1),
11 the qualified political subdivision shall provide an
12 exemption, deduction, abatement or credit from the imposition
13 and operation of such local tax ordinance or resolution for
14 all of the following:

15 (i) [A person or qualified business, whether a
16 resident or a nonresident of a keystone opportunity zone,
17 for the] The privilege of engaging in a business or
18 profession within a keystone opportunity zone or keystone
19 opportunity expansion zone by a person or qualified
20 business, whether a resident or nonresident of the zone.

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

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

30 (iv) The occupancy or use of real property located

1 within the keystone opportunity zone or keystone
2 opportunity expansion zone.

3 [(c) Limitation on withholding.--Every employer required to
4 withhold any local tax on the earned income, wages or
5 compensation of one or more persons within the particular
6 political subdivision shall not withhold such tax on earned
7 income, wages or compensation paid to any person or his personal
8 representative during any period when the qualified political
9 subdivision has by ordinance or resolution provided for the
10 exemption from tax as provided in section 701 and the person is
11 a resident of a keystone opportunity zone.

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

21 (e) Duty of employer.--Within 20 days after an employer
22 receives information from an employee pursuant to subsection
23 (d), the employer shall forward a copy of that information to
24 the political subdivision or other agency designated by the
25 political subdivision. The information shall not be given
26 retroactive effect for withholding purposes. The employer shall
27 not be required to withhold tax from the wages, earned income or
28 compensation paid to a resident of a keystone opportunity zone,
29 if reasonable under the circumstances, unless directed by the
30 political subdivision to withhold tax from the wages, earned

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

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

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

18 Section 704. Mercantile license tax.

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

1 ordinances of council of certain cities, and providing
2 compensation for certain officers, and employes and imposing
3 penalties."

4 Section 705. Local sales and use tax.

5 (a) General rule.--The political subdivision shall exempt
6 sales at retail of services or tangible personal property,
7 except motor vehicles, to a qualified business for the exclusive
8 use, consumption and utilization of the tangible personal
9 property or service by the qualified business at its facility
10 located within a keystone opportunity zone or keystone
11 opportunity expansion zone from a city or county tax on purchase
12 price authorized under Article XXXI-B of the act of July 28,
13 1953 (P.L.723, No.230), known as the Second Class County Code,
14 as amended, and the act of June 5, 1991 (P.L.9, No.6), known as
15 the Pennsylvania Intergovernmental Cooperation Authority Act for
16 Cities of the First Class, as amended.

17 (b) [Real property] Construction contracts.--[The] For any
18 construction contract performed in a keystone opportunity zone
19 or keystone opportunity expansion zone, the exemption provided
20 in subsection (a) shall only apply to the sale at retail or use
21 of building machinery and equipment to a qualified business, or
22 to a construction contractor pursuant to a construction contract
23 with a qualified business, for the exclusive use, consumption
24 and utilization by the qualified business at its facility in a
25 keystone opportunity zone[.] or keystone opportunity expansion
26 zone. For the purposes of the keystone opportunity zone and
27 keystone opportunity expansion zone exemption, building
28 machinery and equipment shall include distribution equipment
29 purchased for the exclusive use, consumption and utilization in
30 a keystone opportunity zone or keystone opportunity expansion

1 zone facility.

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

5 Section 901. Transferability.

6 Any exemption, deduction, abatement or credit provided to any
7 person or qualified business under Chapter 5 or 7 is
8 nontransferable and cannot be applied, used or assigned to any
9 other person, business or tax account.

10 Section 902. Recapture.

11 (a) General rule.--If any qualified business located within
12 a keystone opportunity zone or keystone opportunity expansion
13 zone has received an exemption, deduction, abatement or credit
14 under this act and subsequently relocates outside of the zone
15 within the first five years of locating in a keystone
16 opportunity zone or keystone opportunity expansion zone, that
17 business shall refund to the State and political subdivision
18 which granted the exemption, deduction, abatement or credit
19 received in accordance with the following:

20 (1) If a qualified business relocates within three years
21 from the date of [any claim] first locating in a keystone
22 opportunity zone or keystone opportunity expansion zone, 66%
23 of all the exemptions, deductions, abatements or credits
24 [previously received due] attributed to that qualified
25 business's participation in the keystone opportunity zone or
26 keystone opportunity expansion zone shall be refunded to the
27 Commonwealth and the political subdivision.

28 (2) If a qualified business relocates within three to
29 five years from the date of [any claim] first locating in a
30 keystone opportunity zone or keystone opportunity expansion

1 zone, 33% of all exemptions, deductions, abatements or
2 credits [previously received from] attributed to that
3 qualified business's participation in the keystone
4 opportunity zone or keystone opportunity expansion zone shall
5 be refunded to the Commonwealth and the political
6 subdivision.

