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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 2498

Session of  
2000

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INTRODUCED BY GLADECK, ARGALL, GRUITZA, ADOLPH, ALLEN, BARRAR,  
BELFANTI, CALTAGIRONE, CHADWICK, CLYMER, L. I. COHEN,  
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STEELMAN, E. Z. TAYLOR, TRELLO, TRUE, WILT, WOJNAROSKI,  
YOUNGBLOOD, PIPPY, HORSEY, MARSICO, THOMAS, MANN AND  
WASHINGTON, MAY 2, 2000

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SENATOR TILGHMAN, APPROPRIATIONS, IN SENATE, RE-REPORTED AS  
AMENDED, NOVEMBER 20, 2000

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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:

1 AN ACT

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

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

15 Section 101. Short title.

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

19 Section 102. Legislative findings.

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

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

30 (3) Long-term economic viability of these areas requires

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

8 Section 103. Definitions.

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

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

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

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

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

29 "EXPANSION SUBZONE." A CLEARLY DEFINED GEOGRAPHIC AREA  
30 CONTAINING A MINIMUM OF 15 CONTIGUOUS ACRES OR A MINIMUM OF FIVE

<—

1 CONTIGUOUS ACRES IN A RURAL AREA.

2 "Institution."

3 (1) Every bank operating as such and having capital  
4 stock which is incorporated under any law of this  
5 Commonwealth, under the law of the United States or under the  
6 law of any other jurisdiction and is located within this  
7 Commonwealth.

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

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

1 Tax Reform Code of 1971.

2 (4) A mutual thrift institution.

3 "Insurance company." Every insurance company, association or  
4 exchange, incorporated or organized by or under the laws of this  
5 Commonwealth, the United States, territories, dependencies,  
6 other states or foreign governments, and engaged in transacting  
7 insurance business of any kind or classification within this  
8 Commonwealth, except title insurance companies subject to tax  
9 under Article VIII or XVI of the Tax Reform Code of 1971, as the  
10 case may be, except purely mutual beneficial associations whose  
11 funds for the benefit of members and families or heirs are made  
12 up entirely of the weekly, monthly, quarterly, semiannual or  
13 annual contributions to their members and the accumulated  
14 interest thereon and corporations organized under the former act  
15 of June 21, 1937 (P.L.1948, No.378), known as the Nonprofit  
16 Hospital Plan Act, and under the former act of June 27, 1939  
17 (P.L.1125, No.399), known as the Nonprofit Medical, Osteopathic,  
18 Dental and Podiatry Service Corporation Act.

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

<—

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

30 "Metropolitan statistical area." A core area containing a

1 city with a population of 50,000 or more or a Bureau of Census  
2 defined urbanized area of 50,000 with a total metropolitan  
3 population of at least 100,000.

4 "Mutual thrift institution." Every:

5 (1) Savings bank without capital stock.

6 (2) Building and loan association.

7 (3) Savings and loan association.

8 (4) Savings institution having capital stock.

9 whether the mutual thrift institution is incorporated under any  
10 law of this Commonwealth or under the law of the United States,  
11 or is incorporated under the law of any other jurisdiction and  
12 is located within this Commonwealth.

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

15 "Person." Any natural person.

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

19 "Qualified business." [Any business] A business authorized  
20 to do business in this Commonwealth that is located or partially  
21 located within a ~~keystone opportunity zone or keystone~~ <—  
22 ~~opportunity expansion zone~~ [KEYSTONE OPPORTUNITY ZONE] SUBZONE <—  
23 OR EXPANSION SUBZONE and is engaged in the active conduct of a  
24 trade or business in accordance with the requirements of ~~section~~ <—  
25 ~~307.~~ SECTION 307[.] FOR THE TAXABLE YEAR. An agent, broker or <—  
26 representative of a business is not engaged in the active  
27 conduct of trade or business for the business.

28 "Qualified political subdivision." A political subdivision  
29 [that has been designated as] that has real property within its  
30 jurisdiction which has been designated by the department as a

1 ~~keystone opportunity zone or keystone opportunity expansion~~ <—  
2 ~~zone.~~ [KEYSTONE OPPORTUNITY ZONE.] SUBZONE OR EXPANSION SUBZONE. <—  
3 "Resident." A person who is domiciled and resides in an area  
4 that is designated a ~~keystone opportunity zone or keystone~~ <—  
5 ~~opportunity expansion zone~~ [KEYSTONE OPPORTUNITY ZONE] SUBZONE <—  
6 OR EXPANSION SUBZONE and who meets the requirements of section  
7 306.  
8 "Subzone." A clearly defined geographic area containing a  
9 minimum of 20 contiguous acres or a minimum of ten contiguous  
10 acres in a rural area.  
11 "Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6,  
12 No.2), known as the Tax Reform Code of 1971, and any subsequent  
13 amendments thereto.  
14 Section 301. Keystone opportunity zones.  
15 (a) Establishment.--There is hereby established within the  
16 department a program providing for [the designation of portions <—  
17 of this Commonwealth as] keystone opportunity zones. A keystone <—  
18 opportunity zone shall be comprised of deteriorated property and  
19 shall not exceed a total of 5,000 acres.  
20 (b) [Designation] ~~Zone designation~~ AUTHORIZATION.--The <—  
21 department shall [designate] AUTHORIZE not more than 12 keystone <—  
22 opportunity zones in this Commonwealth. Persons and businesses  
23 within [a designated] AN AUTHORIZED keystone opportunity zone <—  
24 that are qualified under this act shall be entitled to all tax  
25 exemptions, deductions, abatements or credits set forth in this  
26 act for a period not to exceed [12] 15 years beginning January  
27 1, 1999, and ending on or before December 31, [2010] 2013.  
28 (c) [Subzones] Subzone designation.--[A keystone opportunity <—  
29 zone may be comprised of up to 12 clearly defined subzones  
30 {containing a minimum of 20 contiguous acres each. The subzones <—

1 may or may not be contiguous to each ~~other~~. OTHER.] THE <—  
2 DEPARTMENT MAY DESIGNATE NOT MORE THAN 12 SUBZONES IN EACH  
3 KEYSTONE OPPORTUNITY ZONE. The total number of [subzones]  
4 subzone acres in a keystone opportunity zone shall not exceed  
5 5,000 acres in the aggregate. [The department may approve the  
6 use of a subzone containing a minimum of ten acres in an area  
7 that is not included in a metropolitan statistical area.]  
8 (d) Authorization for local tax exemption.--Every political  
9 subdivision within which a proposed [keystone opportunity zone] <—  
10 SUBZONE is located, whether in whole or in part, is hereby <—  
11 authorized to provide tax exemptions, deductions, abatements or  
12 credits to persons and businesses qualified under this act. The  
13 political subdivision shall agree to provide exemptions,  
14 deductions, abatements or credits from all local taxes set forth  
15 in this act in order to qualify to be designated a [keystone <—  
16 opportunity zone within that political subdivision] SUBZONE. <—  
17 Except as provided in section 303(e), the exemptions,  
18 deductions, abatements or credits shall be effective January 1,  
19 1999, if designation of a [keystone opportunity zone] SUBZONE <—  
20 within the political subdivision is granted by the department.  
21 The exemptions, deductions, abatements or credits shall be  
22 binding upon the political subdivision for the duration of the  
23 [keystone opportunity zone] SUBZONE designation. <—  
24 ~~(c) Authorization to extend State and local tax exemption.~~ <—  
25 ~~A qualified political subdivision which does not provide for the~~  
26 ~~exemptions, deductions, abatements or credits set forth in this~~  
27 ~~act for a period of 15 years, ending December 31, 2013, may~~  
28 ~~receive departmental approval to extend the State and local tax~~  
29 ~~relief provided by this act for the period ending December 31,~~  
30 ~~2013, provided all qualified political subdivisions within the~~



~~keystone opportunity zone SUBZONE agree to extend the State and  
local tax relief provided by this act for the period ending  
December 31, 2013. A qualified political subdivision having an  
approved keystone opportunity subzone within its jurisdiction  
shall pass the required ordinance, resolutions or other required  
action of the qualified political subdivision for the necessary  
exemptions, deductions, abatements or credits pursuant to this  
act for the period beginning after December 31, 2008, and ending  
on December 31, 2013, and shall submit copies to the department  
of the ordinance, resolutions or other action by June 30, 2001.~~

(E) AUTHORIZATION TO EXTEND THE DURATION OF A KEYSTONE  
OPPORTUNITY ZONE OR SUBZONE.--A SUBZONE OF A KEYSTONE  
OPPORTUNITY ZONE MAY REQUEST TO EXTEND ITS DESIGNATION AS A  
SUBZONE FOR A PERIOD OF THREE YEARS. A SUBZONE THAT IS PART OF A  
KEYSTONE OPPORTUNITY ZONE THAT WILL EXPIRE ON DECEMBER 31, 2008,  
MAY EXTEND ITS DESIGNATION AS A SUBZONE TO DECEMBER 31, 2010, OR  
TO DECEMBER 31, 2013. THE REQUEST TO EXTEND A SUBZONE  
DESIGNATION SHALL BE MADE ON A SUBZONE-BY-SUBZONE BASIS. A  
QUALIFIED POLITICAL SUBDIVISION HAVING AN APPROVED SUBZONE  
WITHIN ITS JURISDICTION AND SEEKING TO EXTEND THE SUBZONE  
DESIGNATION SHALL PASS THE REQUIRED ORDINANCES, RESOLUTIONS OR  
OTHER REQUIRED ACTION OF THE QUALIFIED POLITICAL SUBDIVISION FOR  
THE NECESSARY EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS  
PURSUANT TO THIS ACT FOR THE PERIOD BEGINNING AFTER DECEMBER 31,  
2008, OR DECEMBER 31, 2010, AS THE CASE MAY BE AND SHALL SUBMIT  
COPIES OF THE ORDINANCE, RESOLUTION OR OTHER ACTION TO THE  
DEPARTMENT BY JUNE 30, 2001. THE DEPARTMENT MAY GRANT THE  
REQUEST TO EXTEND PROVIDED ALL THE PROPER BINDING ORDINANCES,  
RESOLUTIONS OR OTHER GOVERNING DOCUMENTS ARE PASSED BY ALL  
QUALIFIED POLITICAL SUBDIVISIONS WITHIN THE SUBZONE EXTENDING

1 THE NECESSARY EXEMPTIONS, DEDUCTIONS, ABATEMENTS AND CREDITS TO  
2 THE ENTIRE SUBZONE TO DECEMBER 31, 2010, OR DECEMBER 31, 2013.

3 The department shall approve or deny the request for extension  
4 of duration of a ~~keystone opportunity zone~~ SUBZONE by July 31, <—

5 2001, and shall provide written notice, irrespective of whether  
6 approved or denied, to each qualified political subdivision,

7 resident and qualified business affected. Upon approval of a  
8 request for extension of duration of a ~~keystone opportunity zone~~ <—

9 SUBZONE, the exemptions, deductions, abatements or credits shall <—  
10 be binding upon the qualified political subdivision as provided

11 in 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~~ AUTHORIZATION.--The department shall <—  
21 ~~designate~~ AUTHORIZE not more than 12 keystone opportunity <—

22 expansion zones in this Commonwealth. Persons and businesses  
23 within a ~~designated~~ AN AUTHORIZED keystone opportunity expansion <—

24 zone that are qualified under this act shall be entitled to all  
25 tax exemptions, deductions, abatements or credits set forth in

26 this act for a period of TEN OR 13 years beginning January 1, <—  
27 2001, and ending on December 31, 2010, OR DECEMBER 31, 2013. <—

28 ~~(c) Subzones. A keystone opportunity expansion zone may be~~ <—  
29 ~~comprised of up to eight clearly defined subzones. The total~~

30 (C) EXPANSION SUBZONE DESIGNATION.--THE DEPARTMENT MAY <—

1 DESIGNATE NOT MORE THAN EIGHT EXPANSION SUBZONES IN A KEYSTONE  
2 OPPORTUNITY EXPANSION ZONE. THE TOTAL number of EXPANSION <—  
3 subzone acres in a keystone opportunity expansion zone shall not  
4 exceed 1,500 acres in the aggregate.

