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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 782 Session of  
2019

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INTRODUCED BY KAIL, TURZAI, GAYDOS, BERNSTINE, DUNBAR, MARSHALL,  
MASSER, MIHALEK, NELSON, O'NEAL, PICKETT, REESE, RYAN,  
STRUZZI, TOPPER, PUSKARIC AND OBERLANDER, MARCH 20, 2019

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REFERRED TO COMMITTEE ON COMMERCE, MARCH 20, 2019

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AN ACT

1 Establishing the Keystone Energy Authority; and providing for  
2 the designation of Keystone Energy Enhancement Zones.

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

5 CHAPTER 1

6 PRELIMINARY PROVISIONS

7 Section 101. Short title.

8 This act shall be known and may be cited as the Keystone  
9 Energy Enhancement Act.

10 Section 102. Definitions.

11 The following words and phrases when used in this act shall  
12 have the meanings given to them in this section unless the  
13 context clearly indicates otherwise:

14 "Authority." The Keystone Energy Authority established in  
15 section 201.

16 "Board." The board of the authority established in section  
17 202.

1 "Butane." A colorless, odorless gaseous alkane, C<sub>4</sub>H<sub>10</sub>, which  
2 occurs as a constituent of natural gas and is used as the raw  
3 material in the manufacturing of ethylene and butadiene.

4 "Commonwealth." The Commonwealth of Pennsylvania.

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

6 "Deteriorated property." Any blighted, impoverished area  
7 containing residential, industrial, commercial or other real  
8 property that is abandoned, unsafe, vacant, undervalued,  
9 underutilized, overgrown, defective, condemned, demolished or  
10 that contains economically undesirable land use.

11 "Downstream business." Any business that uses natural gas  
12 and natural gas byproducts, chemical products or chemical  
13 compounds produced or extracted in this Commonwealth as raw  
14 materials in the business's production process.

15 "Ethane." A colorless, odorless gaseous alkane, C<sub>2</sub>H<sub>6</sub>, which  
16 occurs as a constituent of natural gas and is used as the raw  
17 material in the manufacturing of ethylene.

18 "Keystone Energy Enhancement Zone." A defined geographic  
19 area comprised of one or more political subdivisions or portions  
20 of political subdivisions designated by the authority.

21 "Manufacturing." Operations which use natural gas extracted  
22 in this Commonwealth as a primary means of fuel or power to  
23 produce finished goods from raw materials.

24 "Manufacturing business." An association, partnership,  
25 corporation, sole proprietorship, limited liability company or  
26 employer that engages in manufacturing.

27 "Natural gas." A fossil fuel consisting of a mixture of  
28 hydrocarbon gases, primarily methane, and possibly including  
29 ethane, propane, butane, pentane, carbon dioxide, oxygen,  
30 nitrogen and hydrogen sulfide and other gas species. The term

1 includes natural gas from oil fields known as associated gas or  
2 casing head gas, natural gas fields known as nonassociated gas,  
3 coal beds, shale beds and other formations. The term does not  
4 include coal bed methane.

5 "Natural gas liquids." Ethane, propane, butane and other  
6 liquid fossil fuels associated with natural gas.

7 "Petrochemical business." An association, partnership,  
8 corporation, sole proprietorship, limited liability company or  
9 employer that uses ethane, butane or propane, extracted in this  
10 Commonwealth or the derivatives of these products as a raw  
11 material in the production of plastics, chemicals or other  
12 finished products in this Commonwealth.

13 "Propane." A colorless, odorless gaseous alkane, C<sub>3</sub>H<sub>8</sub>, which  
14 occurs as a constituent of natural gas and is used as the raw  
15 material in the manufacturing of propylene.

16 "Zone." A Keystone Energy Enhancement Zone.

17 CHAPTER 2

18 KEYSTONE ENERGY AUTHORITY

19 Section 201. Authority established.

20 The Keystone Energy Authority is established as a public  
21 authority and instrumentality of the Commonwealth, exercising  
22 public powers of the Commonwealth as an agency and  
23 instrumentality of the Commonwealth. The exercise by the  
24 authority of the powers conferred under this act is declared to  
25 be, and shall for all purposes be deemed and held to be, the  
26 performance of an essential public function.

27 Section 202. Governing board.

28 (a) Composition of board.--

29 (1) The powers and duties of the authority shall be  
30 exercised by a governing board composed of the following

1 members:

2 (i) One member who shall be appointed by the  
3 Governor.

4 (ii) Two members who shall be appointed by the  
5 President pro tempore of the Senate.

6 (iii) One member who shall be appointed by the  
7 Minority Leader of the Senate.

8 (iv) Two members who shall be appointed by the  
9 Speaker of the House of Representatives.

10 (v) One member who shall be appointed by the  
11 Minority Leader of the House of Representatives.

12 (2) Each member must have at least 10 years' experience  
13 in a manufacturing business, petrochemical business or  
14 downstream business.

15 (3) Each member of the board must be a resident of this  
16 Commonwealth.

17 (b) Term and chairperson.--

18 (1) Appointing authorities shall appoint the initial  
19 members of the board within 30 days of the effective date of  
20 this section. The term of a board member shall begin on the  
21 date of the appointment. A member's term shall be coterminous  
22 with that of the appointing authority.

23 (2) The appointed members shall select a chairperson  
24 from among the members at the initial organizational meeting  
25 of the board and upon any subsequent vacancy in the office of  
26 chairperson. The member selected as chairperson shall serve  
27 in that capacity for two years from the date of selection or  
28 for the duration of the chairperson's term on the board,  
29 whichever is less, and may be reelected to subsequent two-  
30 year terms.

1           (3) An appointed board member shall serve at the  
2 discretion of the member's appointing authority. If a vacancy  
3 occurs among the appointed members on the board prior to or  
4 on the expiration of a term, the appointing authority who  
5 originally appointed the board member whose seat has become  
6 vacant shall appoint a successor member within 30 days of the  
7 vacancy.

8           (c) Organization.--The appointees of the President pro  
9 tempore of the Senate and the Speaker of the House of  
10 Representatives shall set a date, time and place for the initial  
11 meeting of the board within five days of the appointment of all  
12 of the initial members of the board. The initial meeting must be  
13 held within 60 days of the effective date of this section. In  
14 addition to the chairperson, the board members shall elect other  
15 officers as they may deem necessary. A member may hold more than  
16 one office on the board at any time.

17           (d) Meetings.--

18           (1) After the initial meeting, the board shall meet as  
19 frequently as the board deems appropriate but at least once  
20 during each quarter of the fiscal year, except that a meeting  
21 of the board must be called by the chairperson if a request  
22 for a meeting is submitted to the chairperson by at least two  
23 members of the board.

