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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 960      Session of  
2001

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INTRODUCED BY CORMAN, COSTA, ERICKSON, MUSTO, GREENLEAF,  
BOSCOLA, HELFRICK, MOWERY, TOMLINSON, KASUNIC AND LEMMOND,  
JUNE 8, 2001

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REFERRED TO FINANCE, JUNE 8, 2001

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AN ACT

1 Providing a tax credit for certain charitable contributions; and  
2 imposing penalties.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Charity Tax  
7 Credit Act.

8 Section 2. 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 "Bureau." The Bureau of Charitable Organizations of the  
13 Department of State.

14 "Contribution." The grant, pledge or gift of money,  
15 financial assistance or other similar remittance.

16 "Individual." A natural person, including the members of a  
17 partnership or association and the shareholders of a

1 Pennsylvania S Corporation as defined in section 301(1) of the  
2 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code  
3 of 1971.

4 "Institution of purely public charity." An institution of  
5 purely public charity as defined by the act of November 26, 1997  
6 (P.L.508, No.55), known as the Institutions of Purely Public  
7 Charity Act.

8 "Qualified institution of purely public charity." An  
9 institution of purely public charity that meets all of the  
10 following criteria:

11 (1) The institution has filed with the bureau and  
12 received approval of an application containing information  
13 which the bureau determines to be necessary in order to  
14 administer the provisions of this act.

15 (2) The institution donates at least 75% of its annual  
16 revenues, including contributions, to relief of poverty  
17 assistance.

18 (3) The institution donates or renders gratuitously a  
19 substantial portion of its goods or services or it can  
20 demonstrate that it has implemented a written policy and a  
21 written fee schedule based on individual or family income.  
22 The schedule shall provide that no person receiving goods or  
23 services from the institution pays a fee that is equal to or  
24 greater than the cost of goods or services provided to that  
25 person.

26 (4) The institution applies no more than 5% of its  
27 annual revenues, including contributions, to lobbying, legal  
28 assistance, public policy advocacy or research, voter  
29 registration, political organization or carrying on  
30 propaganda.

(5) The institution receives no more than 50% of its annual revenues, including contributions, from government sources.

"Relief of poverty assistance." Assistance, including material support, financial aid, vocational or life skills instruction provided directly to persons or families, where such direct assistance is provided in an effort to relieve poverty. The term does not include management expenses or payments of any kind to an affiliate of an institution.

#### Section 3. Charity tax credit.

(a) Eligibility.--An individual who makes a monetary donation to a qualified institution of purely public charity shall be entitled to a credit against the tax imposed by Article III of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, as provided in this section.

#### (b) Amount.--

(1) The credit authorized by this section shall be, subject to the limitation of paragraph (2), for the first taxable year following the enactment of this act and every year thereafter in which a donation is made, 10% of the amount donated.

(2) In any taxable year, the credit under paragraph (1) shall not exceed \$500.

#### (c) Administration.--

(1) The Department of Revenue, in cooperation with the bureau and utilizing the existing reporting procedures under section 9 of the act of November 26, 1997 (P.L.508, No.55), known as the Institution of Purely Public Charity Act, shall administer the provisions of this act, promulgate appropriate regulations and forms for that purpose and make

1 determinations as may be required. Determinations made with  
2 respect to the tax credit provided in this act may be  
3 reviewed and appealed in the manner provided under Article  
4 III of the act of March 4, 1971 (P.L.6, No.2), known as the  
5 Tax Reform Code of 1971, for other corporate or personal tax  
6 credits.

7 (2) The Department of Revenue, after the tax credit has  
8 been in effect for four years, shall conduct a review of this  
9 act's effectiveness and shall make a recommendation to the  
10 General Assembly regarding the continuation of the credit  
11 pursuant to this act.

12 (3) The bureau shall, by regulation, establish  
13 application and appeal deadlines and procedures as follows:

14 (i) The bureau must approve or deny an application  
15 within 60 days of receiving the completed application.  
16 The application shall be deemed approved if the bureau  
17 fails to act within 60 days of receiving the application.

18 (ii) The procedures established by the bureau under  
19 this paragraph shall include the requirement that the  
20 principal officer of an institution which no longer meets  
21 the criteria for a qualified institution of purely public  
22 charity notify the bureau within 90 days of the date the  
23 institution no longer meets the criteria.

24 (iii) For the purposes of this subsection, at the  
25 election of the individual, a contribution which is made  
26 not later than the time prescribed by law for filing the  
27 return of tax for taxable year, not including extensions,  
28 shall be treated as made on the last day of such taxable  
29 year.

30 (iv) An institution that files an application

1 seeking designation as a qualified institution of purely  
2 public charity shall pay an annual filing fee of \$15. All  
3 fees collected under this act shall be deposited in the  
4 State Treasury. The amount of the fee may be adjusted by  
5 the department by regulation.

6 (4) The bureau shall maintain a list of the entities for  
7 which applications have been approved. The list of eligible  
8 entities shall be effective for contributions made in the  
9 calendar year beginning on January 1 after the filing  
10 deadline established by the bureau.

11 (5) The bureau may randomly and periodically review the  
12 applications submitted and audit the entities holding  
13 approved applications to ensure that those entities meet the  
14 criteria to be qualified institutions of purely public  
15 charity. An institution which the bureau determines does not  
16 meet the criteria for a qualified institution of purely  
17 public charity shall be removed from the list of entities to  
18 which contributions qualify for a tax credit.

19 (6) The bureau shall, upon request, provide to any  
20 individual a list of qualified institutions of purely public  
21 charity.

#### 22 Section 4. Penalties.

23 (a) Civil.--If the principal officer of an entity fails to  
24 notify the bureau within the specified time period that the  
25 entity no longer meets the criteria for a qualified institution  
26 of purely public charity, the bureau may levy an administrative  
27 penalty not to exceed \$1,000 per occurrence.

28 (b) Criminal.--A person who intentionally files an  
29 application with the bureau under this act which the person  
30 knows to be fraudulent commits a misdemeanor of the second

1 degree.

2 Section 5. Severability.

3 The provisions of this act are severable. If any provision of  
4 this act or its application to any person or circumstance is  
5 held invalid, the invalidity shall not affect other provisions  
6 or applications of this act which can be given effect without  
7 the invalid provision or application.

8 Section 6. Applicability.

9 This act shall apply to tax years beginning after the  
10 effective date of this act.

11 Section 7. Effective date.

12 This act shall take effect immediately.