5 (d) Authorization for local tax exemption.--Every political  
6 subdivision within which a proposed ~~keystone opportunity~~ <—  
7 ~~expansion zone~~ EXPANSION SUBZONE is located, whether in whole or <—  
8 in part, is hereby authorized to provide tax exemptions,  
9 deductions, abatements or credits to persons and businesses  
10 qualified under this act FOR A PERIOD ENDING DECEMBER 31, 2010, <—  
11 OR DECEMBER 31, 2013. THE EXEMPTION PERIOD SHALL BE UNIFORM  
12 WITHIN EACH EXPANSION SUBZONE. The political subdivision shall  
13 agree to provide exemptions, deductions, abatements or credits  
14 from all local taxes set forth in this act in order to qualify  
15 to be designated a ~~keystone opportunity expansion zone within~~ <—  
16 ~~that political subdivision~~ AN EXPANSION SUBZONE. The exemptions, <—  
17 deductions, abatements or credits shall be effective January 1,  
18 2001, if designation of a ~~keystone opportunity expansion zone~~ AN <—  
19 EXPANSION SUBZONE within the political subdivision is granted by  
20 the department. The exemptions, deductions, abatements or  
21 credits shall be binding upon the political subdivision for the  
22 duration of the ~~keystone opportunity expansion zone~~ EXPANSION <—  
23 SUBZONE designation.

24 Section 4. Sections 302, 303, 304, 305, 306, 307, 308, 501,  
25 511, 512, 513, 514, 515 and 516 of the act are amended to read:  
26 Section 302. Application.

27 (a) Initial application.--One or more political  
28 subdivisions, or a designee of one or more political  
29 subdivisions, may apply to the department to designate [a  
30 keystone opportunity zone] deteriorated property within the

1 political subdivision or portions thereof ~~a keystone opportunity~~ <—  
2 ~~zone or keystone opportunity expansion zone~~ SUBZONE OR EXPANSION <—  
3 SUBZONE. The application shall contain the following:

4 (1) The geographic area of the proposed keystone  
5 opportunity zone or proposed keystone opportunity expansion  
6 zone. The geographic area shall be located within the  
7 boundaries of the participating political subdivision and  
8 shall not contain more than 5,000 acres in the case of a  
9 keystone opportunity zone or 1,500 acres in the case of a  
10 keystone opportunity expansion zone.

11 (2) An opportunity plan that shall include the  
12 following:

13 (i) A detailed map of the proposed keystone  
14 opportunity zone [and subzones] or proposed keystone  
15 opportunity expansion zone, including geographic  
16 boundaries, total area and present use and conditions of  
17 the land and structures of the proposed keystone  
18 opportunity zone or proposed keystone opportunity  
19 expansion zone.

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

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

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

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

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

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

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

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

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

(4) The [proposed] duration of the ~~proposed~~ [keystone opportunity zone {and all} PROPOSED subzones] or proposed keystone opportunity expansion zone EXPANSION SUBZONES. The duration of a ~~keystone opportunity zone~~ SUBZONE may not exceed [12] 15 years. The duration of a keystone opportunity

<—  
<—  
<—  
<—  
<—

~~expansion zone is~~ AN EXPANSION SUBZONE MAY NOT EXCEED 13  
years.

(5) A formal, binding ordinance or resolution passed by  
every political subdivision in which the proposed [keystone  
opportunity zone] ~~or proposed keystone opportunity expansion~~  
~~zone~~ SUBZONE OR PROPOSED EXPANSION SUBZONE is located that  
specifically provides for all local tax exemptions,  
deductions, abatements or credits for persons and businesses  
set forth in this act [if designation is received by the  
department, to be effective January 1, 1999].

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

(b) Participation limitation.--A [qualified] political  
subdivision shall not be a part of more than one proposed  
keystone opportunity zone[.] or proposed keystone opportunity  
expansion zone. A PROPOSED EXPANSION SUBZONE MAY NOT OVERLAP THE  
BOUNDARIES OF A SUBZONE.

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

Section 303. Review.

(a) Action of department.--The department, in consultation  
with the Department of Revenue, shall review all completed  
applications submitted under this act. An application for  
~~designation as a keystone opportunity zone~~ [DESIGNATION]  
AUTHORIZATION AS A KEYSTONE OPPORTUNITY ZONE AND DESIGNATION OF

1 SUBZONES shall be received by the department on or before  
2 September 30, 1998, in order to be considered by the department.  
3 ~~An application for designation as a keystone opportunity~~ <—  
4 ~~expansion zone shall be received by the department on or before~~  
5 ~~December 31, 2000, in order to be~~ AUTHORIZATION AS A KEYSTONE <—  
6 OPPORTUNITY EXPANSION ZONE AND DESIGNATION OF EXPANSION SUBZONES  
7 SHALL BE RECEIVED BY THE DEPARTMENT ON OR BEFORE FEBRUARY 28,  
8 2001, IN ORDER TO BE considered by the department.

9 (b) Process.--The department shall [designate] AUTHORIZE up <—  
10 to 12 keystone opportunity zones from applications meeting the  
11 criteria in section 304 based upon need and likelihood of  
12 success. The department shall designate AUTHORIZE up to 12 <—  
13 keystone opportunity expansion zones from applications meeting  
14 the criteria in section 304 based upon need and likelihood of  
15 success. Additionally, the department shall not alter the  
16 ~~geographic boundaries of a keystone opportunity zone or keystone~~ <—  
17 ~~opportunity expansion zone or the duration of a keystone~~  
18 ~~opportunity zone or keystone opportunity expansion zone~~  
19 ~~described in [the] an application.~~

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

24 ~~(d) Effective date of designation. The designation of a~~  
25 ~~keystone opportunity zone under this act shall take effect on~~  
26 ~~January 1, 1999. The designation of a keystone opportunity~~  
27 ~~expansion zone under this act shall take effect on January 1,~~  
28 ~~2001.~~

29 ~~(e) Extension. The department may extend the deadline for~~  
30 ~~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~~  
GEOGRAPHIC BOUNDARIES OF A [KEYSTONE OPPORTUNITY ZONE] SUBZONE <—  
OR EXPANSION SUBZONE OR THE DURATION OF A [KEYSTONE OPPORTUNITY  
ZONE] SUBZONE OR EXPANSION SUBZONE DESCRIBED IN [THE] AN  
APPLICATION.

(C) [AWARD OF DESIGNATIONS] AUTHORIZATIONS.--THE DEPARTMENT  
SHALL [DESIGNATE] AUTHORIZE ALL KEYSTONE OPPORTUNITY ZONES BY  
NOVEMBER 30, 1998. THE DEPARTMENT SHALL AUTHORIZE ALL KEYSTONE  
OPPORTUNITY EXPANSION ZONES BY MARCH 30, 2001.

(D) EFFECTIVE DATE OF DESIGNATION.--THE DESIGNATION OF A  
[KEYSTONE OPPORTUNITY ZONE] SUBZONE UNDER THIS ACT SHALL TAKE  
EFFECT ON JANUARY 1, 1999. THE DESIGNATION OF AN EXPANSION  
SUBZONE 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] AUTHORIZED AND THE EXTENSION IS NECESSARY  
TO ALLOW ELIGIBLE POLITICAL SUBDIVISIONS TO APPLY. THE



1 DEPARTMENT SHALL [DESIGNATE] AUTHORIZE ADDITIONAL KEYSTONE  
2 OPPORTUNITY ZONES UNDER THIS SUBSECTION BY FEBRUARY 28, 1999.  
3 THE [DESIGNATION] AUTHORIZATION SHALL TAKE EFFECT JANUARY 1,  
4 1999, OR IF THE [DESIGNATION] AUTHORIZATION OCCURS AFTER JANUARY  
5 1, 1999, THAT SUBSEQUENT [DESIGNATION] AUTHORIZATION SHALL FOR  
6 ALL PURPOSES BE RETROACTIVE TO JANUARY 1, 1999. THE  
7 [DESIGNATION] KEYSTONE OPPORTUNITY ZONE AUTHORIZATION SHALL END  
8 AS PROVIDED IN SECTION 301(B).

9 SECTION 304. CRITERIA FOR [DESIGNATION] AUTHORIZATION OF  
10 KEYSTONE OPPORTUNITY ZONE.

11 (A) SPECIFIC CRITERIA.--IN ORDER TO QUALIFY FOR  
12 [DESIGNATION] AUTHORIZATION under this act, the proposed  
13 keystone opportunity zone or proposed keystone opportunity  
14 expansion zone shall meet at least two of the following  
15 criteria:

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

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

20 (3) At least 20% of all real property within a five-mile  
21 radius of the proposed keystone opportunity zone, ~~proposed~~ <—  
22 ~~keystone opportunity expansion zone or subzone~~ [OR SUBZONE], <—  
23 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE, PROPOSED  
24 SUBZONE OR PROPOSED EXPANSION SUBZONE in a nonurban area is  
25 deteriorated or underutilized.

26 (4) At least 20% of all real property within a one-mile  
27 radius of the proposed keystone opportunity zone, ~~proposed~~ <—  
28 ~~keystone opportunity expansion zone or subzone~~ [OR SUBZONE], <—  
29 PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE, PROPOSED  
30 SUBZONE OR PROPOSED EXPANSION 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 ~~or proposed keystone opportunity expansion zone or subzone~~ [OR SUBZONE], PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE, PROPOSED SUBZONE OR PROPOSED EXPANSION 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 ~~or proposed keystone opportunity expansion zone or subzone~~ [OR SUBZONE], PROPOSED KEYSTONE OPPORTUNITY EXPANSION ZONE, PROPOSED SUBZONE OR PROPOSED EXPANSION 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 but is not larger than the county or counties in which the proposed keystone opportunity zone or proposed keystone opportunity expansion zone is located, based on census data for the period between 1980 and 1990 or census estimates since 1990 establishing a pattern of population loss.

(10) The political subdivision in which the proposed keystone opportunity zone or proposed keystone opportunity expansion zone is located has experienced a sudden and/or

1 severe job loss.

2 (11) At least 33% of the real property in a proposed  
3 keystone opportunity zone or proposed keystone opportunity  
4 expansion zone in a nonurban area would otherwise remain  
5 underdeveloped or nonperforming due to physical  
6 characteristics of the real property.

7 (12) The area has substantial real property with  
8 adequate infrastructure and energy to support new or expanded  
9 development.

10 (b) Additional criteria.--In addition to the required  
11 criteria under subsection (a), the department shall consider the  
12 following criteria:

13 (1) Evidence of distress, including, but not limited to,  
14 unemployment, percentage of population below 80% of the State  
15 median income, poverty rate, deteriorated property and  
16 adverse economic and socioeconomic conditions in the proposed  
17 keystone opportunity zone or proposed keystone opportunity  
18 expansion zone.

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

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

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

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

30 (6) How keystone opportunity zone or keystone

<—

opportunity expansion zone [designation] OR KEYSTONE $\leftarrow$ 

OPPORTUNITY EXPANSION ZONE AUTHORIZATION 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] AUTHORIZED as a keystone opportunity zone or a

 $\leftarrow$ 

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~~ $\leftarrow$ 

~~expansion zone~~ [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR PROPOSED

←

EXPANSION SUBZONE 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, abate-ments or credits to qualified persons

and qualified businesses from local taxes upon designation of

the area as a ~~keystone opportunity zone or keystone opportunity~~

 $\leftarrow$ 

~~expansion zone. All appropriate ordinances and resolutions shall~~

~~be effective on or before January 1, 1999, if designation as a~~

~~keystone opportunity zone is granted. All appropriate ordinances~~

~~and resolutions shall be effective on January 1, 2001, if~~

~~designation as a keystone opportunity expansion zone is granted.~~

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

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

~~Section 305. Zone limitations.~~

~~The department shall not designate more than 12 keystone opportunity zones within this Commonwealth. No keystone opportunity zone shall encompass an entire political subdivision. The department shall not designate more than 12 keystone opportunity expansion zones within this Commonwealth. No keystone opportunity expansion zone shall encompass an entire political subdivision.~~

~~Section 306. Residency.~~

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

~~Section 307. Qualified businesses.~~

~~(a) Qualifications. In order to qualify each year for a tax exemption, deduction, abatement or credit under this act, a business shall own or lease real property in the keystone opportunity zone or keystone opportunity expansion zone from which the business actively conducts a trade, profession or business. The qualified business shall receive certification~~

~~from the department that the business is located, and is in the active conduct of a trade, profession or business, within the keystone opportunity zone or keystone opportunity expansion zone. The business shall obtain annual renewal of the certification from the department to continue to qualify under this section.~~

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

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

~~(2) makes a capital investment in the property located within a keystone opportunity zone or keystone opportunity expansion zone equivalent to 10% of the gross revenues of~~

~~[KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE. ALL APPROPRIATE ORDINANCES AND RESOLUTIONS SHALL BE EFFECTIVE ON OR BEFORE JANUARY 1, 1999, IF DESIGNATION AS A [KEYSTONE OPPORTUNITY] SUBZONE IS GRANTED. ALL APPROPRIATE ORDINANCES AND RESOLUTIONS SHALL BE EFFECTIVE ON JANUARY 1, 2001, IF DESIGNATION AS AN EXPANSION SUBZONE IS GRANTED. THE RESOLUTION, ORDINANCE OR OTHER REQUIRED ACTION SHALL BE BINDING AND NONREVOCABLE ON THE QUALIFIED POLITICAL SUBDIVISIONS FOR THE DURATION OF THE OPPORTUNITY PLAN.~~

~~(D) URBAN AREAS.--THE DEPARTMENT SHALL PROMULGATE GUIDELINES [WHICH] THAT INCLUDE THE DEFINITION OF "URBAN AREA" FOR THE PURPOSES OF RECEIVING APPLICATIONS FOR [DESIGNATION]~~

AUTHORIZATION AS A KEYSTONE OPPORTUNITY ZONE OR KEYSTONE  
OPPORTUNITY EXPANSION ZONE.

