

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 3031 Session of
2006

INTRODUCED BY J. TAYLOR, PETRONE, BAKER, BALDWIN, BUNT,
CALTAGIRONE, CAWLEY, CRAHALLA, DeLUCA, DeWEESE, GEIST,
GINGRICH, MANDERINO, McILHATTAN, PISTELLA, SANTONI, SCAVELLO,
E. Z. TAYLOR, THOMAS, WATSON, BOYD, PYLE, YUDICHAK AND
CAPPELLI, OCTOBER 17, 2006

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 17, 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," providing for a youth employment incentive tax
11 credit.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

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

17 ARTICLE XVII-D

18 YOUTH EMPLOYMENT INCENTIVE TAX CREDIT

19 Section 1701-D. Scope.

20 This article relates to youth employment incentive tax
21 credits.

1 Section 1702-D. Definitions.

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

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

6 "Pass-through entity." Any of the following:

7 (1) A partnership, limited partnership, limited
8 liability company, business trust or other unincorporated
9 entity that for Federal income tax purposes is taxable as a
10 partnership.

11 (2) A Pennsylvania S corporation.

12 "Qualified tax liability." The liability for taxes imposed
13 under Article III, IV or VI of this act. The term shall include
14 the liability for taxes imposed under Article III on a
15 shareholder of a pass-through entity.

16 "Qualified youth employee." A Pennsylvania resident
17 individual between 14 and 21 years of age whose median family
18 income does not exceed 150% of the Federal poverty level. The
19 term shall not make a distinction based on education.

20 "Qualified youth employment expense." Wages paid by a
21 taxpayer to a qualified youth employee. All qualified youth
22 employment expenses incurred in a taxable year shall be combined
23 and treated as one qualified youth employment expense for
24 purposes of this article.

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

26 "Tax credit." The Youth Employment Incentive Tax Credit
27 authorized under this article.

28 "Taxpayer." An entity subject to tax under Article III, IV
29 or VI of this act. The term shall include the shareholder, owner
30 or member of a pass-through entity that receives a tax credit.

1 Section 1703-D. Credit for qualified youth employment expense.

2 (a) Application.--A taxpayer who incurs a qualified youth
3 employment expense in a taxable year may apply for a tax credit
4 as provided in this article. By September 15, a taxpayer must
5 submit an application to the department for a qualified youth
6 employment expense incurred in the taxable year that ended in
7 the prior calendar year.

8 (b) Receipt.--A taxpayer that is qualified under subsection
9 (a) shall receive a tax credit for the taxable year in the
10 amount of 70% of the taxpayer's total qualified youth employment
11 expense for the taxable year.

12 (c) Notification.--By December 15 of the calendar year
13 following the close of the taxable year during which the
14 qualified youth employment expense was incurred, the department
15 shall notify the taxpayer of the amount of the taxpayer's tax
16 credit approved by the department.

17 Section 1704-D. Carryover, carryback, refund and assignment of
18 credit.

19 (a) Carryover.--If the taxpayer cannot use the entire amount
20 of the tax credit for the taxable year in which the tax credit
21 is first approved, then the excess may be carried over to
22 succeeding taxable years and used as a credit against the
23 qualified tax liability of the taxpayer for those taxable years.
24 Each time that the tax credit is carried over to a succeeding
25 taxable year, it is to be reduced by the amount that was used as
26 a credit during the immediately preceding taxable year. The tax
27 credit may be carried over and applied to succeeding taxable
28 years for no more than 15 taxable years following the first
29 taxable year for which the taxpayer was entitled to claim the
30 credit.

1 (b) Application.--A tax credit approved by the department
2 for a qualified youth employment expense in a taxable year first
3 shall be applied against the taxpayer's qualified tax liability
4 for the current taxable year as of the date on which the credit
5 was approved before the tax credit is applied against any tax
6 liability under subsection (a).

7 (c) Prohibition.--A taxpayer is not entitled to assign,
8 carry back or obtain a refund of an unused tax credit.

9 Section 1705-D. Time limitations.

10 A taxpayer is not entitled to a tax credit for qualified
11 youth employment expenses incurred in taxable years ending after
12 December 31, 2010.

13 Section 1706-D. Limitation on credits.

14 (a) Total amount.--The total amount of tax credits approved
15 by the department shall not exceed \$20,000,000 in any fiscal
16 year.

17 (b) Proration.--If the total amount of tax credits applied
18 for by all taxpayers exceeds the amount allocated for those
19 credits, then the tax credit to be received by each applicant
20 shall be prorated by the department among all applicants who
21 have qualified for the credit.

22 Section 1707-D. Shareholder, owner or member pass-through.

23 (a) Application to Pennsylvania S corporations.--If a
24 Pennsylvania S corporation does not have an eligible tax
25 liability against which the tax credit may be applied, a
26 shareholder of the Pennsylvania S corporation is entitled to a
27 tax credit equal to the tax credit determined for the
28 Pennsylvania S corporation for the taxable year multiplied by
29 the percentage of the Pennsylvania S corporation's distributive
30 income to which the shareholder is entitled.

1 (b) Other applications.--If a pass-through entity other than
2 a Pennsylvania S corporation does not have an eligible tax
3 liability against which the tax credit may be applied, an owner
4 or member of the pass-through entity is entitled to a tax credit
5 equal to the tax credit determined for the pass-through entity
6 for the taxable year multiplied by the percentage of the pass-
7 through entities' distributive income to which the owner or
8 member is entitled.

9 (c) Additional credit.--The credit provided under subsection
10 (a) or (b) is in addition to any tax credit to which a
11 shareholder, owner or member of a pass-through entity is
12 otherwise entitled under this article. However, a pass-through
13 entity and a shareholder, owner or member of a pass-through
14 entity may not claim a credit under this article for the same
15 qualified youth employment expense.

16 Section 1708-D. Termination.

17 The department shall not approve a tax credit under this
18 article for taxable years ending after December 31, 2010.

19 Section 1709-D. Regulations.

20 The secretary shall promulgate regulations necessary for the
21 implementation and administration of this article.

22 Section 2. This act shall apply to taxable years beginning
23 after December 31, 2006.

24 Section 3. This act shall take effect in 60 days.