7 (3) If the qualified business was located within a
8 facility operated by a nonprofit organization to assist in
9 the creation and development of a start-up business, no
10 exemption, deduction, abatement or credit shall be refunded.

11 (b) Waiver.--The department, in consultation with the
12 Department of Revenue and the political subdivision, may waive
13 or modify recapture requirements under this section if the
14 department determines that the business relocation was due to
15 circumstances beyond the control of the business, including, but
16 not limited to:

17 (1) natural disaster;

18 (2) unforeseen industry trends; or

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

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

23 (1) the date the return or other report for the tax or
24 fee is due;

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

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

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

28 (a) Persons.--No person may claim or receive an exemption,
29 deduction, abatement or credit under this act unless that person
30 is in full compliance with all State and local tax laws [and

1 related], ordinances and resolutions.

2 (b) Qualified business.--

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

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

12 (c) Later compliance and eligibility.--Any person or
13 qualified business that is not eligible to claim an exemption,
14 deduction, abatement or credit due to noncompliance with any
15 State or local tax law may become eligible if that person or
16 qualified business subsequently comes into full compliance with
17 all State and local tax laws to the satisfaction of the
18 Department of Revenue or the political subdivision within the
19 calendar year in which the noncompliance first occurred. If full
20 compliance is not attained by [December 31 of the calendar year
21 in which] February 5 of the calendar year following the calendar
22 year during which noncompliance first occurred, then that person
23 or qualified business is precluded from claiming any exemption,
24 deduction, abatement or credit for that calendar year, whether
25 or not full compliance is achieved [in subsequent calendar
26 years] subsequently.

27 Section 904. Code compliance.

28 (a) General rule.--A person or qualified business shall be
29 precluded from claiming any exemption, deduction, abatement or
30 credit provided for in this act if that person or qualified

1 business owns real property in a keystone opportunity zone or
2 keystone opportunity expansion zone and the real property is not
3 in compliance with all applicable State and local zoning,
4 building and housing laws, ordinances or codes [and the real
5 property owner has not filed an affidavit with the political
6 subdivision attesting to compliance for that calendar year
7 before December 31 with the political subdivision in which the
8 real property is located].

9 (b) Opportunity to achieve compliance.--The person or
10 qualified business who is not in compliance under subsection (a)
11 shall have until December 31 of the calendar year following
12 designation of the real property as part of a keystone
13 opportunity zone or keystone opportunity expansion zone to be in
14 compliance in order to claim any State exemptions, deductions,
15 abatements or credits for that year. If full compliance is not
16 attained by December 31 of that calendar year, the person or
17 qualified business is precluded from claiming any exemption,
18 deduction or credit for that calendar year, whether or not
19 compliance is achieved in a subsequent calendar year. The
20 political subdivision may extend the time period in which a
21 person or qualified business must come into compliance with a
22 local ordinance or building code for a period not to exceed one
23 year if the political subdivision determines that the person or
24 qualified business has made and shall continue to make a good
25 faith effort to come into compliance and that an extension will
26 enable the person or qualified business to achieve full
27 compliance. Qualified political subdivisions are required to
28 notify the Department of Revenue in writing of all persons or
29 qualified businesses not in compliance with this subsection
30 within 30 days following the end of each calendar year.

1 Section 905. Appeals.

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

9 Section 7. The act is amended by adding sections to read:

10 Section 906. Notice requirements; State and local authorities.

11 (a) Requirement.--After compliance reviews have been
12 conducted by appropriate Commonwealth and local authorities, the
13 department shall notify each keystone opportunity zone or
14 keystone opportunity expansion zone applicant by regular mail
15 each year of the department's approval or denial of the
16 applicant's keystone opportunity zone or keystone opportunity
17 expansion zone application. No keystone opportunity zone or
18 keystone opportunity expansion zone applicant is entitled to any
19 tax benefits unless it receives approval from the department.

20 (b) Notice.--The department shall provide a one-time
21 notification to every current keystone opportunity zone and
22 keystone opportunity expansion zone real property owner by June
23 1, 2001. Failure to receive departmental notification under this
24 section shall not extend or restrict any benefits or rights real
25 property owners possess under this act.

26 (c) Transmittal.--The department, or its designated
27 official, shall within 15 business days of receipt of a keystone
28 opportunity zone or keystone opportunity expansion zone
29 application made under this act, forward a copy of the
30 application to appropriate Commonwealth and local authorities

1 for review and processing.