SECTION 305. ZONE LIMITATIONS.

THE DEPARTMENT SHALL NOT [DESIGNATE] AUTHORIZE MORE THAN 12  
KEYSTONE OPPORTUNITY ZONES WITHIN THIS COMMONWEALTH. NO  
[KEYSTONE OPPORTUNITY ZONE] SUBZONE SHALL ENCOMPASS AN ENTIRE  
POLITICAL SUBDIVISION. THE DEPARTMENT SHALL NOT AUTHORIZE MORE  
THAN 12 KEYSTONE OPPORTUNITY EXPANSION ZONES WITHIN THIS  
COMMONWEALTH. NO EXPANSION SUBZONES SHALL ENCOMPASS AN ENTIRE  
POLITICAL SUBDIVISION.

SECTION 306. RESIDENCY.

IN ORDER TO QUALIFY EACH YEAR FOR A TAX EXEMPTION, DEDUCTION,  
ABATEMENT OR CREDIT UNDER THIS ACT, A PERSON SHALL BE DOMICILED  
AND SHALL RESIDE IN [THE KEYSTONE OPPORTUNITY ZONE] A SUBZONE OR  
EXPANSION SUBZONE FOR A PERIOD OF 184 CONSECUTIVE DAYS DURING  
EACH TAXABLE YEAR, WHICH MAY BEGIN ON THE DATE OF DESIGNATION BY  
THE DEPARTMENT OR ON THE DATE THE PERSON FIRST RESIDES WITHIN  
THE [ZONE] SUBZONE OR EXPANSION SUBZONE.

SECTION 307. QUALIFIED BUSINESSES.

(A) QUALIFICATIONS.--IN ORDER TO QUALIFY EACH YEAR FOR A TAX  
EXEMPTION, DEDUCTION, ABATEMENT OR CREDIT UNDER THIS ACT, A  
BUSINESS SHALL OWN OR LEASE REAL PROPERTY IN [THE KEYSTONE  
OPPORTUNITY ZONE] A SUBZONE OR EXPANSION SUBZONE FROM WHICH THE  
BUSINESS ACTIVELY CONDUCTS A TRADE, PROFESSION OR BUSINESS. THE  
QUALIFIED BUSINESS SHALL RECEIVE CERTIFICATION FROM THE  
DEPARTMENT THAT THE BUSINESS IS LOCATED, AND IS IN THE ACTIVE  
CONDUCT OF A TRADE, PROFESSION OR BUSINESS, WITHIN THE [KEYSTONE  
OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE. THE BUSINESS  
SHALL OBTAIN ANNUAL RENEWAL OF THE CERTIFICATION FROM THE  
DEPARTMENT TO CONTINUE TO QUALIFY UNDER THIS SECTION.

(B) RELOCATION.--ANY BUSINESS THAT RELOCATES FROM OUTSIDE A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE INTO A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE SHALL NOT RECEIVE ANY OF THE EXEMPTIONS, DEDUCTIONS, ABATEMENTS OR CREDITS SET FORTH IN THIS ACT UNLESS THAT BUSINESS EITHER:

(1) INCREASES FULL-TIME EMPLOYMENT BY AT LEAST 20% IN THE FIRST FULL YEAR OF OPERATION WITHIN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE; OR

(2) MAKES A CAPITAL INVESTMENT IN THE PROPERTY LOCATED WITHIN A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE EQUIVALENT TO 10% OF THE GROSS REVENUES OF that business in the immediately preceding calendar or fiscal year.

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

#### Section 308. Forms.

(a) Application forms.--Applications for [designation] AUTHORIZATION as a keystone opportunity zone or keystone opportunity expansion zone shall be on forms prescribed by the department.

(b) Department assistance.--The department shall assist political subdivisions in using the Internet as a tool for encouraging new business development, including assisting political subdivisions in making available via the Internet information, applications and other forms necessary under this act.

#### Section 501. State taxes.

(a) General rule.--A person who is a resident of a ~~keystone opportunity zone or a keystone opportunity expansion zone~~, a



1 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE, A <—  
2 qualified business or a nonresident under section 513 shall  
3 receive the exemptions, deductions, abatements or credits as  
4 provided in this chapter and Chapter 7 for the duration of the  
5 ~~keystone opportunity zone or keystone opportunity expansion zone~~ <—  
6 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE <—  
7 designation. Exemptions, deductions, abatements or credits shall  
8 expire on the date of expiration of the ~~keystone opportunity~~ <—  
9 ~~zone or keystone opportunity expansion zone~~ designation.  
10 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE <—  
11 DESIGNATION.

12 (b) Construction.--The Department of Revenue shall  
13 administer, construe and enforce the provisions of this chapter  
14 in conjunction with Articles II, III, IV [and], VI, VII, VII-A,  
15 IX and XV of the Tax Reform Code of 1971.  
16 Section 511. Sales and use tax.

17 (a) Exemption.--Sales at retail of services or tangible  
18 personal property, other than motor vehicles, to a qualified  
19 business for the exclusive use, consumption and utilization of  
20 the tangible personal property or service by the qualified  
21 business at its facility located within a [keystone opportunity <—  
22 ~~zone or a keystone opportunity expansion zone~~ are exempt from <—  
23 ZONE] SUBZONE OR EXPANSION SUBZONE ARE EXEMPT FROM the sales and <—  
24 use tax imposed under Article II of the Tax Reform Code of 1971.

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

30 (b) Construction contracts.--For any construction contract

1 ~~performed in a keystone opportunity zone or keystone opportunity~~ <—  
2 ~~expansion zone~~ SUBZONE OR EXPANSION SUBZONE, the exemption <—  
3 provided in subsection (a) shall only apply to the sale at  
4 retail or use of building machinery and equipment to a qualified  
5 business, or to a construction contractor pursuant to a  
6 construction contract with a qualified business, for the  
7 exclusive use, consumption and utilization by the qualified <—  
8 business at its facility in a keystone opportunity zone or  
9 keystone opportunity expansion zone. For the purposes of the  
10 keystone opportunity zone and keystone opportunity expansion  
11 zone exemption, building machinery and equipment shall include  
12 distribution equipment purchased for the exclusive use,  
13 consumption and utilization in a keystone opportunity zone or  
14 keystone opportunity expansion zone facility. THE QUALIFIED <—  
15 BUSINESS AT ITS FACILITY IN A SUBZONE OR EXPANSION SUBZONE. FOR  
16 THE PURPOSES OF THE SUBZONE OR EXPANSION SUBZONE EXEMPTION,  
17 BUILDING MACHINERY AND EQUIPMENT SHALL INCLUDE DISTRIBUTION  
18 EQUIPMENT PURCHASED FOR THE EXCLUSIVE USE, CONSUMPTION AND  
19 UTILIZATION IN A SUBZONE OR EXPANSION SUBZONE FACILITY.

20 Section 512. Personal income tax.

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

24 (1) Compensation received during the time period when  
25 ~~the person was a resident of a keystone opportunity zone or~~ <—  
26 ~~keystone opportunity expansion zone.~~ THE PERSON WAS A <—  
27 RESIDENT OF A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
28 EXPANSION SUBZONE.

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

~~opportunity zone or keystone opportunity expansion zone~~  
~~attributable to business activity conducted within a keystone~~  
~~opportunity zone [after provision for all costs and expenses~~  
~~incurred in the conduct thereof] or keystone opportunity~~  
~~expansion zone, determined [either on a cash or accrual~~  
~~basis] in accordance with [accepted accounting principles and~~  
~~practices but without deduction of taxes based on income.]~~  
~~section 515 of this act, except that any business that~~  
~~operates both within and outside this Commonwealth, before~~  
~~computing its keystone opportunity zone or keystone~~  
~~opportunity expansion zone exemption, shall first determine~~  
BUSINESS RECEIVED BY A RESIDENT OR NONRESIDENT OF A [KEYSTONE <—  
OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE ATTRIBUTABLE  
TO BUSINESS ACTIVITY CONDUCTED WITHIN A [KEYSTONE OPPORTUNITY  
ZONE AFTER PROVISION FOR ALL COSTS AND EXPENSES INCURRED IN  
THE CONDUCT THEREOF] SUBZONE OR EXPANSION SUBZONE, DETERMINED  
[EITHER ON A CASH OR ACCRUAL BASIS] IN ACCORDANCE WITH  
[ACCEPTED ACCOUNTING PRINCIPLES AND PRACTICES BUT WITHOUT  
DEDUCTION OF TAXES BASED ON INCOME.] SECTION 515, EXCEPT THAT  
ANY BUSINESS THAT OPERATES BOTH WITHIN AND OUTSIDE THIS  
COMMONWEALTH, BEFORE COMPUTING ITS SUBZONE OR EXPANSION  
SUBZONE EXEMPTION, SHALL FIRST DETERMINE its Pennsylvania  
activity over its activity everywhere by applying the three-  
factor apportionment formula as set forth in Department of  
Revenue personal income tax regulations applicable to income  
apportionment in connection with a business, trade or  
profession carried on both within and outside this  
Commonwealth.

(3) All of the following:

(i) Net gains or income, less net losses, derived by

1 a resident or nonresident of a ~~keystone opportunity zone~~ <—  
2 ~~or keystone opportunity expansion zone~~ [KEYSTONE <—  
3 OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE from the  
4 sale, exchange or other disposition of real or tangible  
5 personal property located in a ~~keystone opportunity zone~~ <—  
6 ~~or keystone opportunity expansion zone~~ [KEYSTONE <—  
7 OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE as  
8 determined in accordance with accepted accounting  
9 principles and practices. The exemption provided in this  
10 subparagraph shall not apply to the sale, exchange or  
11 other disposition of any stock of goods, merchandise or  
12 inventory, or any operational assets unless the transfer  
13 is in connection with the sale, exchange or other  
14 disposition of all of the assets in complete liquidation  
15 of a qualified business located in a keystone opportunity <—  
16 zone or keystone opportunity expansion zone. This  
17 subparagraph shall apply to intangible personal property  
18 employed in a trade, profession or business in a keystone  
19 opportunity zone or keystone opportunity expansion zone  
20 by a qualified business, but only when transferred in  
21 connection with a sale, exchange or other disposition of  
22 all of the assets in complete liquidation of the  
23 qualified business in the keystone opportunity zone or  
24 keystone opportunity expansion zone.

25 (ii) ~~Net gains, less net losses, realized by a~~  
26 ~~resident of a keystone opportunity zone or keystone~~  
27 ~~opportunity expansion zone from the sale, exchange or OF~~ <—  
28 A QUALIFIED BUSINESS LOCATED IN A SUBZONE OR EXPANSION  
29 SUBZONE. THIS SUBPARAGRAPH SHALL APPLY TO INTANGIBLE  
30 PERSONAL PROPERTY EMPLOYED IN A TRADE, PROFESSION OR

1 BUSINESS IN A SUBZONE OR EXPANSION SUBZONE BY A QUALIFIED  
2 BUSINESS, BUT ONLY WHEN TRANSFERRED IN CONNECTION WITH A  
3 SALE, EXCHANGE OR OTHER DISPOSITION OF ALL OF THE ASSETS  
4 IN COMPLETE LIQUIDATION OF THE QUALIFIED BUSINESS IN THE  
5 SUBZONE OR EXPANSION SUBZONE.

6 (II) NET GAINS, LESS NET LOSSES, REALIZED BY A  
7 RESIDENT OF A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
8 EXPANSION SUBZONE FROM THE SALE, EXCHANGE OR disposition  
9 of intangible personal property or obligations issued on  
10 or after February 1, 1994, by the Commonwealth, a public  
11 authority, commission, board or other Commonwealth  
12 agency, political subdivision or authority created by a  
13 political subdivision or by the Federal Government as  
14 determined in accordance with accepted accounting  
15 principles and practices.