24           (2) A majority of the board shall constitute a quorum  
25 for the purpose of conducting the business of the board and  
26 for all other purposes. All actions of the board shall be  
27 taken by a majority of the board except as otherwise  
28 specifically noted. The provisions of 65 Pa.C.S. Ch. 7  
29 (relating to open meetings) shall apply to meetings of the  
30 board.

1 (e) Employees and agents.--The board shall determine the  
2 necessary number of employees of the authority and their  
3 respective compensation and duties. The board may contract for  
4 or receive the loan of services of persons in the employ of  
5 other government agencies, and other government agencies shall  
6 be authorized to make the employees available. The board may  
7 designate an executive director upon a majority vote. The board  
8 may, by a majority vote, hire an independent general counsel to  
9 the authority and may engage consultants and contract for other  
10 professional services upon a majority vote. The board may, by a  
11 majority vote, delegate to the executive director powers of the  
12 board as the board deems necessary to carry out the purposes of  
13 the authority, subject to the supervision and control of the  
14 board.

15 (f) Public officials and party officers.--

16 (1) A member of the board or the executive director may  
17 not seek or hold a position as any other public official  
18 within this Commonwealth or as a party officer while in the  
19 service of the authority.

20 (2) The following shall apply:

21 (i) Except as provided in subparagraph (ii),  
22 employees and agents of the authority may not seek or  
23 hold other positions as public officials or party  
24 officers while in the employment of the authority.

25 (ii) The authority may receive the loan of services  
26 of individuals in other government agencies in accordance  
27 with subsection (e), notwithstanding that the individuals  
28 are public officials.

29 (g) Statutes applying to authority.--The provisions of the  
30 following acts shall apply to the authority:

1 (1) The act of July 19, 1957 (P.L.1017, No.451), known  
2 as the State Adverse Interest Act.

3 (2) The act of February 14, 2008 (P.L.6, No.3), known as  
4 the Right-to-Know Law.

5 (3) 65 Pa.C.S. Ch. 11 (relating to ethics standards and  
6 financial disclosure).

7 Section 203. Powers and duties of authority.

8 (a) General powers and duties.--The authority is established  
9 for the purposes, without limitation, by itself or by agreement  
10 in cooperation with others, of furthering the development of  
11 manufacturing business, petrochemical business and other  
12 downstream business opportunities through the increased use of  
13 natural gas produced in this Commonwealth. The authority shall  
14 work to increase job creation and capital investments in  
15 manufacturing, petrochemical and other downstream businesses in  
16 this Commonwealth.

17 (b) Specific duties.--The authority shall have the powers  
18 and its duties shall be:

19 (1) To administer this act.

20 (2) To encourage the development of manufacturing  
21 business, petrochemical business and other downstream  
22 business opportunities and to cooperate with other industrial  
23 development agencies, local authorities and the Department of  
24 Community and Economic Development, Department of  
25 Environmental Protection, Department of Revenue, Pennsylvania  
26 Public Utility Commission and other agencies of the  
27 Commonwealth. To achieve that purpose, the authority shall:

28 (i) Act as a point of contact. The authority shall  
29 designate a point of contact to work directly with  
30 applicants who seek to develop or utilize a zone. The

1 point of contact shall assist in coordinating all  
2 necessary permit and regulatory reviews required to move  
3 the project forward in a timely fashion.

4 (ii) Report. Within six months of the date of the  
5 final appointment to the authority, the authority shall  
6 compile and submit to the Governor and the General  
7 Assembly a report identifying the challenges which exist  
8 across this Commonwealth to expanded natural gas  
9 transmission and distribution infrastructure and  
10 recommendations on how to address the challenges that are  
11 identified, including legislative and regulatory policy  
12 changes necessary to facilitate the expansion of  
13 infrastructure and increased utilization of natural gas  
14 and natural gas liquids.

15 (3) To facilitate the proliferation of transmission and  
16 distribution pipelines for the transportation of natural gas  
17 and natural gas liquids, which are necessary for the  
18 development of manufacturing business, petrochemical business  
19 and other downstream business opportunities in zones, the  
20 authority shall:

21 (i) Identify corridors for safe and efficient siting  
22 of natural gas transmission and distribution pipelines to  
23 zones.

24 (ii) Coordinate with all relevant regulatory  
25 agencies, including, but not limited to, the Federal  
26 Energy Regulatory Commission, the Department of  
27 Environmental Protection and the Pennsylvania Public  
28 Utility Commission to provide recommendations to  
29 streamline the issuance of permits in a timely,  
30 predictable and efficient manner for natural gas



1 transmission and distribution line projects.

2 (4) To conduct examinations and investigations and to  
3 hear testimony and take proof at public or private hearings,  
4 on any matter material for the authority's information and  
5 necessary to the carrying out of the authority's duties.

6 (5) To sue and be sued, implead and be impleaded,  
7 complain and defend in all courts.

8 (6) To adopt, use and alter at will a corporate seal.

9 (7) To make by-laws for the management and regulation of  
10 the authority's affairs.

11 (8) To make contracts of every name and nature and to  
12 execute all instruments necessary or convenient for the  
13 carrying on of its business.

14 (9) To do any other thing necessary to carry out the  
15 functions of the authority under this act.

16 Section 204. Duties of other entities.

17 Industrial development agencies, local authorities, county  
18 and municipal governments, the Department of Community and  
19 Economic Development, the Department of Environmental  
20 Protection, the Pennsylvania Public Utility Commission and other  
21 agencies of the Commonwealth shall cooperate fully with the  
22 authority to facilitate the growth of the manufacturing  
23 business, petrochemical business and downstream business  
24 opportunities in this Commonwealth and shall provide documents  
25 and information as required by the authority for the exercise of  
26 the authority's powers and duties.

27 Section 205. Keystone Energy Enhancement Fund.

28 (a) Establishment.--The Keystone Energy Enhancement Fund is  
29 established in the State Treasury as a restricted account. The  
30 fund shall consist of money appropriated by the General

1 Assembly.

2 (b) Continuing appropriation.--All money in the fund and the  
3 interest accruing on the money are appropriated to the authority  
4 on a continuing basis to carry out the provisions of this act.

5 Section 206. Transfer for initial funding.

6 The sum of \$500,000 is transferred from the General Fund to  
7 the Keystone Energy Enhancement Fund for expenditure during the  
8 fiscal year July 1, 2019, to June 30, 2020, to carry out the  
9 provisions of this act.

