

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2038 Session of 2005

INTRODUCED BY PYLE, ARMSTRONG, BEYER, CALTAGIRONE, CAUSER, CORNELL, CREIGHTON, DENLINGER, FAIRCHILD, GEIST, GOOD, GOODMAN, GRUCELA, HENNESSEY, HERMAN, HESS, HUTCHINSON, M. KELLER, KOTIK, MANN, MARKOSEK, MARSICO, McILHATTAN, S. MILLER, MUSTIO, NAILOR, PETRARCA, PHILLIPS, QUIGLEY, RAPP, REED, REICHLEY, SCAVELLO, SEMMEL, SOLOBAY, SONNEY, J. TAYLOR, THOMAS, TURZAI, WILT, YOUNGBLOOD, SIPTROTH AND MELIO, OCTOBER 17, 2005

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES, MARCH 14, 2006

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," establishing a tax credit program to encourage  
11 the placement of students in a work environment through  
12 internships; and establishing a corresponding internship  
13 clearinghouse.

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as  
17 the Tax Reform Code of 1971, is amended by adding an article to  
18 read:

ARTICLE XVII-D

CAREER STARTER TAX CREDIT

1 Section 1701-D. Short title.

2 This article shall be known and may be cited as the Career  
3 Starters Act.

4 Section 1702-D. Legislative intent.

5 The intent of the career starter tax credit is to establish a  
6 tax credit program to provide fiscal incentives to the business  
7 community to establish partnerships with local institutions of  
8 higher education and to offer PAID internships within the ←  
9 business community. It has been reasonably established that the  
10 connections and partnerships that are made through internships  
11 are infinitely valuable to further the goal of having a better  
12 developed work force in this Commonwealth.

13 Section 1703-D. Definitions.

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

17 "Business firm." Any entity authorized to do business in  
18 this Commonwealth and subject to taxes imposed under Article  
19 III, IV, VI, VII, VIII, IX or XV.

20 "Career starter tax credit." The credit provided under this  
21 article.

22 "Department." The Department of Revenue of the Commonwealth.

23 "Institution of higher education." An independent  
24 institution of higher education, a community college, a State-  
25 related institution of higher education or a member institution  
26 of the State System of Higher Education.

27 "Internship." A monitored work experience in which an  
28 individual has intentional learning goals that reflect what the  
29 individual is actively learning throughout the monitored work  
30 experience. This term includes internships, fellowships and

1 college cooperative programs.

2 "Pass-through entity." A partnership as defined in section  
3 301(n.0) or a Pennsylvania S corporation as defined in section  
4 301(n.1).

5 "Qualified career starter expense." An expense incurred to  
6 provide an internship to a student. Qualified expenses shall  
7 include wages and other forms of worker compensation.

8 "Qualified tax liability." The liability for taxes imposed  
9 under Article III, IV, VI, VII, VIII, IX or XV. <—

10 "Secretary." The Secretary of Revenue of the Commonwealth.

11 "Student." A person matriculated into a degree or nondegree  
12 program of study. The term does not include a person  
13 participating in a noncredit program or correspondence course.

14 Section 1704-D. Internship requirements.

15 (a) General rule.--Tax credits shall only be granted to  
16 approved business firms or pass-through entities for internships  
17 provided to students enrolled in institutions of higher  
18 education.

19 (b) Requirements.--To qualify internships must meet all of  
20 the following requirements:

21 (1) The internship shall be completed in partnership  
22 between the institution of higher education in which the  
23 student is enrolled and the providing business firm or pass-  
24 through entity.

25 (2) The internship shall be part of that student's  
26 course of study for which that student receives credit for  
27 the internship.

28 (3) The internship shall consist of at least 32 hours of  
29 work per week, for a period of at least 13 consecutive weeks.

30 (4) The business firm must incur a qualified career

1 starter expense through the provision of the internship.

2 (5) The internship must be approved by a Pennsylvania  
3 institution of higher education.

4 (6) THE INTERNSHIP MUST BE PAID. <—

5 Section 1705-D. Credit for qualified career starter expenses.

6 (a) General rule.--A business firm or pass-through entity  
7 that incurs a qualified career starter expense in a taxable year  
8 may submit an application to the department for a career starter  
9 tax credit as provided in this article.

10 (b) Tax credit application.--The business firm or pass-  
11 through entity providing the internship must submit an  
12 application to the department for the career starter tax credit  
13 by ~~February~~ SEPTEMBER 15 for qualified career starter expenses <—  
14 incurred in the taxable year that ended in the prior calendar  
15 year. The application shall be on the form required by the  
16 department.

17 (c) Determination.--Before an application is approved the  
18 department must make a finding that the applicant has filed  
19 required State tax reports for the taxable year for which the  
20 qualified expenses were approved and paid any balance of State  
21 tax due, as determined at settlement, assessment or  
22 determination by the department.