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

19 (A) In the case of gains, less net losses, in  
20 subparagraph (i), the percentage of time, based on  
21 calendar days, the property located in a keystone <—  
22 opportunity zone or keystone opportunity expansion  
23 zone SUBZONE OR EXPANSION SUBZONE was held by [the <—  
24 taxpayer while] a resident or nonresident of [a  
25 keystone opportunity] the zone during the time period  
26 the zone was in effect in relation to the total time  
27 the property was held [by the taxpayer; or].

28 (B) In the case of gains, less net losses, in  
29 subparagraph (ii), the percentage of time, based on  
30 calendar days, the [real or tangible personal]

1 property [located in the keystone opportunity zone]  
2 was held by the taxpayer while a [nonresident]  
3 ~~resident of a keystone opportunity zone [during the~~ <—  
4 ~~time period the keystone opportunity zone was in~~  
5 ~~effect] or keystone opportunity expansion zone in~~  
6 ~~relation to the total time the [real or tangible~~  
7 ~~personal] property was held [by a nonresident].~~

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

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

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

30 ~~(5) Dividends received during the time the person was a~~

~~resident of a keystone opportunity zone or keystone  
opportunity expansion zone.~~

~~(6) Interest received during the time period the person  
was a resident of a keystone opportunity zone or keystone  
opportunity expansion zone. RESIDENT OF A [KEYSTONE  
OPPORTUNITY ZONE DURING THE TIME PERIOD THE KEYSTONE  
OPPORTUNITY ZONE WAS IN EFFECT] SUBZONE OR EXPANSION SUBZONE  
IN RELATION TO THE TOTAL TIME THE [REAL OR TANGIBLE PERSONAL]  
PROPERTY WAS HELD [BY A NONRESIDENT].~~

(4) NET GAINS OR INCOME DERIVED FROM OR IN THE FORM OF  
RENTS [RECEIVED BY A PERSON, WHETHER A RESIDENT OR  
NONRESIDENT OF A KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
EXPANSION SUBZONE, TO THE EXTENT THAT INCOME OR LOSS FROM THE  
RENTAL OF REAL OR TANGIBLE PERSONAL PROPERTY IS ALLOCABLE TO  
A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE.  
FOR PURPOSES OF CALCULATING THIS EXEMPTION:

(I) NET RENTS DERIVED FROM REAL OR TANGIBLE PERSONAL  
PROPERTY LOCATED IN A [KEYSTONE OPPORTUNITY ZONE] SUBZONE  
OR EXPANSION SUBZONE ARE ALLOCABLE TO A [KEYSTONE  
OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE.

(II) IF THE TANGIBLE PERSONAL PROPERTY WAS USED BOTH  
WITHIN AND WITHOUT THE [KEYSTONE OPPORTUNITY ZONE]  
SUBZONE OR EXPANSION SUBZONE DURING THE TAXABLE YEAR,  
ONLY THE NET INCOME ATTRIBUTABLE TO USE IN THE [KEYSTONE  
OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE IS EXEMPT.  
THE NET RENTAL INCOME SHALL BE MULTIPLIED BY A FRACTION,  
THE NUMERATOR OF WHICH IS THE NUMBER OF DAYS THE PROPERTY  
WAS USED IN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
EXPANSION SUBZONE AND THE DENOMINATOR WHICH IS THE TOTAL  
DAYS OF USE.

(5) DIVIDENDS RECEIVED DURING THE TIME THE PERSON WAS A  
RESIDENT OF A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
EXPANSION SUBZONE.

(6) INTEREST RECEIVED DURING THE TIME PERIOD THE PERSON  
WAS A RESIDENT OF A [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
EXPANSION SUBZONE.

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

(a.1) Exemption.--Beginning in taxable year 1999, a person  
located in a designated ~~keystone opportunity zone~~ SUBZONE shall <—  
be allowed an exemption under subsection (a) from the tax  
imposed by Article III of the Tax Reform Code of 1971 for the  
classes of income set forth in subsection (a). Beginning in  
taxable year 2001, a person located in a designated ~~keystone~~ <—  
~~opportunity expansion zone~~ EXPANSION SUBZONE shall be allowed an <—  
exemption under subsection (a) from the tax imposed by Article  
III of the Tax Reform Code of 1971 for the classes of income set  
forth in subsection (a).

(a.2) Pass-through entities.--The exemptions provided for in  
this section SUBSECTION (A)(2), (3)(I) AND (4) shall apply to <—  
all of the following:

(1) The income or gain of a partnership or association.



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

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

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

20    (c) Section not applicable to certain entities.--Any portion  
21   of net income or gain that is attributable to operation of a  
22   railroad, truck, bus or airline company, pipeline or natural gas  
23   company, water transportation company, an entity which would  
24   qualify as a regulated investment company under Article IV of  
25   the Tax Reform Code of 1971 or would qualify as a holding  
26   company under Article VI of the Tax Reform Code of 1971 and any <—  
27   entity activity which is associated or affiliated with any of  
28   these operations shall not be used to calculate an exemption  
29   under this section. This subsection shall not apply to the  
30   exemption from tax provided in subsection (a)(5).

1 Section 513. Residency considerations.

2 If a person completes the residency requirements under  
3 section 306 or if a nonresident realizes income attributable to  
4 business activity or property within a ~~keystone opportunity zone~~ <—  
5 ~~or keystone opportunity expansion zone~~ [KEYSTONE OPPORTUNITY <—  
6 ZONE] SUBZONE OR EXPANSION SUBZONE on or before the end of the  
7 tax year, the person may claim the exemptions from income for  
8 the items set forth in section 512 for that portion of the tax  
9 year that the person was a resident or for that portion of the  
10 tax year during which the area is designated as a ~~keystone~~ <—  
11 ~~opportunity zone or keystone opportunity expansion zone.~~ [If the  
12 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE. [IF <—  
13 THE person meets the residency requirements under section 306 in  
14 a tax year subsequent to the tax year in which the person first  
15 resided in the keystone opportunity zone, the person may file an  
16 amended tax return within the applicable statute of limitations  
17 to claim an exemption from income for the period of residency  
18 within the keystone opportunity zone.

19 Section 514. Information for employer.

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

29 (b) Duty of employer.--Within 20 days after an employer  
30 receives information from an employee pursuant to subsection

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

12 Section 515. Corporate net income tax.

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

1 (b) Tax liability determinations.--The corporate tax  
2 liability attributable to business activity conducted within a  
3 ~~keystone opportunity zone or keystone opportunity expansion zone~~ <—  
4 ~~shall be determined by multiplying the corporation's taxable~~  
5 ~~income that is attributable to business activity conducted~~  
6 ~~within the keystone opportunity zone or keystone opportunity~~  
7 ~~expansion zone by the rate of tax imposed under Article IV of~~  
8 ~~the Tax Reform Code of 1971 for the taxable year.~~

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

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

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

1 ~~subsection (d).~~ [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR <—  
2 EXPANSION SUBZONE SHALL BE DETERMINED BY MULTIPLYING THE  
3 CORPORATION'S TAXABLE INCOME THAT IS ATTRIBUTABLE TO BUSINESS  
4 ACTIVITY CONDUCTED WITHIN THE [KEYSTONE OPPORTUNITY ZONE]  
5 SUBZONE OR EXPANSION SUBZONE BY THE RATE OF TAX IMPOSED UNDER  
6 ARTICLE IV OF THE TAX REFORM CODE OF 1971 FOR THE TAXABLE  
7 YEAR.

8 (C) DETERMINATIONS OF ATTRIBUTABLE TAX LIABILITY.--TAX  
9 LIABILITY ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED WITHIN A  
10 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE SHALL  
11 BE COMPUTED, CONSTRUED, ADMINISTERED AND ENFORCED IN CONFORMITY  
12 WITH ARTICLE IV OF THE TAX REFORM CODE OF 1971 AND WITH SPECIFIC  
13 REFERENCE TO THE FOLLOWING:

14 (1) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS  
15 COMMONWEALTH IS TRANSACTED WHOLLY WITHIN THE [KEYSTONE  
16 OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE, THE TAXABLE  
17 INCOME ATTRIBUTABLE TO BUSINESS ACTIVITY WITHIN A [KEYSTONE  
18 OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE SHALL CONSIST  
19 OF THE PENNSYLVANIA TAXABLE INCOME AS DETERMINED UNDER  
20 ARTICLE IV OF THE TAX REFORM CODE OF 1971.

21 (2) IF THE ENTIRE BUSINESS OF THE CORPORATION IN THIS  
22 COMMONWEALTH IS NOT TRANSACTED WHOLLY WITHIN THE [KEYSTONE  
23 OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE, THE TAXABLE  
24 INCOME OF A CORPORATION IN A [KEYSTONE OPPORTUNITY ZONE]  
25 SUBZONE OR EXPANSION SUBZONE SHALL BE DETERMINED UPON SUCH  
26 PORTION OF THE PENNSYLVANIA TAXABLE INCOME OF SUCH  
27 CORPORATION ATTRIBUTABLE TO BUSINESS ACTIVITY CONDUCTED  
28 WITHIN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION  
29 SUBZONE AND APPORTIONED IN ACCORDANCE WITH 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~~ SHALL BE <—  
4 APPORTIONED TO THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
5 EXPANSION SUBZONE BY MULTIPLYING THE Pennsylvania taxable income  
6 by a fraction, the numerator of which is the property factor  
7 plus the payroll factor plus the sales factor and the  
8 denominator of which is three[.], in accordance with the  
9 following:

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

24 (2) (i) The payroll factor is a fraction, the numerator  
25 of which is the total amount paid in the ~~keystone~~ <—  
26 ~~opportunity zone or keystone opportunity expansion zone~~  
27 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE <—  
28 during the tax period by the taxpayer for compensation  
29 and the denominator of which is the total compensation  
30 paid in this Commonwealth during the tax period.

(ii) Compensation is paid in the keystone  
~~opportunity zone or keystone opportunity expansion zone~~  
[KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE  
if:

(A) the person's service is performed entirely  
~~within the keystone opportunity zone or keystone~~  
~~opportunity expansion zone;~~

~~(B) the person's service is performed both~~  
~~within and without the keystone opportunity zone or~~  
~~keystone opportunity expansion zone, but the service~~  
~~performed without the keystone opportunity zone or~~  
~~keystone opportunity expansion zone is incidental to~~  
~~the person's service within the keystone opportunity~~  
~~zone or keystone opportunity expansion zone; or~~

~~(C) some of the service is performed in the~~  
~~keystone opportunity zone or keystone opportunity~~  
~~expansion zone and the base of operations or, if~~  
~~there is no base of operations, the place from which~~  
~~the service is directed or controlled is in the~~  
~~keystone opportunity zone or keystone opportunity~~  
~~expansion zone, or the base of operations or the~~  
~~place from which the service is directed or~~  
~~controlled is not in any location in which some part~~  
~~of the service is performed, but the person's~~  
~~residence is in the keystone opportunity zone or~~  
~~keystone opportunity expansion zone.~~

~~(3) The sales factor is a fraction, the numerator of~~  
~~which is the total sales of the taxpayer in the keystone~~  
~~opportunity zone or keystone opportunity expansion zone~~  
~~during the tax period and the denominator of which is the~~

1 ~~total sales of the taxpayer in this Commonwealth during the~~  
2 ~~tax period.~~

3 ~~(i) Sales of tangible personal property are in the~~  
4 ~~keystone opportunity zone or keystone opportunity~~  
5 ~~expansion zone if the property is delivered or shipped to~~  
6 ~~a purchaser within the keystone opportunity zone or~~  
7 ~~keystone opportunity expansion zone regardless of the~~  
8 ~~F.O.B. point or other conditions of the sale.~~

9 ~~(ii) Sales other than sales of tangible personal~~  
10 ~~property are in the keystone opportunity zone or keystone~~  
11 ~~opportunity expansion zone if:~~

12 ~~(A) the income producing activity is performed~~  
13 ~~in the keystone opportunity zone or keystone~~  
14 ~~opportunity expansion zone; or~~

15 ~~(B) the income producing activity is performed~~  
16 ~~both within and without the keystone opportunity zone~~  
17 ~~or keystone opportunity expansion zone and a greater~~  
18 ~~proportion of the income producing activity is~~  
19 ~~performed in the keystone opportunity zone or~~  
20 ~~keystone opportunity expansion zone than in any other~~  
21 ~~location, based on costs of performance.~~

22 ~~(c) Computation. A corporation shall compute its~~  
23 ~~Commonwealth taxable income in conformity with Article IV of the~~  
24 ~~Tax Reform Code of 1971 with no adjustments or subtractions for~~  
25 ~~keystone opportunity zone or keystone opportunity expansion zone~~  
26 ~~taxable income.~~

27 WITHIN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR <—  
28 EXPANSION SUBZONE;

29 (B) THE PERSON'S SERVICE IS PERFORMED BOTH  
30 WITHIN AND WITHOUT THE [KEYSTONE OPPORTUNITY ZONE]



1            SUBZONE OR EXPANSION SUBZONE, BUT THE SERVICE  
2            PERFORMED WITHOUT THE [KEYSTONE OPPORTUNITY ZONE]  
3            SUBZONE OR EXPANSION SUBZONE IS INCIDENTAL TO THE  
4            PERSON'S SERVICE WITHIN THE [KEYSTONE OPPORTUNITY  
5            ZONE] SUBZONE OR EXPANSION SUBZONE; OR

6            (C) SOME OF THE SERVICE IS PERFORMED IN THE  
7            [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION  
8            SUBZONE AND THE BASE OF OPERATIONS OR, IF THERE IS NO  
9            BASE OF OPERATIONS, THE PLACE FROM WHICH THE SERVICE  
10           IS DIRECTED OR CONTROLLED IS IN THE [KEYSTONE  
11           OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE, OR  
12           THE BASE OF OPERATIONS OR THE PLACE FROM WHICH THE  
13           SERVICE IS DIRECTED OR CONTROLLED IS NOT IN ANY  
14           LOCATION IN WHICH SOME PART OF THE SERVICE IS  
15           PERFORMED, BUT THE PERSON'S RESIDENCE IS IN THE  
16           [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION  
17           SUBZONE.