10 Section 207. Term of existence.

11 The authority shall exist until December 31, 2032.

12 Section 208. Fiscal year.

13 The fiscal year of the authority shall be the same as the  
14 fiscal year of the Commonwealth.

15 Section 209. Sovereign immunity.

16 Members of the board shall not be liable personally for any  
17 obligations of the authority. It is declared to be the intent of  
18 the General Assembly that the authority and the authority's  
19 members, officers, officials and employees shall enjoy sovereign  
20 and official immunity as provided in 1 Pa.C.S. § 2310 (relating  
21 to sovereign immunity reaffirmed; specific waiver) and shall  
22 remain immune from suit except as provided by and subject to 42  
23 Pa.C.S. Ch. 85 Subchs. A (relating to general provisions) and B  
24 (relating to actions against Commonwealth parties).

25 CHAPTER 3

26 KEYSTONE ENERGY ENHANCEMENT ZONES

27 Section 301. Keystone Energy Enhancement Zone.

28 (a) Establishment.--There is established within the  
29 authority a program providing for Keystone Energy Enhancement  
30 Zones. A zone shall be comprised of deteriorated property and

1 shall not exceed a total of 500 acres.

2 (b) Zone designation.--The authority shall designate not  
3 more than 20 zones in this Commonwealth. Individuals and  
4 businesses within an authorized zone that are qualified under  
5 this act shall be entitled to all tax exemptions, deductions,  
6 abatements or credits set forth in this act for a period not to  
7 exceed 10 years beginning January 1, 2021, and ending before  
8 January 1, 2032.

9 (c) Authorization for local tax exemption.--Each political  
10 subdivision within which a proposed zone may be located in whole  
11 or in part is authorized to provide tax exemptions, deductions,  
12 abatements or credits to individuals and businesses qualified  
13 under this act. The political subdivision must agree to provide  
14 exemptions, deductions, abatements or credits from all local  
15 taxes set forth in this act in order for property to be included  
16 in a zone. Except as otherwise provided, the exemptions,  
17 deductions, abatements or credits shall take effect January 1,  
18 2021, if designation of a zone within the political subdivision  
19 is granted by the authority. The exemptions, deductions,  
20 abatements or credits shall be binding upon the political  
21 subdivision for the duration of the zone designation.

22 Section 302. Application.

23 (a) Initial application.--One or more individuals,  
24 businesses, political subdivisions or a designee of one or more  
25 businesses or political subdivisions, may apply to the authority  
26 to designate deteriorated property within the political  
27 subdivision or portions of the political subdivision. The  
28 application must contain the following:

29 (1) The geographic area of the proposed zone. The  
30 geographic area must be located within the boundaries of the

1 participating political subdivisions and shall not contain  
2 more than 500 acres.

3 (2) A strategic plan that must include the following:

4 (i) A detailed map of the proposed zone, including  
5 geographic boundaries, total area and present use and  
6 conditions of the land and structures of the proposed  
7 zone.

8 (ii) Evidence of support from and participation of  
9 local government, school districts and other educational  
10 institutions, business groups, community organizations  
11 and the public.

12 (iii) A proposal to increase economic opportunity,  
13 reduce the local regulatory burden and identify potential  
14 jobs and job training opportunities and which states  
15 whether or not the zone is located in an area which has  
16 tax revenue dedicated to the payment of debt.

17 (iv) A description of the current social, economic  
18 and demographic characteristics of the proposed zone and  
19 anticipated enhancements in employment that will result  
20 from zone designation.

21 (v) A description of anticipated activity in the  
22 proposed zone, including, but not limited to,  
23 opportunities for manufacturing businesses, petrochemical  
24 businesses and downstream businesses.

25 (vi) Evidence of potential private and public  
26 investment in the proposed zone.

27 (vii) The role of the proposed zone in regional  
28 economic and community development.

29 (viii) Plans to utilize existing resources for the  
30 administration of the proposed zone, including, but not

1 limited to, transmission and distribution pipelines for  
2 the transportation of natural gas and natural gas  
3 liquids.

4 (ix) Any other information deemed appropriate by the  
5 authority.

6 (3) A formal, binding ordinance or resolution passed by  
7 each political subdivision in which the proposed zone is  
8 located that specifically provides for all local tax  
9 exemptions, deductions, abatements or credits for individuals  
10 and businesses provided in this act.

11 (4) Evidence that the proposed zone meets the required  
12 criteria under section 303.

13 (b) Eligibility.--

14 (1) In order to be eligible for a zone designation, the  
15 authority must receive an application from an individual,  
16 business or political subdivision or a designee of a business  
17 or political subdivision no later than June 30, 2020.

18 (2) The authority, in consultation with the department,  
19 must review the application and, if approved, issue a  
20 certification of each tax exemption, deduction, abatement or  
21 credit under this act for the zone within three months of  
22 receipt of the application and any additional required  
23 information.

24 (3) The authority must act on an application for a  
25 designation under this section by December 1, 2020.

26 (4) The authority may make designations under this  
27 section:

28 (i) On a rolling basis during the application  
29 period.

30 (ii) That meet the requirements of this act, except

1           that:

2                   (A) not more than five zones may be reserved for  
3           counties of the first class;

4                   (B) not more than three zones may be reserved  
5           for counties of the second class;

6                   (C) not more than two zones per county may be  
7           reserved for counties of the second class A through  
8           eighth classes; and

9                   (D) four zones must be reserved for counties of  
10          the fifth through eighth classes.

11          (5) If the authority receives less than four  
12          applications that meet the requirements of this act from  
13          counties of the fifth through eighth classes by the  
14          application deadline under this subsection, the number of  
15          zones reserved under paragraph (4)(ii)(D), minus the number  
16          of the applications for zones the authority has approved  
17          under paragraph (4)(ii)(D), shall be available for  
18          designation in a county.

19 Section 303. Authorization.

20          (a) Specific criteria.--In order to qualify for  
21          authorization under this act, a proposed zone must meet the  
22          following criteria:

23                  (1) Have the potential to provide manufacturing  
24          business, petrochemical business or downstream business  
25          opportunities.

26                  (2) Consist of deteriorated property.

27                  (3) Have substantial real property with adequate  
28          infrastructure and access to natural gas and natural gas  
29          liquids to support new or expanded development.

30          (b) Additional criteria.--In addition to the required

1 criteria under subsection (a), the authority shall consider the  
2 following criteria:

3 (1) Evidence of distress and adverse economic and  
4 socioeconomic conditions in the proposed zone.

5 (2) The strength and viability of the proposed goals,  
6 objectives and strategies in the strategic plan.

7 (3) Whether the strategic plan is creative and  
8 innovative in comparison to other applications.

9 (4) Local public and private commitment to the  
10 development of the proposed zone and the potential  
11 cooperation of surrounding communities.

12 (5) Existing resources available to the proposed zone.

13 (6) How zone designation or economic redevelopment  
14 relates to other current economic and community development  
15 projects and to regional initiatives or programs.

16 (7) How the local regulatory burden will be eased for  
17 businesses operating in the proposed zone.

18 (8) Proposals to implement energy enhancements.

