

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 697 Session of 2011

INTRODUCED BY HUGHES, BREWSTER, STACK, FONTANA, TARTAGLIONE,  
FARNESE, COSTA, SOLOBAY, BOSCOLA, KITCHEN, YUDICHAK AND  
ERICKSON, MAY 3, 2011

REFERRED TO FINANCE, MAY 3, 2011

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 definitions; further providing for  
11 public policy and for tax credit; providing for neighborhood  
12 assistance contribution; further providing for grant of tax  
13 credit and for decision in writing; and providing for  
14 limitations.

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

17 Section 1. Section 1902-A of the act of March 4, 1971  
18 (P.L.6, No.2), known as the Tax Reform Code of 1971, is amended  
19 by adding definitions to read:

20 Section 1902-A. Definitions.--The following words, terms and  
21 phrases, when used in this article, shall have the meanings  
22 ascribed to them in this section, except where the context  
23 clearly indicates a different meaning:

1       \* \* \*

2       "Neighborhood assistance contribution." An amount equal to  
3 100% of withholding tax related to each new job created by the  
4 nonprofit entity after the effective date of this definition.

5       "New job." A full-time job, the average hourly rate,  
6 excluding benefits, of which must be at least 150% of the  
7 Federal minimum wage, created within a municipality located in  
8 this Commonwealth by a nonprofit entity.

9       "Nonprofit entity." An entity with fewer than 300 employees  
10 which is incorporated as a not-for-profit entity under the laws  
11 of this Commonwealth and which is tax exempt under section  
12 501(c)(3) of the Internal Revenue Code of 1986 (Public Law  
13 99-514, 26 U.S.C. § 501(c)(3)).

14       \* \* \*

15       "Withholding tax." The amount a nonprofit entity is required  
16 to withhold from employee compensation under Part VII of Article  
17 III.

18       Section 2. Section 1903-A of the act, added June 16, 1994  
19 (P.L.279, No.48), is amended to read:

20       Section 1903-A. Public Policy.--It is hereby declared to be  
21 public policy of this Commonwealth to encourage investment by  
22 business firms and nonprofit entities in offering neighborhood  
23 assistance and providing job training, education, crime  
24 prevention and community services, to encourage contributions by  
25 business firms and nonprofit entities to neighborhood  
26 organizations which offer and provide such assistance and  
27 services and to promote qualified investments made by private  
28 companies and nonprofit entities to rehabilitate, expand or  
29 improve buildings or land which promote community economic  
30 development and which occur in impoverished areas or portions of

1 impoverished areas which have been designated as enterprise  
2 zones.

3 Section 3. Section 1904-A of the act, amended July 25, 2007  
4 (P.L.373, No.55), is amended to read:

5 Section 1904-A. Tax Credit.--(a) Any business firm which  
6 engages or contributes to a neighborhood organization which  
7 engages in the activities of providing neighborhood assistance,  
8 comprehensive service projects, job training or education for  
9 individuals, community services or crime prevention in an  
10 impoverished area or private company which makes qualified  
11 investment to rehabilitate, expand or improve buildings or land  
12 located within portions of impoverished areas which have been  
13 designated as enterprise zones shall receive a tax credit as  
14 provided in section 1905-A if the secretary annually approves  
15 the proposal of such business firm or private company. The  
16 proposal shall set forth the program to be conducted, the  
17 impoverished area selected, the estimated amount to be invested  
18 in the program and the plans for implementing the program.

19 (b) The secretary is hereby authorized to promulgate rules  
20 and regulations for the approval or disapproval of such  
21 proposals by business firms or private companies. The secretary  
22 shall provide a report listing of all applications received and  
23 their disposition in each fiscal year to the General Assembly by  
24 October 1 of the following fiscal year. The secretary's report  
25 shall include all taxpayers utilizing the credit and the amount  
26 of credits approved, sold or assigned. Notwithstanding any law  
27 providing for the confidentiality of tax records, the  
28 information in the report shall be public information, and all  
29 report information shall be posted on the secretary's Internet  
30 website.