18           (3) THE SALES FACTOR IS A FRACTION, THE NUMERATOR OF  
19           WHICH IS THE TOTAL SALES OF THE TAXPAYER IN THE [KEYSTONE  
20           OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE DURING THE TAX  
21           PERIOD AND THE DENOMINATOR OF WHICH IS THE TOTAL SALES OF THE  
22           TAXPAYER IN THIS COMMONWEALTH DURING THE TAX PERIOD.

23           (I) SALES OF TANGIBLE PERSONAL PROPERTY ARE IN THE  
24           [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE  
25           IF THE PROPERTY IS DELIVERED OR SHIPPED TO A PURCHASER  
26           WITHIN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
27           EXPANSION SUBZONE REGARDLESS OF THE F.O.B. POINT OR OTHER  
28           CONDITIONS OF THE SALE.

29           (II) SALES OTHER THAN SALES OF TANGIBLE PERSONAL  
30           PROPERTY ARE IN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE

1           OR EXPANSION SUBZONE IF:

2                   (A) THE INCOME-PRODUCING ACTIVITY IS PERFORMED  
3                   IN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR  
4                   EXPANSION SUBZONE; OR

5                   (B) THE INCOME-PRODUCING ACTIVITY IS PERFORMED  
6                   BOTH WITHIN AND WITHOUT THE [KEYSTONE OPPORTUNITY  
7                   ZONE] SUBZONE OR EXPANSION SUBZONE AND A GREATER  
8                   PROPORTION OF THE INCOME-PRODUCING ACTIVITY IS  
9                   PERFORMED IN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE  
10                  OR EXPANSION SUBZONE THAN IN ANY OTHER LOCATION,  
11                  BASED ON COSTS OF PERFORMANCE.

12           (E) COMPUTATION.--A CORPORATION SHALL COMPUTE ITS  
13 COMMONWEALTH TAXABLE INCOME IN CONFORMITY WITH ARTICLE IV OF THE  
14 TAX REFORM CODE OF 1971 WITH NO ADJUSTMENTS OR SUBTRACTIONS FOR  
15 [KEYSTONE OPPORTUNITY ZONE] SUBZONE OR EXPANSION SUBZONE TAXABLE  
16 INCOME.

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

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

1 Section 516. Capital stock franchise tax.

2 (a) Credits.--For tax years that begin on or after January  
3 1, 1999, a corporation that is a qualified business under  
4 [section 307(a)] this act may claim a credit against the tax  
5 imposed by Article VI of the Tax Reform Code of 1971 for [the  
6 taxable year to the extent of the] tax liability attributable to  
7 the capital employed within [~~a~~ ~~the~~ keystone opportunity zone] <—  
8 THE SUBZONE in the taxable year. For tax years that begin on or <—  
9 after January 1, 2001, a corporation that is a qualified  
10 business under this act may claim a credit against the tax  
11 imposed by Article VI of the Tax Reform Code of 1971 for tax  
12 liability attributable to the capital employed within the  
13 ~~keystone opportunity expansion zone~~ EXPANSION SUBZONE in the <—  
14 taxable year. The business activity must be conducted directly  
15 by a corporation in the ~~keystone opportunity zone or keystone~~ <—  
16 ~~opportunity expansion zone~~ SUBZONE OR EXPANSION SUBZONE in order <—  
17 for the corporation to claim the tax credit.

18 (b) Tax liability.--The corporation's tax liability  
19 ~~attributable to capital employed within a keystone opportunity~~ <—  
20 ~~zone or keystone opportunity expansion zone shall be determined~~  
21 ~~by multiplying the corporation's taxable value attributable to~~  
22 ~~capital employed within the keystone opportunity zone or~~  
23 ~~keystone opportunity expansion zone by the rate of tax imposed~~  
24 ATTRIBUTABLE TO CAPITAL EMPLOYED WITHIN A [KEYSTONE OPPORTUNITY <—  
25 ZONE] SUBZONE OR EXPANSION SUBZONE SHALL BE DETERMINED BY  
26 MULTIPLYING THE CORPORATION'S TAXABLE VALUE ATTRIBUTABLE TO  
27 CAPITAL EMPLOYED WITHIN THE [KEYSTONE OPPORTUNITY ZONE] SUBZONE  
28 OR EXPANSION SUBZONE BY THE RATE OF TAX IMPOSED under Article VI  
29 of the Tax Reform Code of 1971 for the taxable year. The  
30 corporation shall compute its Pennsylvania taxable value in

1 conformity with Article VI of the Tax Reform Code of 1971 with  
2 no adjustments or subtractions for the capital employed in the  
3 [keystone opportunity zone] or keystone opportunity expansion <—  
4 zone SUBZONE OR EXPANSION SUBZONE. <—

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

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

18 (2) If the entire business of the corporation in this  
19 Commonwealth is not wholly transacted within a [keystone <—  
20 opportunity zone] or keystone opportunity expansion zone <—  
21 SUBZONE OR EXPANSION SUBZONE, the taxable value of a <—  
22 corporation in a [keystone opportunity zone] or keystone <—  
23 opportunity expansion zone SUBZONE OR EXPANSION SUBZONE shall <—  
24 be determined upon such portion of the Pennsylvania taxable  
25 value attributable to the capital employed within the  
26 [keystone opportunity zone] or keystone opportunity expansion <—  
27 zone SUBZONE OR EXPANSION SUBZONE by employing the <—  
28 apportionment factors set forth in [subsection (d)] section  
29 515(d).

30 [(d) Capital stock and franchise tax apportionment.--For

1 purposes of apportionment of the capital stock and franchise  
2 tax, the apportionment fraction shall be the property factor  
3 plus the payroll factor plus the sales factor as the numerator,  
4 and the denominator shall be three. In determining the relevant  
5 apportionment factors, the numerator of the property, payroll  
6 and sales factors shall not include any property, payroll and  
7 sales attributable to manufacturing, processing, research and  
8 development activities conducted within a keystone opportunity  
9 zone, and the denominator of the property, payroll and sales  
10 factors shall not include any property, payroll and sales  
11 attributable to manufacturing, processing and research and  
12 development activities conducted within this Commonwealth but  
13 without a keystone opportunity zone.]

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

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

29 Section 5. The act is amended by adding sections to read:  
30 Section 517. Bank and trust company shares tax, alternative

1           bank and trust company shares tax and mutual  
2           thrift institutions tax.

3       (a) Credits.--For tax years that begin on or after January  
4       1, 2001, an institution that is a qualified business under this  
5       act may claim a credit against the tax imposed by Article VII,  
6       VII-A or XV of the Tax Reform Code of 1971, for tax liability  
7       attributable to business activity conducted within the keystone <—  
8       opportunity zone or keystone opportunity expansion zone SUBZONE <—  
9       OR EXPANSION SUBZONE in the taxable year. The business activity  
10       must be conducted directly by an institution in the keystone <—  
11       opportunity zone or keystone opportunity expansion zone SUBZONE <—  
12       OR EXPANSION SUBZONE in order for the institution to claim the  
13       tax credit.

14       (b) Tax liability.--The institution's tax liability  
15       attributable to business activity conducted within a keystone <—  
16       opportunity zone or keystone opportunity expansion zone SUBZONE <—  
17       OR EXPANSION SUBZONE shall be determined by multiplying the  
18       taxable amount of its shares or net income that is attributable  
19       to business activity conducted within the keystone opportunity <—  
20       zone or keystone opportunity expansion zone SUBZONE OR EXPANSION <—  
21       SUBZONE by the rate of tax imposed under Article VII, VII-A or  
22       XV of the Tax Reform Code of 1971 for the taxable year. The  
23       institution shall compute the Pennsylvania taxable amount of its  
24       shares or net income in conformity with Article VII, VII-A or XV  
25       of the Tax Reform Code of 1971.

26       (c) Determination of attributable taxable liability.--The  
27       taxable shares or the income of an institution that is a  
28       qualified business shall be apportioned to the keystone <—  
29       opportunity zone or keystone opportunity expansion zone SUBZONE <—  
30       OR EXPANSION SUBZONE by multiplying the Pennsylvania taxable

1 shares or income by a fraction, the numerator of which is the  
2 payroll factor plus the receipts factor plus the deposits factor  
3 and the denominator of which is three.

4       (1) The payroll factor is a fraction, the numerator of  
5 which is the total wages paid in a keystone opportunity zone <—  
6 or keystone opportunity expansion zone SUBZONE OR EXPANSION <—  
7 SUBZONE during the tax period by the taxpayer and the  
8 denominator of which is the total wages paid in this  
9 Commonwealth during the period. Wages are paid in a keystone <—  
10 opportunity zone or keystone opportunity expansion zone  
11 SUBZONE OR EXPANSION SUBZONE if they are paid to an employee <—  
12 having a regular presence in the keystone opportunity zone or <—  
13 keystone opportunity expansion zone SUBZONE OR EXPANSION <—  
14 SUBZONE.

15       (2) The receipts factor is a fraction, the numerator of  
16 which is total receipts of the taxpayer in a keystone <—  
17 opportunity zone or keystone opportunity expansion zone  
18 SUBZONE OR EXPANSION SUBZONE during the tax period and the <—  
19 denominator of which is the total receipts located in this  
20 Commonwealth. Receipts do not include principal repayments on  
21 loans or credit, travel and entertainment cards. Receipts  
22 from the sale or disposition of intangible and tangible  
23 property include only the net gain received from the sale or  
24 disposition. The location of receipts shall be determined as  
25 follows:

26           (i) Receipts from loans primarily secured by real  
27 property are located in a keystone opportunity zone or <—  
28 keystone opportunity expansion zone SUBZONE OR EXPANSION <—  
29 SUBZONE if the predominant portion of the real property  
30 is located in the keystone opportunity zone or the <—

1       ~~keystone opportunity expansion zone~~ SUBZONE OR EXPANSION       <—  
2       SUBZONE and the application and negotiation, or  
3       administrative responsibility occurs at a qualified  
4       business.

5           (ii) Receipts from loans not primarily secured by  
6       real property are located in a ~~keystone opportunity zone~~       <—  
7       ~~or keystone opportunity expansion zone~~ SUBZONE OR       <—  
8       EXPANSION SUBZONE if the obligor, in the case of an  
9       individual, resides in a ~~keystone opportunity zone or~~       <—  
10       ~~keystone opportunity expansion zone~~ SUBZONE OR EXPANSION       <—  
11       SUBZONE or, in the case of a corporation, if the  
12       corporation's commercial domicile is located in a  
13       ~~keystone opportunity zone or keystone opportunity~~       <—  
14       ~~expansion zone~~ SUBZONE OR EXPANSION SUBZONE, and the       <—  
15       application and negotiation, or administrative  
16       responsibility occurs at a qualified business.