19 (9) Proposals to maximize job creation.

20 (c) Tax exemption ordinances.--An area may not be authorized  
21 as a zone unless, as a part of the application, each political  
22 subdivision in which the proposed zone is to be located adopts  
23 and provides a copy of an ordinance, resolution or other  
24 required action from the governing body of each political  
25 subdivision that exempts or provides deductions, abatements or  
26 credits to qualified persons and qualified businesses from local  
27 taxes upon designation of the area as a zone. Each appropriate  
28 ordinance and resolution must take effect on or before January  
29 1, 2021, if designation as a zone is granted. A resolution,  
30 ordinance or other required action shall be binding and

1 nonrevocable on the qualified political subdivisions for the  
2 duration of the zone.

3 Section 304. Qualified businesses.

4 (a) Qualifications.--In order to qualify each year for a tax  
5 exemption, deduction, abatement or credit under this act, a  
6 business must own or lease real property in a zone from which  
7 the business actively:

8 (1) conducts a manufacturing business, petrochemical  
9 business or downstream business; or

10 (2) provides support or services to a manufacturing  
11 business, petrochemical business or downstream business.

12 (b) Certification.--A qualified business shall receive  
13 certification from the authority that the business meets the  
14 qualifications in subsection (a). The business must obtain  
15 annual renewal of the certification from the authority to  
16 continue to qualify under this section. The certification form  
17 shall include, but not be limited to, all of the following:

18 (1) The duration of the zone designation.

19 (2) The number of jobs created.

20 (3) The number of jobs retained.

21 (4) The amount of capital investment.

22 (5) The manufacturing, petrochemical or downstream  
23 activity of the business or the manner in which the business  
24 supports or provides services to a manufacturing business,  
25 petrochemical business or downstream business.

26 (6) Any other information, conditions or requirements  
27 reasonably required by the authority.

28 (c) Relocation.--A business that relocates from outside of a  
29 zone into a zone shall not receive any of the exemptions,  
30 deductions, abatements or credits provided under this act unless



1 the business does one of the following:

2 (1) increases full-time employment by at least 20% in  
3 the first full year of operation within the zone;

4 (2) makes a capital investment in the property located  
5 within the zone equivalent to at least 10% of the gross  
6 revenues of the business in the immediately preceding  
7 calendar or fiscal year; or

8 (3) enters into a lease agreement for property located  
9 within the zone:

10 (i) for a term equivalent to at least the duration  
11 of the zone; and

12 (ii) with aggregate payment under the lease  
13 agreement equivalent to at least 5% of the gross revenues  
14 of the business in the immediately preceding calendar or  
15 fiscal year.

16 (d) Waiver.--The authority, in consultation with the  
17 department, may waive or modify the requirements of subsection  
18 (a) as appropriate.

19 Section 305. Forms.

20 (a) Application forms.--Applications for authorization as a  
21 zone shall be on forms prescribed by the authority.

22 (b) Authority assistance.--The authority shall assist  
23 political subdivisions in using the Internet as a tool for  
24 encouraging new business development, including assisting  
25 political subdivisions in making available, via the Internet,  
26 information, applications and other forms necessary under this  
27 act.

28 Section 306. Prohibition on illegal alien labor.

29 (a) General rule.--An individual or business that receives a  
30 tax exemption, deduction, abatement or credit under this act may

1 not knowingly permit the labor services of an illegal alien  
2 under a contract to which the individual or business is a party  
3 in the applicable zone. An individual or business shall be  
4 deemed to have knowingly employed or knowingly permitted the  
5 prohibited services if the individual or business had active  
6 knowledge of or had reason to know that the services have been  
7 provided under the contract in the applicable zone.

8 (b) Reimbursement.--As a condition of the receipt of a tax  
9 exemption, deduction, abatement or credit under this act, the  
10 authority or political subdivision that awards the tax  
11 exemption, deduction, abatement or credit under this act must  
12 require full repayment of the value or amount of the tax  
13 exemption, deduction, abatement or credit if subsection (c)  
14 applies.

15 (c) Violations.--

16 (1) Repayment under subsection (b) is required if any of  
17 the following apply:

18 (i) The individual or business that received the tax  
19 exemption, deduction, abatement or credit under this act  
20 is sentenced under Federal law for an offense involving  
21 knowing use of labor by an illegal alien under the  
22 contract in the applicable zone.

23 (ii) All of the following apply:

24 (A) A contractor to an individual or business  
25 that received the tax exemption, deduction, abatement  
26 or credit under this act is sentenced under Federal  
27 law for an offense involving knowing use of labor by  
28 an illegal alien on the contract.

29 (B) The individual or business knew or had  
30 reason to know of the contractor's knowing use of

1 labor by an illegal alien on the contract.

2 (2) An individual or business who is required to repay  
3 the authority or a political subdivision under this section  
4 shall be ineligible to apply for a tax exemption, deduction,  
5 abatement or credit under this act for a period of two years.

6 (3) It shall be an affirmative defense to a violation of  
7 this section if the individual or business contracts with a  
8 contractor to provide labor under the contract in the  
9 applicable zone and establishes that the contractor has  
10 certified compliance with the requirements of section 274A of  
11 the Immigration Reform and Control Act of 1986 (Public Law  
12 99-603, 8 U.S.C. § 1324a) with respect to the hiring,  
13 recruiting or referral for employment of an alien in the  
14 United States and has notified the appropriate Federal  
15 authority, if the individual or business knew that the  
16 contractor used labor by an illegal alien.

17 (d) Definitions.--As used in this section, the following  
18 words and phrases shall have the meanings given to them in this  
19 subsection unless the context clearly indicates otherwise:

20 "Illegal alien." A noncitizen of the United States who is  
21 violating Federal immigration laws and is providing compensated  
22 labor within this Commonwealth.

23 CHAPTER 4

24 STATE TAXES

25 SUBCHAPTER A

26 GENERAL PROVISIONS

27 Section 401. State taxes.

28 (a) General rule.--An individual who is a resident of a  
29 zone, a qualified business or a nonresident shall receive the  
30 exemptions, deductions, abatements or credits as provided in

1 this chapter and Chapter 5 for the duration of the zone  
2 designation. Exemptions, deductions, abatements or credits shall  
3 expire on the date of expiration of the zone designation.

4 (b) Construction.--The Department of Revenue shall  
5 administer, construe and enforce the provisions of this chapter  
6 in conjunction with Articles II, III, IV, VI, VII, IX and XV of  
7 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
8 Code of 1971.

