
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1533 Session of
2017

INTRODUCED BY KAMPF, BRIGGS, BARRAR, DRISCOLL, MILLARD,
SCHLOSSBERG, WARD, RADER, GODSHALL, TOPPER, RAPP, BERNSTINE,
PETRI, HARPER, GREINER AND CORR, JUNE 12, 2017

REFERRED TO COMMITTEE ON FINANCE, JUNE 12, 2017

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," in corporate net income tax, further providing
11 for definitions and providing for deductions.

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

14 Section 1. The definition of "taxable income" in section 401
15 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
16 Reform Code of 1971, is amended by adding a paragraph to read:

17 Section 401. Definitions.--The following words, terms, and
18 phrases, when used in this article, shall have the meaning
19 ascribed to them in this section, except where the context
20 clearly indicates a different meaning:

21 * * *

22 (3) "Taxable income." * * *

1 (c.1) A deduction under Part IV.1 shall be allowed from
2 taxable income as proscribed in a satisfaction commitment letter
3 executed between the Department of Community and Economic
4 Development and a taxpayer under section 407.7(c).

5 * * *

6 Section 2. Article IV of the act is amended by adding a part
7 to read:

8 PART IV.1

9 QUALIFIED MANUFACTURING REINVESTMENT DEDUCTION

10 Section 407.6. Definitions.--(a) For the purposes of this
11 part only, the following words, terms and phrases shall have the
12 meaning ascribed to them in this subsection, except where the
13 context clearly indicates a different meaning:

14 (1) "Annual taxable payroll." The total amount of wages
15 paid by an employer in this Commonwealth for the base year or
16 year one, as applicable, from which personal income tax under
17 Article III is withheld.

18 (2) "Base year." The four calendar quarters preceding the
19 start date.

20 (3) "Department." The Department of Community and Economic
21 Development of the Commonwealth.

22 (4) "Manufacture." The mechanical, physical, biological or
23 chemical transformation of materials, substances or components
24 into new products that are creations of new items of tangible
25 personal property for sale.

26 (5) "Qualified manufacturing reinvestment deduction." An
27 allowable deduction as determined, calculated and executed in a
28 commitment letter between the department and the taxpayer.

29 (6) "Qualified tax liability." A taxpayer's tax liability
30 under this article.

1 (7) "Start date." The first day of the calendar quarter in
2 which an application is submitted to the department unless the
3 applicant requests and the department agrees to a later start
4 date.

5 (8) "Year one." The four calendar quarters immediately
6 following the start date.

7 Section 407.7. Manufacturing Innovation and Reinvestment
8 Deduction.--(a) In order to be eligible to receive a
9 manufacturing innovation and reinvestment deduction, a taxpayer
10 must demonstrate to the department the following:

11 (1) An annual taxable payroll in excess of fifty million
12 dollars (\$50,000,000).

13 (2) A capital investment in excess of fifty million dollars
14 (\$50,000,000) for the creation of new or refurbished
15 manufacturing capacity within three years of a designated start
16 date.

17 (3) The creation of fifty jobs or their full-time equivalent
18 during the construction phase of the project.

19 (b) (1) A taxpayer must apply to the department in advance
20 of the start date of any project for a qualified manufacturing
21 reinvestment deduction. A taxpayer must attest the taxpayer's
22 intent to meet the eligibility criteria and complete an
23 application on a form and in a manner as determined by the
24 department.

25 (2) Within five years of a project's start date, a taxpayer
26 must complete to the department's satisfaction an application on
27 a form and in a manner as determined by the department to attest
28 that the project has been completed and the eligibility criteria
29 has been satisfied.

30 (c) Upon the receipt of a taxpayer's application, the

1 department shall make an eligibility or satisfaction
2 determination within ninety days of submission. If the
3 department makes a satisfaction determination, the department
4 and the taxpayer shall execute a satisfaction commitment letter
5 containing the following:

6 (1) The number of new jobs created and their corresponding
7 description.

8 (2) The number of new jobs created during construction of
9 the project.

10 (3) The amount of private capital investment in the creation
11 of new jobs.

12 (4) The increase in the annual taxable payroll attributable
13 to new manufacturing jobs.

14 (5) A determination of the maximum allowable deduction
15 against a taxpayer's qualified tax liability under this article.

16 (6) Any other information as the department deems
17 appropriate.

18 (d) (1) Upon determining a taxpayer's satisfaction of the
19 eligibility criteria, the department shall calculate the maximum
20 allowable deduction that a taxpayer may claim against the
21 taxpayer's taxable income under this article. The deduction
22 shall be equal to one per cent of the private capital investment
23 utilized in the creation of new or refurbished manufacturing
24 capacity per tax year for a period of five years.

25 (2) A taxpayer may utilize the amount of the deduction in
26 each year of the succeeding five tax years immediately following
27 the department's satisfaction determination and the execution of
28 a satisfaction commitment letter.

29 (3) A taxpayer cannot use the deduction to reduce its tax
30 liability by more than fifty per cent of the tax liability under

1 this article for the taxable year. The deduction is
2 nontransferable and any unused portion in a tax year shall
3 expire at the end of the corresponding tax year.

4 (e) (1) The Department of Revenue, in consultation with the
5 department, may issue an assessment, including interest,
6 additions and penalties, for the corporate net income reduction
7 resulting from each manufacturing reinvestment deduction in the
8 event a taxpayer fails to satisfy any element of the
9 satisfaction commitment letter for a period of five years
10 following its execution.

11 (2) The department may waive the penalties under paragraph
12 (1) if it is determined that the inability to satisfy the terms
13 of the satisfaction commitment letter were caused by
14 circumstances beyond the taxpayer's control. As used in this
15 paragraph, circumstances shall include natural disasters,
16 unforeseen industry trends or a loss of a major supplier or
17 market.

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