17           (iii) Receipts from performance of services are  
18       located in a ~~keystone opportunity zone or keystone~~       <—  
19       ~~opportunity expansion zone~~ SUBZONE OR EXPANSION SUBZONE       <—  
20       if the services are performed in the ~~keystone opportunity~~       <—  
21       ~~zone or keystone opportunity expansion zone~~ SUBZONE OR       <—  
22       EXPANSION SUBZONE. If services are performed partly  
23       within the ~~keystone opportunity zone or keystone~~       <—  
24       ~~opportunity expansion zone~~ SUBZONE OR EXPANSION SUBZONE       <—  
25       and partly outside the ~~keystone opportunity zone or~~       <—  
26       ~~keystone opportunity expansion zone~~ SUBZONE OR EXPANSION       <—  
27       SUBZONE, the ~~keystone opportunity zone or keystone~~       <—  
28       ~~opportunity expansion zone~~ SUBZONE OR EXPANSION SUBZONE       <—  
29       receipts shall be the ratio that the time spent in  
30       performing the services in the ~~keystone opportunity zone~~       <—



1       ~~or keystone opportunity expansion zone SUBZONE OR~~ <—  
2       EXPANSION SUBZONE bears to the total time spent in  
3       performing the services in this Commonwealth. Time spent  
4       in performing services in the ~~keystone opportunity zone~~ <—  
5       ~~or keystone opportunity expansion zone SUBZONE OR~~ <—  
6       EXPANSION SUBZONE is the time spent by employees having a  
7       regular presence in the ~~keystone opportunity zone or~~ <—  
8       ~~keystone opportunity expansion zone SUBZONE OR EXPANSION~~ <—  
9       SUBZONE in performing the services.  
10       (iv) Receipts from lease transactions are located in  
11       ~~a keystone opportunity zone or keystone opportunity~~ <—  
12       ~~expansion zone SUBZONE OR EXPANSION SUBZONE~~ if the leased <—  
13       property is located in the ~~keystone opportunity zone or~~ <—  
14       ~~keystone opportunity expansion zone. SUBZONE OR EXPANSION~~ <—  
15       SUBZONE.  
16       (v) Receipts from interest or service charges,  
17       excluding merchant discounts, from credit, travel and  
18       entertainment card receivables and credit card holders'  
19       fees are located in a ~~keystone opportunity zone or~~ <—  
20       ~~keystone opportunity expansion zone SUBZONE OR EXPANSION~~ <—  
21       SUBZONE if the credit card holder, in the case of an  
22       individual, resides in a ~~keystone opportunity zone or~~ <—  
23       ~~keystone opportunity expansion zone SUBZONE OR EXPANSION~~ <—  
24       SUBZONE or, in the case of a corporation, if the  
25       corporation's commercial domicile is located in a  
26       ~~keystone opportunity zone or keystone opportunity~~ <—  
27       ~~expansion zone. SUBZONE OR EXPANSION SUBZONE.~~ <—  
28       (vi) Receipts from interest, dividends and net gains  
29       from the sale or disposition of intangibles, exclusive of  
30       those receipts described elsewhere in this paragraph, are

1        ~~located in a keystone opportunity zone or keystone~~ <—  
2        ~~opportunity expansion zone SUBZONE OR EXPANSION SUBZONE~~ <—  
3        ~~if the institution maintains a qualified business that~~  
4        ~~treats such intangibles as assets on its books or~~  
5        ~~records.~~  
6        (vii) ~~Receipts from fees or charges from the~~  
7        ~~issuance of traveler's checks and money orders are~~  
8        ~~located in a keystone opportunity zone or keystone~~ <—  
9        ~~opportunity expansion zone SUBZONE OR EXPANSION SUBZONE~~ <—  
10       ~~if the traveler's checks or money orders are issued in~~  
11       ~~the keystone opportunity zone or keystone opportunity~~ <—  
12       ~~expansion zone. SUBZONE OR EXPANSION SUBZONE.~~ <—  
13       (viii) ~~Receipts from sales of tangible property are~~  
14       ~~located in a keystone opportunity zone or keystone~~ <—  
15       ~~opportunity expansion zone SUBZONE OR EXPANSION SUBZONE~~ <—  
16       ~~if the property is delivered or shipped to a purchaser~~  
17       ~~located in a keystone opportunity zone or keystone~~ <—  
18       ~~opportunity expansion zone SUBZONE OR EXPANSION SUBZONE,~~ <—  
19       ~~regardless of the free on board point or other conditions~~  
20       ~~of the sale.~~  
21       (ix) ~~Receipts not specifically treated under this~~  
22       ~~paragraph are located in a keystone opportunity zone or~~ <—  
23       ~~keystone opportunity expansion zone SUBZONE OR EXPANSION~~ <—  
24       ~~SUBZONE if the greatest portion of the income-producing~~  
25       ~~activities are performed in the keystone opportunity zone~~ <—  
26       ~~or keystone opportunity expansion zone SUBZONE OR~~ <—  
27       ~~EXPANSION SUBZONE, based on costs of performance.~~  
28       (3) ~~The deposits factor is a fraction, the numerator of~~  
29       ~~which is the average value of deposits located in a keystone~~ <—  
30       ~~opportunity zone or keystone opportunity expansion zone~~

1     SUBZONE OR EXPANSION SUBZONE during the taxable year and the     <—  
2     denominator of which is the average value of the total  
3     deposits in this Commonwealth during the taxable year. The  
4     average value of deposits is to be computed on a quarterly  
5     basis. Deposits are located in the keystone opportunity zone     <—  
6     or keystone opportunity expansion zone SUBZONE OR EXPANSION     <—  
7     SUBZONE if the institution maintains a qualified business  
8     that properly treats the deposits as a liability on its books  
9     or records. A deposit is considered to be properly treated as  
10    a liability on the books or records of a qualified business  
11    if:

12           (i) the deposit account was opened or transferred to  
13           the qualified business by or at the direction of the  
14           depositor, regardless of where subsequent deposits or  
15           withdrawals are made;

16           (ii) the employees regularly connected with the  
17           qualified business are primarily responsible for  
18           servicing the depositor's general banking and other  
19           financial needs; and

20           (iii) at least one of the following factors occurs  
21           at the qualified business:

22                   (A) The deposit was solicited by an employee  
23                   regularly connected with the qualified business,  
24                   regardless of where the deposit was actually  
25                   solicited.

26                   (B) The terms governing the deposit were  
27                   negotiated by employees regularly connected with the  
28                   qualified business, regardless of where the  
29                   negotiations were actually conducted.

30                   (C) The essential records relating to the

1           deposit are physically located at the qualified  
2           business and the deposit is serviced at the qualified  
3           business.

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

8       Section 518. Keystone opportunity zone job tax credit or  
9           keystone opportunity expansion zone job tax  
10           credit.

11       (a) Credits.--For tax years that begin on or after January  
12       1, 2001, an insurance company that is a qualified business under  
13       this act may apply to the Department of Revenue for a job tax  
14       credit against the tax imposed by Article IX of the Tax Reform  
15       Code of 1971 for all full-time jobs within a keystone       <—  
16       ~~opportunity zone or keystone opportunity expansion zone SUBZONE~~       <—  
17       ~~OR EXPANSION SUBZONE~~ in the taxable year. The job must be held  
18       directly with an insurance company in the keystone opportunity       <—  
19       ~~zone or keystone opportunity expansion zone SUBZONE OR EXPANSION~~       <—  
20       ~~SUBZONE~~ in order for the insurance company to apply for the tax  
21       credit. The Department of Revenue will prescribe the form and  
22       manner to obtain the credit.

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

24           (1) An insurance company that relocates from a location  
25           in a political subdivision in this Commonwealth that is not  
26           ~~in a keystone opportunity zone or keystone opportunity~~       <—  
27           ~~expansion zone SUBZONE OR EXPANSION SUBZONE~~ to a location in       <—  
28           a keystone opportunity zone or keystone opportunity expansion  
29           zone may not apply for a credit for an existing job that is  
30           transferred, discontinued or lost in this Commonwealth which

1 is attributable to the relocation.

2 (2) An insurance company that has relocated pursuant to  
3 subsection (b)(1) may apply for a keystone opportunity zone  
4 job tax credit or keystone opportunity expansion zone job tax  
5 credit for a new full-time job that is created in the  
6 ~~keystone opportunity zone or keystone opportunity expansion~~ <—  
7 ~~zone~~ SUBZONE OR EXPANSION SUBZONE. A new full-time job is <—  
8 created with an insurance company if the average monthly  
9 employment for that insurance company has increased from the  
10 prior 12-month calendar year in the ~~zone~~ SUBZONE OR EXPANSION <—  
11 SUBZONE.

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

14 (d) Apportionment.--The Department of Revenue shall  
15 apportion a keystone opportunity zone job tax credit or a  
16 keystone opportunity expansion zone job tax credit for an  
17 insurance company that is a qualified business that has not  
18 operated in a ~~keystone opportunity zone or keystone opportunity~~ <—  
19 ~~expansion zone~~ SUBZONE OR EXPANSION SUBZONE for a full fiscal <—  
20 year.

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

28 January 1, 2001, to

29 December 31, 2001

\$500 per job

30 January 1, 2002, to

1	<u>December 31, 2002</u>	<u>\$750 per job</u>
2	<u>January 1, 2003, to</u>	
3	<u>December 31, 2003</u>	<u>\$1,000 per job</u>
4	<u>January 1, 2004, to</u>	
5	<u>December 31, 2004</u>	<u>\$1,250 per job</u>
6	<u>January 1, 2005, to</u>	
7	<u>December 31, 2005</u>	<u>\$1,250 per job</u>
8	<u>January 1, 2006, to</u>	
9	<u>December 31, 2006</u>	<u>\$1,250 per job</u>
10	<u>January 1, 2007, to</u>	
11	<u>December 31, 2007</u>	<u>\$1,250 per job</u>
12	<u>January 1, 2008, to</u>	
13	<u>December 31, 2008</u>	<u>\$1,250 per job</u>
14	<u>January 1, 2009, to</u>	
15	<u>December 31, 2009</u>	<u>\$1,250 per job</u>
16	<u>January 1, 2010, to</u>	
17	<u>December 31, 2010</u>	<u>\$1,250 per job</u>
18	<u>January 1, 2011, to</u>	
19	<u>December 31, 2011</u>	<u>\$1,250 per job</u>
20	<u>January 1, 2012, to</u>	
21	<u>December 31, 2012</u>	<u>\$1,250 per job</u>
22	<u>January 1, 2013, to</u>	
23	<u>December 31, 2013</u>	<u>\$1,250 per job</u>

24 (f) Notification of credit.--By ~~February~~ MARCH 15, the <—  
25 Department of Revenue shall notify an insurance company of the  
26 amount of the insurance company's tax credit approved.

27 (g) Limitation on amount of credit.--The tax credit allowed  
28 under this section shall not exceed 50% of the tax liability of  
29 the insurance company under Article IX of the Tax Reform Code of  
30 1971 for the tax year. An insurance company may not carry back

1 or forward any credit received under this section.

2 (h) Allocation.--The total amount of credits approved by the  
3 Department of Revenue under this section shall not exceed  
4 \$1,000,000 annually. If the credits exceed the \$1,000,000 cap in  
5 a given year, the credits will be allocated on a pro-rata basis.

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

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

23 (J) PARTNERSHIP ARRANGEMENTS.--THE JOBS TAX CREDIT PROVIDED <—  
24 FOR UNDER THIS SECTION MAY BE ALLOCATED TO AN INSURANCE COMPANY  
25 THAT IS A PARTNER IN SUCH PARTNERSHIP THAT IS ALSO A QUALIFIED  
26 BUSINESS IN PROPORTION TO THE FULL-TIME JOBS WITHIN A SUBZONE OR  
27 EXPANSION SUBZONE THAT ARE PROVIDED TO SUCH INSURANCE COMPANY BY  
28 THE PARTNERSHIP. HOWEVER, A PARTNERSHIP AND A PARTNER OF THAT  
29 PARTNERSHIP MAY NOT CLAIM ANY OTHER TAX BENEFIT, EXPENSE OR  
30 CREDIT FOR THE SAME KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR

1 KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT.

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

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

16 SECTION 519. KEYSTONE OPPORTUNITY ZONE JOB CREATION TAX CREDIT <—  
17 OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB  
18 CREATION TAX CREDIT.