9 SUBCHAPTER B

10 PARTICULAR STATE TAXES

11 Section 402. Sales and use tax.

12 Sales at retail of services or tangible personal property,  
13 other than motor vehicles, to a qualified business or a  
14 construction contractor pursuant to a construction contract with  
15 a qualified business, landowner or lessee for the exclusive use,  
16 consumption and utilization of the tangible personal property or  
17 service by the qualified business at the qualified business's,  
18 landowner's or lessee's facility located within a zone are  
19 exempt from the sales and use tax imposed under Article II of  
20 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
21 Code of 1971. An exemption shall not be allowed for sales  
22 conducted prior to designation of the real property as part of a  
23 zone.

24 Section 403. Personal income tax.

25 (a) General rule.--A person shall be allowed an exemption  
26 for:

27 (1) Compensation received during the time period when  
28 the person was a resident of a zone.

29 (2) Net income from the operation of a qualified  
30 business received by a resident or nonresident of a zone

1 attributable to business activity conducted within a zone,  
2 determined in accordance with section 404. Any business that  
3 operates both inside and outside of this Commonwealth, before  
4 computing the business's zone exemption, shall first  
5 determine its Pennsylvania activity over its activity  
6 everywhere by applying the three-factor apportionment formula  
7 as set forth in the department's personal income tax  
8 regulations applicable to income apportionment in connection  
9 with a business, trade or profession carried on both inside  
10 and outside of this Commonwealth.

11 (3) All of the following:

12 (i) Net gains or income, less net losses, derived by  
13 a resident or nonresident of a zone from the sale,  
14 exchange or other disposition of real or tangible  
15 personal property located in a zone as determined in  
16 accordance with accepted accounting principles and  
17 practices. The exemption provided in this subparagraph  
18 shall not apply to the sale, exchange or other  
19 disposition of any stock of goods, merchandise or  
20 inventory, or any operational assets unless the transfer  
21 is in connection with the sale, exchange or other  
22 disposition of all of the assets in complete liquidation  
23 of a qualified business located in a zone. This  
24 subparagraph shall apply to intangible personal property  
25 employed in a trade, profession or business in a zone by  
26 a qualified business, but only when transferred in  
27 connection with a sale, exchange or other disposition of  
28 all of the assets in complete liquidation of the  
29 qualified business in the zone.

30 (ii) Net gains, less net losses, realized by a

1 resident of a zone from the sale, exchange or disposition  
2 of intangible personal property or obligations issued on  
3 or after February 1, 1994, by the Commonwealth, a public  
4 authority, commission, board or other Commonwealth  
5 agency, political subdivision or authority created by a  
6 political subdivision or by the Federal Government as  
7 determined in accordance with accepted accounting  
8 principles and practices.

9 (iii) The exemption from income for gain or loss  
10 provided for in subparagraphs (i) and (ii) shall be  
11 prorated based on the following:

12 (A) In the case of gains, less net losses, in  
13 subparagraph (i), the percentage of time, based on  
14 calendar days, the property located in a zone was  
15 held by a resident or nonresident of the zone during  
16 the time period the zone was in effect in relation to  
17 the total time the property was held.

18 (B) In the case of gains, less net losses, in  
19 subparagraph (ii), the percentage of time, based on  
20 calendar days, the property was held by the taxpayer  
21 while a resident of a zone in relation to the total  
22 time the property was held.

23 (4) Net gains or income derived from or in the form of  
24 rents received by a person, whether or not a resident of a  
25 zone, to the extent that income or loss from the rental of  
26 real or tangible personal property is allocable to a zone.  
27 For purposes of calculating this exemption:

28 (i) Net rents derived from real or tangible personal  
29 property located in a zone shall be allocable to a zone.

30 (ii) If the tangible personal property was used both

1           inside and outside of the zone during the taxable year,  
2           only the net income attributable to use in the zone shall  
3           be exempt. The net rental income shall be multiplied by a  
4           fraction, the numerator of which is the number of days  
5           the property was used in the zone and the denominator of  
6           which is the total days of use.

7           (5) Dividends received during the time period the person  
8           was a resident of a zone.

9           (6) Interest received during the time period the person  
10          was a resident of a zone.

11          (7) The part of the income or gains received by an  
12          estate or trust for its taxable year ending within or without  
13          the resident-beneficiary's taxable year which, under the  
14          governing instrument and applicable State law, is required to  
15          be distributed currently or is in fact paid or credited to  
16          the resident-beneficiary and that would have been exempt  
17          under this act if received by a resident-beneficiary  
18          directly.

19          (b) Exemption.--Beginning in taxable year 2021, a person  
20          located in a designated zone shall be allowed an exemption under  
21          subsection (a) from the tax imposed by Article III of the act of  
22          March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
23          1971, for the classes of income set forth under subsection (a).  
24          A person shall not be allowed an exemption for activities  
25          conducted prior to designation of the real property as part of a  
26          zone.

27          (c) Pass-through entities.--The exemptions provided for  
28          under subsection (a)(2), (3)(i) and (4) shall apply to all of  
29          the following:

30                 (1) The income or gain of a partnership or association.

1 The partner or member shall be entitled to the exemptions  
2 under this section for the partner's or member's share,  
3 whether or not distributed, of the income or gain received by  
4 the partnership or association for its taxable year.

5 (2) The income or gain of a Pennsylvania S corporation.  
6 The shareholder shall be entitled to the exemptions under  
7 this section for the shareholder's pro rata share, whether or  
8 not distributed, of the income or gain received by the  
9 corporation for its taxable year ending within or without the  
10 shareholder's taxable year.

11 (3) The income or gain of a limited liability company.  
12 The member shall be entitled to the exemptions under this  
13 section for the member's pro rata share, whether or not  
14 distributed, of the income or gain received by the limited  
15 liability company for its taxable year ending within or  
16 without the member's taxable year.

17 (d) Limitation.--A partnership, association, Pennsylvania S  
18 corporation, sole proprietorship, limited liability company,  
19 resident or nonresident may not apply an exemption from income  
20 under this act for any class of income against any other classes  
21 of income or gain. A partnership, association, Pennsylvania S  
22 corporation, resident or nonresident may not carry back or carry  
23 forward any exemption under this act from year to year. The  
24 credit allowed under this section shall not exceed the tax  
25 liability of the taxpayer under Article III of the Tax Reform  
26 Code of 1971 for the tax year.

27 (e) Nonapplicability.--Any portion of net income or gain  
28 that is attributable to operation of a railroad, truck, bus or  
29 airline company or entity that would qualify as a regulated  
30 investment company under Article IV of the Tax Reform Code of



1 1971 or would qualify as a holding company under Article VI of  
2 the Tax Reform Code of 1971 shall not be used to calculate an  
3 exemption under this section. This subsection shall not apply to  
4 the exemption from tax provided under subsection (a) (5).