1 (b.1) The secretary shall take into special consideration,  
2 when approving applications for neighborhood assistance tax  
3 credits, applications which involve multiple projects in various  
4 markets throughout this Commonwealth.

5 (c) [The total amount of tax credit granted for programs  
6 approved under this act shall not exceed eighteen million  
7 dollars (\$18,000,000) of tax credit in any fiscal year.]

8 (Reserved).

9 (d) A taxpayer, upon application to and approval by the  
10 Department of Community and Economic Development, may  
11 immediately sell or assign, in whole or in part, a neighborhood  
12 assistance tax credit granted to the business firm under this  
13 article [if no claim for allowance of the credit is filed within  
14 one year from the date the credit is granted by the Department  
15 of Revenue under section 1905-A]. The Department of Community  
16 and Economic Development and the Department of Revenue shall  
17 jointly promulgate guidelines for the approval of applications  
18 under this subsection.

19 (e) The purchaser or assignee of a neighborhood assistance  
20 tax credit under subsection (d) shall immediately claim the  
21 credit in the taxable year in which the purchase or assignment  
22 is made. The purchaser or assignee may not carry over, carry  
23 back, obtain a refund of or sell or assign the neighborhood  
24 assistance tax credit. The purchaser or assignee shall notify  
25 the Department of Revenue of the seller or assignor of the  
26 neighborhood assistance tax credit in compliance with procedures  
27 specified by the Department of Revenue.

28 (f) The neighborhood assistance tax credit approved by the  
29 Department of Community and Economic Development shall be  
30 applied against the business firm's tax liability for the taxes

1 under section 1905-A for the current taxable year as of the date  
2 on which the credit was approved before the neighborhood  
3 assistance tax credit may be carried over, sold or assigned.

4 Section 4. The act is amended by adding a section to read:

5 Section 1904.1-A. Neighborhood Assistance Contribution.--(a)

6 (1) A nonprofit entity may make a neighborhood assistance  
7 contribution to a neighborhood organization which engages in the  
8 activities of providing neighborhood assistance, comprehensive  
9 service projects, job training or education for individuals,  
10 community services or crime prevention in an impoverished area  
11 or may make a qualified investment to rehabilitate, expand or  
12 improve buildings or land located in an impoverished area if the  
13 secretary annually approves the proposal of the nonprofit  
14 entity.

15 (2) The proposal under paragraph (1) shall set forth the  
16 program in which the contribution will be made, the impoverished  
17 area selected, the estimated amount to be contributed to the  
18 program and the plans for implementing the program.

19 (b) The secretary is authorized to promulgate rules and  
20 regulations for the approval or disapproval of neighborhood  
21 assistance contributions by nonprofit entities under this  
22 section. The secretary shall provide a report listing of all  
23 applications received and their disposition in each fiscal year  
24 to the General Assembly by October 1 of the following fiscal  
25 year. The secretary's report shall include all nonprofit  
26 entities making neighborhood assistance contributions and the  
27 amount of contributions made. Notwithstanding any law providing  
28 for the confidentiality of tax records, the information in the  
29 report shall be public information and all report information  
30 shall be posted on the Department of Community and Economic

1 Development's Internet website.

2 (c) The secretary shall take into special consideration,  
3 when approving applications for neighborhood assistance  
4 contributions, applications which involve multiple projects in  
5 various markets throughout this Commonwealth.

6 (d) A nonprofit entity may make a neighborhood assistance  
7 contribution for each new job created, as approved by the  
8 department, for a three-year period beginning in the year in  
9 which the new job is created. Upon completion of the three-year  
10 period, the nonprofit entity shall remit the tax contribution to  
11 the Commonwealth as required under Part VII of Article III.

12 (e) A nonprofit entity may not claim more than two hundred  
13 fifty thousand dollars (\$250,000) in neighborhood assistance  
14 contributions in any taxable year.