19 (A) CREDITS.--FOR TAX YEARS THAT BEGIN ON OR AFTER JANUARY  
20 1, 2001, A RAILROAD, TRUCK, BUS OR AIRLINE COMPANY, PIPELINE OR  
21 NATURAL GAS COMPANY, OR WATER TRANSPORTATION COMPANY, THAT IS  
22 REQUIRED TO APPORTION INCOME IN ACCORDANCE WITH SECTION 401(B),  
23 (C) OR (D) OF THE TAX REFORM CODE OF 1971 AND IS A QUALIFIED  
24 BUSINESS UNDER THIS ACT MAY APPLY TO THE DEPARTMENT OF REVENUE  
25 FOR A KEYSTONE OPPORTUNITY ZONE JOB CREATION TAX CREDIT OR  
26 KEYSTONE OPPORTUNITY EXPANSION ZONE JOB CREATION TAX CREDIT  
27 AGAINST THE TAX IMPOSED BY ARTICLE III, IV OR VI OF THE TAX  
28 REFORM CODE OF 1971. THE CREDIT SHALL BE FOR ALL FULL-TIME JOBS  
29 CREATED WITHIN A SUBZONE OR EXPANSION SUBZONE IN THE TAXABLE  
30 YEAR. THE JOB MUST BE HELD DIRECTLY WITH THE QUALIFIED BUSINESS



1 IN THE SUBZONE OR EXPANSION SUBZONE IN ORDER FOR THE QUALIFIED  
2 BUSINESS TO APPLY FOR THE TAX CREDIT. THE DEPARTMENT OF REVENUE  
3 SHALL PRESCRIBE THE FORM AND MANNER TO OBTAIN THE CREDIT.

4 (B) SECTION NOT APPLICABLE TO CERTAIN BUSINESS OR QUALIFIED  
5 BUSINESSES.--

6 (1) A BUSINESS THAT RELOCATES FROM A LOCATION IN A  
7 POLITICAL SUBDIVISION IN THIS COMMONWEALTH THAT IS NOT IN A  
8 SUBZONE OR EXPANSION SUBZONE TO A LOCATION IN A SUBZONE OR  
9 EXPANSION SUBZONE MAY NOT APPLY FOR A CREDIT FOR AN EXISTING  
10 JOB THAT IS TRANSFERRED, DISCONTINUED OR LOST IN THIS  
11 COMMONWEALTH WHICH IS ATTRIBUTABLE TO THE RELOCATION.

12 (2) A BUSINESS THAT HAS RELOCATED PURSUANT TO SUBSECTION  
13 (B)(1) AND BECOMES A QUALIFIED BUSINESS MAY APPLY FOR A  
14 KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR KEYSTONE  
15 OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT FOR A NEW FULL-TIME  
16 JOB THAT IS CREATED IN THE SUBZONE OR EXPANSION SUBZONE. A  
17 NEW FULL-TIME JOB IS CREATED WITH A QUALIFIED BUSINESS IF THE  
18 AVERAGE MONTHLY EMPLOYMENT FOR THAT QUALIFIED BUSINESS HAS  
19 INCREASED FROM THE PRIOR 12-MONTH CALENDAR YEAR IN THE ZONE.

20 (C) APPLICATION OF CREDIT.--A QUALIFIED BUSINESS SHALL APPLY  
21 FOR A CREDIT UNDER THIS SECTION BY JANUARY 15 FOR THE PREVIOUS  
22 CALENDAR YEAR.

23 (D) APPORTIONMENT.--THE DEPARTMENT OF REVENUE SHALL  
24 APPORTION A KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR A  
25 KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT FOR A  
26 BUSINESS THAT IS A QUALIFIED BUSINESS THAT HAS NOT OPERATED IN A  
27 SUBZONE OR EXPANSION SUBZONE FOR A FULL FISCAL YEAR.

28 (E) CREDIT DETERMINATIONS.--THE KEYSTONE OPPORTUNITY ZONE  
29 JOB TAX CREDIT OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX  
30 CREDIT SHALL BE DETERMINED BY MULTIPLYING THE MONTHLY AVERAGE OF

1 ALL FULL-TIME JOBS BY THE ALLOWANCE. THE ALLOWANCE FOR PURPOSES  
2 OF THE KEYSTONE OPPORTUNITY ZONE JOB TAX CREDIT OR KEYSTONE  
3 OPPORTUNITY EXPANSION ZONE JOB TAX CREDIT FOR TAXABLE YEARS  
4 BEGINNING WITHIN THE DATES SET FORTH SHALL BE AS FOLLOWS:

5	JANUARY 1, 2001, TO	
6	DECEMBER 31, 2001	\$500 PER JOB
7	JANUARY 1, 2002, TO	
8	DECEMBER 31, 2002	\$750 PER JOB
9	JANUARY 1, 2003, TO	
10	DECEMBER 31, 2003	\$1,000 PER JOB
11	JANUARY 1, 2004, TO	
12	DECEMBER 31, 2004	\$1,250 PER JOB
13	JANUARY 1, 2005, TO	
14	DECEMBER 31, 2005	\$1,250 PER JOB
15	JANUARY 1, 2006, TO	
16	DECEMBER 31, 2006	\$1,250 PER JOB
17	JANUARY 1, 2007, TO	
18	DECEMBER 31, 2007	\$1,250 PER JOB
19	JANUARY 1, 2008, TO	
20	DECEMBER 31, 2008	\$1,250 PER JOB
21	JANUARY 1, 2009, TO	
22	DECEMBER 31, 2009	\$1,250 PER JOB
23	JANUARY 1, 2010, TO	
24	DECEMBER 31, 2010	\$1,250 PER JOB
25	JANUARY 1, 2011, TO	
26	DECEMBER 31, 2011	\$1,250 PER JOB
27	JANUARY 1, 2012, TO	
28	DECEMBER 31, 2012	\$1,250 PER JOB
29	JANUARY 1, 2013, TO	
30	DECEMBER 31, 2013	\$1,250 PER JOB

1 (F) NOTIFICATION OF CREDIT.--BY MARCH 15, THE DEPARTMENT OF  
2 REVENUE SHALL NOTIFY THE QUALIFIED BUSINESS OF THE AMOUNT OF THE  
3 QUALIFIED BUSINESS'S JOB CREATION TAX CREDIT APPROVED.

4 (G) LIMITATION ON AMOUNT OF CREDIT.--THE TAX CREDIT ALLOWED  
5 UNDER THIS SECTION SHALL ONLY BE USED TO OFFSET A TAX LIABILITY  
6 INCURRED FROM SUBZONE OR EXPANSION SUBZONE ACTIVITIES AND SHALL  
7 NOT EXCEED 50% OF THE TAX LIABILITY OF A QUALIFIED BUSINESS OR  
8 PERSON UNDER ARTICLE III, IV OR VI OF THE TAX REFORM CODE OF  
9 1971 FOR THE TAX YEAR. THE JOB CREATION TAX CREDIT MAY NOT CARRY  
10 BACK OR FORWARD TO ANY OTHER YEAR.

11 (H) ALLOCATION.--THE TOTAL AMOUNT OF CREDITS APPROVED BY THE  
12 DEPARTMENT OF REVENUE UNDER THIS SECTION SHALL NOT EXCEED  
13 \$1,000,000 ANNUALLY. IF THE CREDITS EXCEED THE \$1,000,000 CAP IN  
14 A GIVEN YEAR, THE CREDITS WILL BE ALLOCATED ON A PRO RATA BASIS.

15 (I) CALCULATION OF ALLOCATION.--IF THE TOTAL AMOUNT OF  
16 KEYSTONE OPPORTUNITY ZONE JOB TAX CREDITS AND KEYSTONE  
17 OPPORTUNITY EXPANSION ZONE JOB TAX CREDITS APPLIED FOR BY ALL  
18 QUALIFIED BUSINESS UNDER THIS SECTION EXCEEDS \$1,000,000 THEN  
19 THE CREDIT TO BE RECEIVED BY EACH QUALIFIED BUSINESSES SHALL BE  
20 THE PRODUCT OF \$1,000,000, MULTIPLIED BY THE QUOTIENT OF THE  
21 CREDIT APPLIED FOR BY THE QUALIFIED BUSINESS DIVIDED BY THE  
22 TOTAL OF ALL CREDITS APPLIED FOR BY ALL QUALIFIED BUSINESSES,  
23 THE ALGEBRAIC EQUIVALENT OF WHICH IS:

24 QUALIFIED BUSINESS KEYSTONE OPPORTUNITY ZONE JOB CREATION  
25 TAX CREDIT OR KEYSTONE OPPORTUNITY EXPANSION ZONE JOB  
26 CREATION TAX CREDIT = \$1,000,000 X (THE AMOUNT OF  
27 KEYSTONE OPPORTUNITY ZONE JOB CREATION TAX CREDIT OR  
28 KEYSTONE OPPORTUNITY EXPANSION ZONE JOB CREATION TAX  
29 CREDIT APPLIED FOR BY THE QUALIFIED BUSINESS/THE SUM OF  
30 ALL KEYSTONE OPPORTUNITY ZONE JOB CREATION TAX CREDITS

1 AND KEYSTONE OPPORTUNITY EXPANSION ZONE JOB TAX CREDITS  
2 APPLIED FOR BY ALL QUALIFIED BUSINESSES).

3 (J) PASS-THROUGH ENTITIES.--THE KEYSTONE OPPORTUNITY ZONE  
4 JOB CREATION TAX CREDIT AND KEYSTONE OPPORTUNITY EXPANSION ZONE  
5 JOB CREATION TAX CREDIT PROVIDED FOR IN THIS SECTION SHALL APPLY  
6 TO THE FOLLOWING:

7 (1) A PARTNER OR MEMBER OF A PARTNERSHIP OR ASSOCIATION  
8 THAT QUALIFIES UNDER THIS SECTION SHALL BE ENTITLED TO A JOB  
9 CREATION TAX CREDIT IN PROPORTION TO THE PARTNER'S OR  
10 MEMBER'S SHARE, WHETHER OR NOT DISTRIBUTED, OF THE INCOME OR  
11 GAIN RECEIVED BY THE PARTNERSHIP OR ASSOCIATION FOR ITS  
12 TAXABLE YEAR.

13 (2) A SHAREHOLDER OF A PENNSYLVANIA S CORPORATION THAT  
14 QUALIFIES UNDER THIS SECTION SHALL BE ENTITLED TO A JOB  
15 CREATION TAX CREDIT IN PROPORTION TO THE SHAREHOLDER'S PRO  
16 RATA SHARE, WHETHER OR NOT DISTRIBUTED, OF THE INCOME OR GAIN  
17 RECEIVED BY THE CORPORATION FOR ITS TAXABLE YEAR ENDING  
18 WITHIN OR WITH THE SHAREHOLDER'S TAXABLE YEAR.

19 (3) NO PARTNERSHIP, ASSOCIATION OR PENNSYLVANIA S  
20 CORPORATION, OR PARTNER, MEMBER OR SHAREHOLDER, MAY CLAIM ANY  
21 OTHER TAX BENEFIT, EXPENSE OR CREDIT, FOR THE SAME KEYSTONE  
22 OPPORTUNITY ZONE JOB CREATION TAX CREDIT OR KEYSTONE  
23 OPPORTUNITY EXPANSION ZONE JOB CREATION TAX CREDIT.

24 Section 6. Sections 701, 702, 703, 704, 705, 901, 902, 903,  
25 904 and 905 of the act are amended to read:

26 Section 701. Local taxes.

27 (a) General rule.--Every political subdivision in which a  
28 designated [keystone opportunity zone] SUBZONE is located shall <—  
29 exempt, deduct, abate or credit local taxes in accordance with  
30 ordinances and resolutions adopted under section 301(d). Failure

1 to exempt, deduct, abate or credit local taxes shall result in  
2 the revocation of the [keystone opportunity zone] SUBZONE <—  
3 designation.

4 (b) Expansion rule.--Every political subdivision in which a  
5 designated keystone opportunity expansion zone SUBZONE is <—  
6 located shall exempt, deduct, abate or credit local taxes in  
7 accordance with ordinances and resolutions adopted under section  
8 301.1(d). Failure to exempt, deduct, abate or credit local taxes  
9 shall result in the revocation of the keystone opportunity <—  
10 expansion zone SUBZONE designation. <—

11 Section 702. Real property tax.

12 (a) General rule.--Notwithstanding the act of May 22, 1933  
13 (P.L.853, No.155), known as The General County Assessment Law,  
14 and the act of May 21, 1943 (P.L.571, No.254), known as The  
15 Fourth to Eighth Class County Assessment Law, each qualified  
16 political subdivision for taxable years beginning on or after  
17 January 1, 1999, shall by ordinance or resolution abate 100% of  
18 the real property taxation on the assessed valuation of  
19 deteriorated property in an area designated as a [keystone <—  
20 opportunity zone] SUBZONE within this Commonwealth. The real <—  
21 property tax abatement provided for in this section shall apply  
22 to all real property located in a keystone opportunity zone <—  
23 SUBZONE, irrespective of the business activity, if any, made of <—  
24 the realty by its owner, when this act is in effect.