5 Section 404. Corporate net income tax.

6 (a) Credits.--For the tax years beginning on or after  
7 January 1, 2021, a corporation that is a qualified business  
8 under this act may claim a credit against the tax imposed by  
9 Article IV of the act of March 4, 1971 (P.L.6, No.2), known as  
10 the Tax Reform Code of 1971, for tax liability attributable to  
11 business activity conducted within the zone in the taxable year.  
12 A credit may not be claimed for activities conducted prior to  
13 designation of the real property as part of a zone. The business  
14 activity must be conducted directly by a corporation in the zone  
15 in order for the corporation to claim the tax credit.

16 (b) Tax liability determinations.--The corporate tax  
17 liability attributable to business activity conducted within a  
18 zone shall be determined by multiplying the corporation's  
19 taxable income that is attributable to business activity  
20 conducted within the zone by the rate of tax imposed under  
21 Article IV of the Tax Reform Code of 1971 for the taxable year.

22 (c) Determinations of attributable tax liability.--Tax  
23 liability attributable to business activity conducted within a  
24 zone shall be computed, construed, administered and enforced in  
25 conformity with Article IV of the Tax Reform Code of 1971 and  
26 with specific reference to the following:

27 (1) If the entire business of the corporation in this  
28 Commonwealth is transacted wholly within the zone, the  
29 taxable income attributable to business activity within the  
30 zone shall consist of the Pennsylvania taxable income as

1 determined under Article IV of the Tax Reform Code of 1971.

2 (2) If the entire business of the corporation in this  
3 Commonwealth is not transacted wholly within the zone, the  
4 taxable income of a corporation in the zone shall be  
5 determined upon the portion of the Pennsylvania taxable  
6 income of the corporation attributable to business activity  
7 conducted within the zone and apportioned in accordance with  
8 subsection (d).

9 (d) Income apportionment.--The taxable income of a  
10 corporation that is a qualified business shall be apportioned to  
11 the zone by multiplying the Pennsylvania taxable income by a  
12 fraction, the numerator of which is the property factor plus the  
13 payroll factor and the denominator of which is two, in  
14 accordance with the following:

15 (1) The property factor is a fraction, the numerator of  
16 which is the average value of the taxpayer's real and  
17 tangible personal property owned or rented and used in the  
18 zone during the tax period and the denominator of which is  
19 the average value of all the taxpayer's real and tangible  
20 personal property owned or rented and used in this  
21 Commonwealth during the tax period but shall not include the  
22 security interest of any corporation as seller or lessor in  
23 personal property sold or leased under a conditional sale,  
24 bailment lease, chattel mortgage or other contract providing  
25 for the retention of a lien or title as security for the  
26 sales price of the property.

27 (2) (i) The payroll factor is a fraction, the numerator  
28 of which is the total amount paid in the zone during the  
29 tax period by the taxpayer for compensation and the  
30 denominator of which is the total compensation paid in

1 this Commonwealth during the tax period.

2 (ii) Compensation is paid in the zone if:

3 (A) the person's service is performed entirely  
4 within the zone;

5 (B) the person's service is performed both  
6 within and without the zone, but the service  
7 performed without the zone is incidental to the  
8 person's service within the zone; or

9 (C) some of the service is performed in the zone  
10 and the base of operations or, if there is no base of  
11 operations, the place from which the service is  
12 directed or controlled is in the zone or the base of  
13 operations or the place from which the service is  
14 directed or controlled is not in any location in  
15 which some part of the service is performed, but the  
16 person's residence is in the zone.

17 (e) Computation.--A corporation shall compute its  
18 Commonwealth taxable income in conformity with Article IV of the  
19 Tax Reform Code of 1971 with no adjustments or subtractions for  
20 energy enhancement zone taxable income.

21 (f) Limitation on amount of credit.--The credit allowed  
22 under this section shall not exceed the tax liability of the  
23 taxpayer under Article IV of the Tax Reform Code of 1971 for the  
24 tax year.

25 Section 405. Capital stock franchise tax.

26 (a) Credits.--For tax years that begin on or after January  
27 1, 2021, a corporation that is a qualified business under this  
28 act may claim a credit against the tax imposed by Article VI of  
29 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
30 Code of 1971, for tax liability attributable to the capital

1 employed within the zone in the taxable year. A credit may not  
2 be claimed for capital employed prior to designation of the real  
3 property as part of a zone. The business activity must be  
4 conducted directly by a corporation in the zone in order for the  
5 corporation to claim the tax credit.

6 (b) Tax liability.--The corporation's tax liability  
7 attributable to capital employed within a zone shall be  
8 determined by multiplying the corporation's taxable value  
9 attributable to capital employed within the zone by the rate of  
10 tax imposed under Article VI of the Tax Reform Code of 1971 for  
11 the taxable year. The corporation shall compute its Pennsylvania  
12 taxable value in conformity with Article VI of the Tax Reform  
13 Code of 1971 with no adjustments or subtractions for the capital  
14 employed in the zone.

15 (c) Determination of attributable tax liability.--The  
16 determination of the corporation's taxable value attributable to  
17 the capital employed within a zone shall be determined with  
18 specific reference to the following:

19 (1) If the entire business of the corporation in this  
20 Commonwealth is transacted wholly within a zone, the taxable  
21 value attributable to the capital employed within a zone  
22 shall consist of the Pennsylvania taxable value as determined  
23 under Article VI of the Tax Reform Code of 1971.

24 (2) If the entire business of the corporation in this  
25 Commonwealth is not wholly transacted within a zone, the  
26 taxable value of a corporation in a zone shall be determined  
27 upon the portion of the Pennsylvania taxable value  
28 attributable to the capital employed within the zone by  
29 employing the apportionment factors set forth in section  
30 404(d).

1 (d) Limitation on amount of credit.--The credit allowed  
2 under this section shall not exceed the tax liability of the  
3 taxpayer under Article VI of the Tax Reform Code of 1971 for the  
4 tax year.

5 CHAPTER 5

6 LOCAL TAXES

7 Section 501. Local taxes.

8 (a) Requirement.--Every political subdivision in which a  
9 zone is located shall exempt, deduct, abate or credit local  
10 taxes in accordance with ordinances and resolutions adopted to  
11 comply with section 301(c).

12 (b) Noncompliance.--Failure to comply with subsection (a)  
13 shall result in the revocation of the zone designation.

14 Section 502. Real property tax.

15 (a) Abatement.--Notwithstanding the act of May 22, 1933  
16 (P.L.853, No.155), known as The General County Assessment Law,  
17 and 53 Pa.C.S. Ch. 88 (relating to consolidated county  
18 assessment), each qualified political subdivision for taxable  
19 years beginning after December 31, 2020, shall by ordinance or  
20 resolution abate 100% of the real property taxation on the  
21 assessed valuation of deteriorated property in an area  
22 designated as a zone within this Commonwealth.