23 (d) Notification.--By ~~August~~ DECEMBER 15 of the calendar <—  
24 year following the close of the taxable year during which the  
25 qualified career starter expense was incurred, the department  
26 shall notify the taxpayer of the amount of the taxpayer's career  
27 starter tax credit approved by the department.

28 (e) Amount of credit.--

29 (1) The tax credit allowable for approved business firms  
30 and pass-through entities is a \$1,000 career starter tax

1 credit per internship per taxable year.

2 (2) The maximum aggregate career starter tax credit that  
3 a business firm or pass-through entity may receive in any  
4 taxable year shall not exceed \$10,000.

5 (3) The credit provided under this article shall not  
6 exceed the amount of the qualified tax liability otherwise  
7 due under this act.

8 (f) Application.--The career starter tax credit awarded by  
9 the department may be applied against any qualified tax  
10 liability.

11 (g) Carryover, carryback and refund of credit.--The taxpayer  
12 is not entitled to carry over, carry back or obtain a refund of  
13 an unused career starter tax credit.

14 Section 1706-D. Pass-through entity.

15 (a) General rule.--If a pass-through entity has any unused  
16 tax credit under section 1705-D, it may elect in writing,  
17 according to procedures established by the department, to  
18 transfer all or a portion of the credit to shareholders, members  
19 or partners in proportion to the share of its distributive  
20 income to which the shareholder, member or partner is entitled.

21 (b) Limitation.--The credit provided under subsection (a) is  
22 in addition to any career starter tax credit to which a  
23 shareholder, member or partner of a pass-through entity is  
24 otherwise entitled under this article. However, a pass-through  
25 entity and a shareholder, member or partner of a pass-through  
26 entity may not claim a credit under this article for the same  
27 qualified career starter expense.

28 (c) Application.--A shareholder, member or partner of a  
29 pass-through entity to whom a credit is transferred under  
30 subsection (a) shall immediately claim the credit in the taxable

1 year in which the transfer is made. A credit transferred to a  
2 natural person may be applied only against the income referred  
3 to under section 303(a)(2). The shareholder, member or partner  
4 may not carry over, carry back, obtain a refund of or assign the  
5 credit.

6 Section 1707-D. Clearinghouse for internships.

7 (a) Establishment.--The Department of Education, in  
8 cooperation with the Department of Labor and Industry and the  
9 Department of Community and Economic Development, shall  
10 establish a publicly accessible internship clearinghouse. The  
11 clearinghouse shall be available through an Internet website and  
12 by whatever other means prescribed by the Department of  
13 Education.

14 (b) Clearinghouse guidelines.--The internship clearinghouse  
15 shall include all of the following:

16 (1) Basic information explaining the internship,  
17 including the length of the internship, what it accomplishes,  
18 compensation for the internship and available college credit,  
19 as well as other information deemed necessary by the  
20 Department of Education.

21 (2) Opportunities for business firms, nonprofit  
22 organizations and government agencies to list internship  
23 opportunities offered within this commonwealth.

24 (3) Skills assessment and career education resources.

25 (4) Contact information and internship opportunities  
26 provided by all institutions of higher education in this  
27 Commonwealth.

28 (5) Statistics provided by the Department of Labor and  
29 Industry on current and upcoming work force needs.

30 (6) A comprehensive and current list of internships

1 available within this Commonwealth.

2 (7) Guidance information to businesses and organizations  
3 who might want to develop an internship program.

4 (c) Regulations.--The Department of Education shall  
5 promulgate such rules and regulations as may be necessary to  
6 administer the internship clearinghouse.

7 SECTION 1708-D. LIMITATION ON CREDITS. <—

8 THE TOTAL AMOUNT OF CAREER STARTER CREDITS APPROVED BY THE  
9 DEPARTMENT SHALL NOT EXCEED \$10,000,000 IN ANY FISCAL YEAR.

10 Section ~~1708-D~~ 1709-D. Report to General Assembly. <—

11 The secretary shall submit an annual report to the General  
12 Assembly indicating the effectiveness of the career starter tax  
13 credit provided by this article no later than April 1 following  
14 the year in which the credits were approved. The report shall  
15 include the names of all taxpayers utilizing the credit as of  
16 the date of the report and the amount of credits approved and  
17 utilized by each taxpayer. Notwithstanding any law providing for  
18 the confidentiality of tax records, the information contained in  
19 the report shall be public information. The report may also  
20 include any recommendations for changes in the administration of  
21 the credit.

22 Section ~~1709-D~~ 1710-D. Regulations. <—

23 The department shall promulgate any regulations necessary for  
24 the implementation and administration of this article.

25 Section 2. The addition of Article XVII-D of the act shall  
26 apply to:

27 (1) Qualified career starter expenses incurred after  
28 June 30, 2005.

29 (2) Taxable years commencing after December 31, 2004.

30 Section 3. This act shall take effect immediately.