25 (a.1) Expansion rule.--Notwithstanding the act of May 22,  
26 1933 (P.L.853, No.155), known as The General County Assessment  
27 Law, and the act of May 21, 1943 (P.L.571, No.254), known as The  
28 Fourth to Eighth Class County Assessment Law, each political  
29 subdivision for taxable years beginning on or after January 1,  
30 2001, shall by ordinance or resolution abate 100% of the real

1 property taxation on the assessed valuation of deteriorated  
2 property in an area designated as a keystone opportunity <—  
3 expansion zone AN EXPANSION SUBZONE within this Commonwealth. <—  
4 The real property tax abatement provided for in this section  
5 shall apply to all real property located in a keystone <—  
6 opportunity expansion zone AN EXPANSION SUBZONE, irrespective of <—  
7 the business activity, if any, made of the realty by its owner,  
8 when this act is in effect.

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

10 (1) A qualified political subdivision may require a  
11 resident of deteriorated real property to invest up to 25% of  
12 all real property taxes which would have been due if the real  
13 property was not located in a [keystone opportunity zone] or <—  
14 keystone opportunity expansion zone SUBZONE OR EXPANSION <—  
15 SUBZONE in improvements to the real property in order for the  
16 residents to be qualified for exemptions, credits and  
17 abatements under this act.

18 (2) A qualified political subdivision may require a  
19 nonresident owner of deteriorated real property who leases  
20 the real property to a person for residential use [shall] to  
21 invest 50% of all real property taxes which would have been  
22 due if the real property was not located in a [keystone <—  
23 opportunity zone] or keystone opportunity expansion zone, <—  
24 SUBZONE OR EXPANSION SUBZONE in improvements to the real <—  
25 property.

26 [(c) Application for tax abatement.--Any person requesting  
27 real property tax abatement pursuant to ordinances or  
28 resolutions adopted pursuant to this act shall notify each  
29 county or other designated assessment office granting such  
30 abatement in writing on a form provided by that assessment

1 office within 30 days of the designation as a keystone  
2 opportunity zone or within 30 days of the transfer of ownership  
3 of the real property subject to abatement. A copy of the  
4 abatement request shall be forwarded by the county or other  
5 designated assessment office to the political subdivision.]

6 (d) Annual real property report.--[Every keystone  
7 opportunity zone] By January 31 of each calendar year a  
8 political subdivision in which a keystone opportunity zone or <—  
9 keystone opportunity expansion zone SUBZONE OR EXPANSION SUBZONE <—  
10 is located shall submit to the department [an annual] a report  
11 [by January 31 of each calendar year of all] listing the address  
12 of each real property[, and the owners and addresses of that  
13 real property at any time during the preceding year, which is  
14 located in a] designated a [keystone opportunity zone] or <—  
15 keystone opportunity expansion zone SUBZONE OR EXPANSION SUBZONE <—  
16 and its owner of record.

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

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

1 Section 703. Local earned income and net profits taxes;

2 business privilege taxes.

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

14 (1) The business gross receipts for operations conducted  
15 by a qualified business within a [keystone opportunity zone] <—  
16 ~~or keystone opportunity expansion zone~~ SUBZONE OR EXPANSION <—  
17 SUBZONE.

18 (2) The earned income received by a resident of a  
19 [keystone opportunity zone] ~~or keystone opportunity expansion~~ <—  
20 ~~zone~~ SUBZONE OR EXPANSION SUBZONE. <—

21 (3) The net profits of a qualified business [received by  
22 a resident or nonresident of a keystone opportunity zone]  
23 attributable to business activity conducted within a  
24 [keystone opportunity zone] ~~or keystone opportunity expansion~~ <—  
25 ~~zone~~ SUBZONE OR EXPANSION SUBZONE when imposed by the <—  
26 qualified political subdivision where that qualified business  
27 is located.

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

29 (1) Paragraph (2) shall apply if a qualified political  
30 subdivision has enacted a tax on the privilege of engaging in



1 a profession or business, on wages or compensation, on net  
2 profits from the operation of a business or profession or  
3 other activity or on the occupancy or use of real property  
4 pursuant to any of the following:

5 [(1) Pursuant to the]

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

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

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

13 (iv) The act of August 9, 1963 (P.L.640, No.338),  
14 entitled "An act empowering cities of the first class,  
15 coterminous with school districts of the first class, to  
16 authorize the boards of public education of such school  
17 districts to impose certain additional taxes for school  
18 district purposes, and providing for the levy, assessment  
19 and collection of such taxes[, the]."

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

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

26 (i) the privilege of engaging in a profession or  
27 business;

28 (ii) wages or compensation;

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

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

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

7 (i) [A person or qualified business, whether a  
8 resident or a nonresident of a keystone opportunity zone,  
9 for the] The privilege of engaging in a business or  
10 profession within a [keystone opportunity zone] or <—  
11 ~~keystone opportunity expansion zone~~ SUBZONE OR EXPANSION <—  
12 SUBZONE by a person or qualified business, whether a  
13 resident or nonresident of the zone SUBZONE OR EXPANSION <—  
14 SUBZONE.

15 (ii) Salaries, wages, commissions, compensation or  
16 other income received for services rendered or work  
17 performed by a resident of a [keystone opportunity zone] <—  
18 ~~or keystone opportunity expansion zone~~ SUBZONE OR <—  
19 EXPANSION SUBZONE.

20 (iii) The gross or net income or gross or net  
21 profits realized from the operation of a qualified  
22 business to the extent attributable to business activity  
23 conducted within a [keystone opportunity zone] or <—  
24 ~~keystone opportunity expansion zone~~ SUBZONE OR EXPANSION <—  
25 SUBZONE.

26 (iv) The occupancy or use of real property located  
27 within the [keystone opportunity zone] or keystone <—  
28 ~~opportunity expansion zone~~ SUBZONE OR EXPANSION SUBZONE. <—

29 [(c) Limitation on withholding.--Every employer required to  
30 withhold any local tax on the earned income, wages or

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

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

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

1 from the employee's total wages, earned income or compensation.]

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

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

14 Section 704. Mercantile license tax.

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

30 Section 705. Local sales and use tax.

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

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

1 SUBZONE 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~~ SUBZONE OR EXPANSION SUBZONE has received an exemption, <—  
14 deduction, abatement or credit under this act and subsequently  
15 relocates outside of the zone within the first five years of  
16 locating in a keystone opportunity zone or keystone opportunity <—  
17 ~~expansion zone~~ SUBZONE OR EXPANSION SUBZONE, that business shall <—  
18 refund to the State and political subdivision which granted the  
19 exemption, deduction, abatement or credit received in accordance  
20 with the following:

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

30 (2) If a qualified business relocates within three to

1 five years from the date of [any claim] first locating in a  
2 keystone opportunity zone or keystone opportunity expansion <—  
3 zone SUBZONE OR EXPANSION SUBZONE, 33% of all exemptions, <—  
4 deductions, abatements or credits [previously received from]  
5 attributed to that qualified business's participation in the  
6 [keystone opportunity zone] or keystone opportunity expansion <—  
7 zone SUBZONE OR EXPANSION SUBZONE shall be refunded to the <—  
8 Commonwealth and the political subdivision.

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

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

- 19 (1) natural disaster;  
20 (2) unforeseen industry trends; or  
21 (3) loss of a major supplier or market.

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

- 25 (1) the date the return or other report for the tax or  
26 fee is due;  
27 (2) the date the return is filed; or  
28 (3) the date the tax or fee would be paid.]

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

30 (a) Persons.--No person may claim or receive an exemption,

1 deduction, abatement or credit under this act unless that person  
2 is in full compliance with all State and local tax laws [and  
3 related], ordinances and resolutions.

4 (b) Qualified business.--

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

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

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

29 Section 904. Code compliance.

30 (a) General rule.--A person or qualified business shall be



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

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

1 Revenue in writing of all persons or qualified businesses not in  
2 compliance with this subsection within 30 days following the end  
3 of each calendar year.

4 Section 905. Appeals.

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

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

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

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

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

30 (c) Transmittal.--The department, or its designated

1 official, shall within 15 business days of receipt of a keystone  
2 opportunity zone or keystone opportunity expansion zone  
3 application made under this act, forward a copy of the  
4 application to appropriate Commonwealth and local authorities  
5 for review and processing.

6 Section 907. Application time.

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

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

17 Section 1101. Community benefits.

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

1 provided from the housing and redevelopment appropriations.  
2 [Keystone opportunity zones] Grant recipients shall comply with  
3 the provisions of the appropriation.

4 (b) Reduced interest.--Projects in [designated] keystone <—  
5 opportunity zones or keystone opportunity expansion zones that  
6 are approved for Pennsylvania Industrial Development Authority  
7 (PIDA) or Small Business First financing shall receive the  
8 lowest interest rate extended to borrowers.

9 (c) Priority consideration.--Projects in keystone  
10 opportunity zones or keystone opportunity expansion zones shall  
11 receive priority consideration for State assistance under State  
12 economic, community and economic development programs and  
13 community building initiatives.

14 (d) Marketing.--The department shall develop and implement a  
15 consolidated marketing strategy for the keystone opportunity  
16 zones or keystone opportunity expansion zones for use in job  
17 retention and attraction activities.

18 (e) Education.--The Department of Education shall provide  
19 technical assistance to school districts located in or school  
20 districts having parts of their districts located in [keystone <—  
21 opportunity zones] ~~or keystone opportunity expansion zones~~ <—  
22 SUBZONES OR EXPANSION SUBZONES. <—

23 (f) Local governments.--The Center for Local Government  
24 Services in the department shall provide technical assistance to  
25 political subdivisions relating to taxation, implementation of  
26 the opportunity plan, establishing annual benchmarks and annual  
27 reporting requirements to the departments. Additionally, the  
28 Center for Local Government Services shall provide political  
29 ~~subdivisions [in] with property designated a keystone <—~~  
30 ~~opportunity [zones] zone or keystone opportunity expansion zone~~

1 SUBDIVISIONS [IN KEYSTONE OPPORTUNITY ZONES] WITH PROPERTY <—  
2 DESIGNATED A SUBZONE OR EXPANSION SUBZONE with technical  
3 assistance to encourage the implementation of best practices in  
4 achieving efficient and effective local government  
5 administration and shall coordinate activities with other  
6 departments and agencies providing various assistance to  
7 communities.

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

13 Section 1102. Reporting.

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

17 Section 1103. Other Commonwealth tax credits.

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

25 (1) Tax Reform Code of 1971:

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

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

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

1 development tax credits; or

2 (iv) Article XIX-A relating to neighborhood

3 assistance and enterprise zone tax credits;

4 (2) tax credits under section 109 of the act of December

5 19, 1996 (P.L.1478, No.190), known as the Waste Tire

6 Recycling Act;

7 (3) homeowners mortgage credits;

8 (4) insurance premiums tax credits; and

9 (5) job creation tax credit under the act of June 29,

10 1996 (P.L.434, No.67), known as the Job Enhancement Act.

11 The person or qualified business may apply the exemptions,

12 deductions, abatements or credits to income realized from

13 activity or transactions outside the [keystone opportunity zone] <—

14 ~~or keystone opportunity expansion zone~~ SUBZONE OR EXPANSION <—

15 SUBZONE, but only for the taxable year to which the exemptions,

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

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

18 and 7.

19 Section 1302. Rules and regulations.

20 The Department of Revenue [shall] may promulgate [such rules

21 and] regulations [as may be] necessary to effectuate the

22 provisions of this act. The department [shall] may promulgate

23 [such rules and] regulations [as may be] necessary to effectuate

24 the provisions of this act.

25 Section 1303. Compliance.

26 Any person or qualified business eligible for an exemption,

27 deduction or credit under this act shall comply with all

28 reporting, filing and compliance requirements pursuant to the

29 Tax Reform Code of 1971 unless otherwise provided for in this

30 act.

1 Section 1304. Penalties.

2 (a) Civil penalty.--

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

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

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

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

17 Section 1309. Expiration.

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

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

23 Section 11. This act shall apply as follows:

24 (1) The amendment of sections 512 and 703 of the act  
25 shall apply to taxable years beginning after December 31,  
26 1998.

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

29 Section 12. This act shall take effect immediately.