23 (b) Applicability.--

24 (1) The real property tax abatement under this section  
25 shall apply to all real property located in a zone,  
26 irrespective of any business activity, made of the realty by  
27 the real property's owner, when this act is in effect.

28 (2) An abatement may not be provided to deteriorated  
29 real property prior to designation of the deteriorated real  
30 property as part of a zone.

1 (c) Investment in lieu of tax payment.--

2 (1) A qualified political subdivision may require a  
3 resident of deteriorated real property, in order for the  
4 residents to be qualified for exemptions, deductions,  
5 abatements and credits under this act, to invest up to 25% of  
6 all real property taxes which would have been due if the  
7 deteriorated real property was not located in a zone in  
8 improvements to the deteriorated real property.

9 (2) A qualified political subdivision may require a  
10 nonresident owner of deteriorated real property who leases  
11 the deteriorated real property to an individual for  
12 residential use to invest 50% of all real property taxes  
13 which would have been due if the deteriorated real property  
14 was not located in a zone in improvements to the deteriorated  
15 real property.

16 (d) Annual real property report.--By January 31, a political  
17 subdivision in which a zone is located shall submit to the  
18 authority an annual report listing the address of each real  
19 property in a designated zone and its owner of record.

20 (e) Interest and penalties.--A person that claims an  
21 abatement of real property tax to which the person is not  
22 entitled under this act shall be liable for the abated taxes and  
23 subject to the applicable interest and penalty provisions  
24 provided by law.

25 (f) Calculations for education subsidy for school  
26 districts.--In determining the market value of real property in  
27 each school district, the State Tax Equalization Board shall  
28 exclude any increase in value above the base value prior to the  
29 effect of the abatement of local taxes to the extent and during  
30 the period of time that real estate tax revenues attributable to

1 the increased value are not available to the school district for  
2 general school district purposes.

3 Section 503. Local earned income and net profits taxes;  
4 business privilege taxes.

5 (a) General exemption.--

6 (1) If a political subdivision has enacted a tax on the  
7 privilege of engaging in a business or profession, measured  
8 by gross receipts or on a flat rate basis, by earned income  
9 or by net profits, imposed within the boundaries of a zone,  
10 except as set forth in paragraph (2), the qualified political  
11 subdivision shall exempt all of the following from the tax:

12 (i) Business gross receipts for operations conducted  
13 by a qualified business within a zone.

14 (ii) Earned income received by a resident of a zone.

15 (iii) Net profits of a qualified business  
16 attributable to business activity conducted within the  
17 zone.

18 (2) An exemption may not be granted for operations  
19 conducted, for earned income received or for activities  
20 conducted prior to designation of the real property as part  
21 of a zone.

22 (b) Additional exemptions.--

23 (1) This subsection applies if a qualified political  
24 subdivision has enacted a tax on the privilege of engaging in  
25 a profession or business, on wages or compensation, on net  
26 profits from the operation of a business or profession or  
27 other activity or on the occupancy or use of real property  
28 under any of the following:

29 (i) The act of August 5, 1932 (Sp.Sess., P.L.45,  
30 No.45), referred to as the Sterling Act.

1           (ii) The act of March 10, 1949 (P.L.30, No.14),  
2 known as the Public School Code of 1949.

3           (iii) The act of August 24, 1961 (P.L.1135, No.508),  
4 referred to as the First Class A School District Earned  
5 Income Tax Act.

6           (iv) The act of August 9, 1963 (P.L.640, No.338),  
7 entitled "An act empowering cities of the first class,  
8 coterminous with school districts of the first class, to  
9 authorize the boards of public education of such school  
10 districts to impose certain additional taxes for school  
11 district purposes, and providing for the levy, assessment  
12 and collection of such taxes."

13           (v) The act of May 30, 1984 (P.L.345, No.69), known  
14 as the First Class City Business Tax Reform Act.

15           (vi) The act of June 5, 1991 (P.L.9, No.6), known as  
16 the Pennsylvania Intergovernmental Cooperation Authority  
17 Act for Cities of the First Class.

18           (2) If there is an enactment under paragraph (1), the  
19 qualified political subdivision shall provide an exemption,  
20 deduction, abatement or credit from the imposition and  
21 operation of the local tax ordinance or resolution for all of  
22 the following:

23           (i) The privilege of engaging in a business or  
24 profession within a zone by an individual or a qualified  
25 business, whether a resident or nonresident of the zone.

26           (ii) Salaries, wages, commissions, compensation or  
27 other income received for services rendered or work  
28 performed by a resident of the zone.

29           (iii) The gross or net income or gross or net  
30 profits realized from the operation of a qualified



1 business to the extent attributable to business activity  
2 conducted within the zone.

3 (iv) The occupancy or use of real property located  
4 within the zone.

5 (c) Calculation for education subsidy for school district.--

6 (1) Except as set forth in paragraph (2), in determining  
7 the personal income valuation of a school district, the  
8 Secretary of Revenue shall exclude any increase in personal  
9 income valuation above the base value prior to the abatement  
10 of local taxes in a zone located within the school district  
11 to the extent and during the period of time that personal  
12 income revenue attributable to the increase in the personal  
13 income valuation are not available to the school district for  
14 general school district purposes.

15 (2) An exemption under this section may not be granted  
16 to an individual or qualified business prior to designation  
17 of the real property as part of a zone.

18 (d) Determination of exemption.--For the purposes of  
19 determining an exemption under this section, a tax on or  
20 measured by any of the following shall be attributed to business  
21 activity conducted within a zone by applying the apportionment  
22 factors under section 404(d):

23 (1) Business gross receipts.

24 (2) Gross or net income.

25 (3) Gross or net profits.

26 (e) Definitions.--As used in this section, the following  
27 words and phrases shall have the meanings given to them in this  
28 subsection unless the context clearly indicates otherwise:

29 "Earned income." As defined in section 501 of the act of  
30 December 31, 1965 (P.L.1257, No.511), known as The Local Tax

1 Enabling Act.

2 "Net profits." As defined in section 501 of The Local Tax  
3 Enabling Act.

4 "Personal income valuation." As defined in section 2501(9.1)  
5 of the act of March 10, 1949 (P.L.30, No.14), known as the  
6 Public School Code of 1949.

7 Section 504. Mercantile license tax.

8 An individual or qualified business in a zone may not be  
9 required to pay any fee authorized pursuant to a mercantile  
10 license tax imposed under the act of June 20, 1947 (P.L.745,  
11 No.320), entitled "An act to provide revenue for school  
12 districts of the first class A by imposing a temporary  
13 mercantile license tax on persons engaging in certain  
14 occupations and businesses therein; providing for its levy and  
15 collection; for the issuance of mercantile licenses upon the  
16 payment of fees therefor; conferring and imposing powers and  
17 duties on boards of public education, receivers of school taxes  
18 and school treasurers in such districts; saving certain  
19 ordinances of council of certain cities, and providing  
20 compensation for certain officers, and employes and imposing  
21 penalties."