15 Section 5. Section 1905-A of the act, amended July 25, 2007  
16 (P.L.373, No.55), is amended to read:

17 Section 1905-A. Grant of Tax Credit.--The Department of  
18 Revenue shall grant a tax credit against any tax due under  
19 Article III, IV, VI, VII, VIII, IX or XV of this act, or any tax  
20 substituted in lieu thereof in an amount which shall not exceed  
21 fifty-five per cent of the total amount contributed during the  
22 taxable year by a business firm or twenty-five per cent of  
23 qualified investments by a private company in programs approved  
24 pursuant to section 1904-A of this act: Provided, That a tax  
25 credit of up to seventy-five per cent of the total amount  
26 contributed during the taxable year by a business firm or up to  
27 thirty-five per cent of the amount of qualified investments by a  
28 private company may be allowed for investment in programs where  
29 activities fall within the scope of special program priorities  
30 as defined with the approval of the Governor in regulations

1 promulgated by the secretary, and Provided further, That a tax  
2 credit of up to seventy-five per cent of the total amount  
3 contributed during the taxable year by a business firm in  
4 comprehensive service projects with five-year commitments and up  
5 to eighty per cent of the total amount contributed during the  
6 taxable year by a business firm in comprehensive service  
7 projects with six-year or longer commitments shall be granted.  
8 Such credit shall not exceed five hundred thousand dollars  
9 (\$500,000) annually for contributions or investments to fewer  
10 than four projects or one million two hundred fifty thousand  
11 dollars (\$1,250,000) annually for contributions or investments  
12 to four or more projects. No tax credit shall be granted to any  
13 bank, bank and trust company, insurance company, trust company,  
14 national bank, savings association, mutual savings bank or  
15 building and loan association for activities that are a part of  
16 its normal course of business. Any tax credit not used in the  
17 period the contribution or investment was made may be carried  
18 over for the next five succeeding calendar or fiscal years until  
19 the full credit has been allowed. A business firm shall not be  
20 entitled to carry back or obtain a refund of an unused tax  
21 credit. [The total amount of all tax credits allowed pursuant to  
22 this act shall not exceed eighteen million dollars (\$18,000,000)  
23 in any one fiscal year. Of that amount, two million dollars  
24 (\$2,000,000) shall be allocated exclusively for pass-through  
25 entities. However, if the total amounts allocated to either the  
26 group of applicants, exclusive of pass-through entities, or the  
27 group of pass-through entity applicants is not approved in any  
28 fiscal year, the unused portion shall become available for use  
29 by the other group of qualifying taxpayers.]

30 Section 6. Section 1906-A of the act, amended May 7, 1997

1 (P.L.85, No.7), is amended to read:

2 Section 1906-A. Decision in Writing.--The decision of the  
3 secretary to approve or disapprove a proposal pursuant to  
4 section 1904-A [of this act] or 1904.1-A shall be in writing,  
5 and, if it approves the proposal, it shall state the maximum  
6 credit allowable to the business firm or contribution allowable  
7 by the nonprofit entity. A copy of the decision of the secretary  
8 shall be transmitted to the Governor and to the Secretary of  
9 Revenue.

10 Section 7. The act is amended by adding a section to read:

11 Section 1908-A. Limitations.--The total amount of all tax  
12 credits and neighborhood assistance contributions allowed  
13 pursuant to this act shall not exceed eighteen million dollars  
14 (\$18,000,000) in any one fiscal year. Of that amount, two  
15 million dollars (\$2,000,000) shall be allocated exclusively for  
16 pass-through entities, except that if the total amounts  
17 allocated to either the group of applicants, exclusive of pass-  
18 through entities, or the group of pass-through entity applicants  
19 are not approved in any fiscal year, the unused portion shall  
20 become available for use by the other group of qualifying  
21 taxpayers.

22 Section 8. This act shall take effect in 60 days.