2 Section 907. Application time.

3 A keystone opportunity zone or keystone opportunity expansion
4 zone applicant must file a keystone opportunity zone or keystone
5 opportunity expansion zone application in a manner prescribed by
6 the department by December 31 of each calendar year for which
7 the applicant claims any exemption, deduction, abatement or
8 credit under this act. No exemption, deduction, abatement or
9 credit may be claimed or received for that calendar year until
10 approval has been granted by the department.

11 Section 8. Sections 1101, 1102, 1103, 1302, 1303 and 1304 of
12 the act are amended to read:

13 Section 1101. Community benefits.

14 (a) Implementation grant.--The department may provide a one-
15 time \$250,000 grant to [the] a keystone opportunity zone or a
16 one-time \$200,000 grant to a keystone opportunity expansion zone
17 to implement the opportunity plan and to provide an annual
18 update of real property ownership and other information to the
19 Department of Revenue. The annual update shall describe progress
20 on all proposals required as part of the opportunity plan and
21 other information as required by the department. A separate
22 application must be submitted to the department outlining a
23 budget and implementation narrative. The grant shall be drawn
24 down as needed over a period not to exceed the first five years
25 of designation as a keystone opportunity zone or keystone
26 opportunity expansion zone. Grant funds shall be provided from
27 the housing and redevelopment appropriations. [Keystone
28 opportunity zones] Grant recipients shall comply with the
29 provisions of the appropriation.

30 (b) Reduced interest.--Projects in designated keystone

1 opportunity zones or keystone opportunity expansion zones that
2 are approved for Pennsylvania Industrial Development Authority
3 (PIDA) or Small Business First financing shall receive the
4 lowest interest rate extended to borrowers.

5 (c) Priority consideration.--Projects in keystone
6 opportunity zones or keystone opportunity expansion zones shall
7 receive priority consideration for State assistance under State
8 economic, community and economic development programs and
9 community building initiatives.

10 (d) Marketing.--The department shall develop and implement a
11 consolidated marketing strategy for the keystone opportunity
12 zones or keystone opportunity expansion zones for use in job
13 retention and attraction activities.

14 (e) Education.--The Department of Education shall provide
15 technical assistance to school districts located in or school
16 districts having parts of their districts located in keystone
17 opportunity zones or keystone opportunity expansion zones.

18 (f) Local governments.--The Center for Local Government
19 Services in the department shall provide technical assistance to
20 political subdivisions relating to taxation, implementation of
21 the opportunity plan, establishing annual benchmarks and annual
22 reporting requirements to the departments. Additionally, the
23 Center for Local Government Services shall provide political
24 subdivisions [in] with property designated a keystone
25 opportunity [zones] zone or keystone opportunity expansion zone
26 with technical assistance to encourage the implementation of
27 best practices in achieving efficient and effective local
28 government administration and shall coordinate activities with
29 other departments and agencies providing various assistance to
30 communities.

(g) Community-based organizations.--The department shall provide technical assistance for capacity building of existing community-based organizations dealing with socioeconomic needs, housing assistance and job training in the keystone opportunity [zones] zone or keystone opportunity expansion zone.

Section 1102. Reporting.

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

Section 1103. Other Commonwealth tax credits.

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

(1) Tax Reform Code of 1971:

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

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

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

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

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

(3) homeowners mortgage credits;

1 (4) insurance premiums tax credits; and
2 (5) job creation tax credit under the act of June 29,
3 1996 (P.L.434, No.67), known as the Job Enhancement Act.
4 The person or qualified business may apply the exemptions,
5 deductions, abatements or credits to income realized from
6 activity or transactions outside the keystone opportunity zone
7 or keystone opportunity expansion zone, but only for the taxable
8 year to which the exemptions, deductions, abatements or credits
9 apply. The provisions of this section shall apply only to the
10 taxes set forth in Chapters 5 and 7.

11 Section 1302. Rules and regulations.

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

17 Section 1303. Compliance.

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

23 Section 1304. Penalties.

24 (a) Civil penalty.--

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

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

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

8 Section 9. Section 1309 of the act is amended to read:

9 Section 1309. Expiration.

10 This act and all benefits associated with this act shall
11 terminate [December 21, 2010.] December 31, 2013.

12 Section 10. Section 204(57)(iii) of the act of March 4, 1971
13 (P.L.6, No.2), known as the Tax Reform Code of 1971, is
14 repealed.

15 Section 11. This act shall apply as follows:

16 (1) The amendment of sections 512 and 703 of the act
17 shall apply to taxable years beginning after December 31,
18 1998.

19 (2) The amendment of section 516 of the act shall apply
20 to taxable years beginning after December 31, 1999.

21 Section 12. This act shall take effect immediately.