22 Section 505. Local sales and use tax.

23 (a) Applicable taxes.--This section applies to a tax imposed  
24 by a political subdivision under any of the following:

25 (1) Subarticle E of Article XXXI-B of the act of July  
26 28, 1953 (P.L.723, No.230), known as the Second Class County  
27 Code.

28 (2) Chapter 5 of the act of June 5, 1991 (P.L.9, No.6),  
29 known as the Pennsylvania Intergovernmental Cooperation  
30 Authority Act for Cities of the First Class.

1 (b) Exemption.--Except as set forth in subsection (c), a  
2 political subdivision which enacts a tax specified in subsection  
3 (a) shall exempt from the tax sales at retail of services or  
4 tangible personal property, to a qualified business or a  
5 construction contractor pursuant to a construction contract with  
6 a qualified business, landowner or lessee for the exclusive use,  
7 consumption and utilization of the tangible personal property or  
8 service by the qualified business at the qualified business's,  
9 landowner's or lessee's facility located within a zone.

10 (c) Exception.--

11 (1) This subsection does not apply to the sale at retail  
12 of a motor vehicle.

13 (2) An exemption may not be granted for sales occurring  
14 prior to designation of the real property as part of a zone.

15 (d) Definitions.--As used in this section, the following  
16 words and phrases shall have the meanings given to them in this  
17 subsection unless the context clearly indicates otherwise:

18 "Sale at retail." As defined in section 201(k) of the act of  
19 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
20 1971.

21 "Tangible personal property." As defined in section 201(m)  
22 of the Tax Reform Code of 1971.

## 23 CHAPTER 6

### 24 ADMINISTRATION OF TAX PROVISIONS

25 Section 601. Transferability.

26 Any exemption, deduction, abatement or credit provided to an  
27 individual or a qualified business under Chapter 4 or 5 is  
28 nontransferable and may not be applied, used or assigned to any  
29 other person, business or tax account.

30 Section 602. Recapture.

1 (a) Refund.--Except as set forth in subsection (c), if a  
2 qualified business located within a zone has received an  
3 exemption, deduction, abatement or credit under this act and  
4 subsequently relocates outside of the zone within the first five  
5 years of locating in a zone, the business shall refund to the  
6 Commonwealth and the political subdivision which granted the  
7 exemption, deduction, abatement or credit received.

8 (b) Amount.--The refund under subsection (a) shall be in the  
9 amount of the following percentages of the exemptions,  
10 deductions, abatements or credits attributed to the qualified  
11 business's participation in the zone:

12 (1) If the qualified business relocates within three  
13 years from the date of first locating in a zone, 66%.

14 (2) If the qualified business relocates within three to  
15 five years from the date of first locating in a zone, 33%.

16 (c) Exceptions.--

17 (1) If the qualified business was located within a  
18 facility operated by a nonprofit organization to assist in  
19 the creation and development of a start-up business, an  
20 exemption, deduction, abatement or credit may not be  
21 refunded.

22 (2) The authority, in consultation with the department  
23 and the political subdivision, may waive or modify recapture  
24 requirements under this section if the authority determines  
25 that the business relocation was due to circumstances beyond  
26 the control of the business. This paragraph includes:

27 (i) Natural disaster.

28 (ii) Unforeseen industry trends.

29 (iii) Loss of a major supplier or market.

30 Section 603. Delinquent or deficient State or local taxes.

1 (a) Individuals.--An individual may not claim or receive an  
2 exemption, deduction, abatement or credit under this act unless  
3 that individual is in full compliance with tax statutes,  
4 ordinances and resolutions.

5 (b) Qualified business.--

6 (1) A qualified business may not claim or receive an  
7 exemption, deduction, abatement or credit under this act  
8 unless that qualified business is in full compliance with  
9 tax statutes, ordinances and resolutions.

10 (2) A qualified business may not claim or receive an  
11 exemption, deduction, abatement or credit under this act if a  
12 person or business with a 20% or greater interest in that  
13 qualified business is not in full compliance with tax  
14 statutes, ordinances and resolutions.

15 (c) Later compliance and eligibility.--

16 (1) Subject to paragraph (2), an individual or a  
17 qualified business that is not eligible to claim an  
18 exemption, deduction, abatement or credit due to  
19 noncompliance under subsection (b) may become eligible if the  
20 individual or qualified business subsequently comes into full  
21 compliance to the satisfaction of the authority and  
22 department or the political subdivision within the calendar  
23 year in which the noncompliance first occurred.

24 (2) If full compliance is not attained by February 5 of  
25 the calendar year following the calendar year when  
26 noncompliance first occurred, then the individual or  
27 qualified business is precluded from claiming any exemption,  
28 deduction, abatement or credit for that calendar year,  
29 whether or not full compliance is achieved subsequently.

30 (d) Tax appeals.--An individual or a qualified business

1 shall be deemed to be in full compliance under this section if  
2 the individual or qualified business:

3 (1) makes a timely administrative or judicial appeal for  
4 the tax; or

5 (2) is in compliance with an authorized deferred payment  
6 plan with the department or a political subdivision for the  
7 tax.

8 Section 604. Zoning, building and housing compliance.

9 (a) General rule.--An individual or a qualified business  
10 shall be precluded from claiming any exemption, deduction,  
11 abatement or credit provided for in this act if the individual  
12 or qualified business owns real property in a zone and the real  
13 property is not in compliance with applicable zoning, building  
14 and housing statutes, regulations, ordinances and codes.

15 (b) Opportunity to achieve compliance.--

16 (1) Except as set forth in paragraph (2), an individual  
17 or a qualified business that is not in compliance under  
18 subsection (a) shall have until December 31 of the calendar  
19 year following designation of the real property as part of a  
20 zone to be in compliance in order to claim a State exemption,  
21 deduction, abatement or credit for that year. If the time  
22 limit under this paragraph is not met, the individual or  
23 qualified business is precluded from claiming any exemption,  
24 deduction or credit for that calendar year, whether or not  
25 compliance is achieved in a subsequent calendar year.

26 (2) The political subdivision may extend the time period  
27 in which an individual or a qualified business must come into  
28 compliance with a local ordinance or building code for a  
29 period not to exceed one year if the political subdivision  
30 determines all of the following:

1           (i) The individual or qualified business has made  
2 and will continue to make a good faith effort to come  
3 into compliance.

4           (ii) An extension will enable the individual or  
5 qualified business to achieve full compliance.

6       (c) Notice.--A qualified political subdivision shall  
7 annually notify the authority and the department in writing of  
8 all persons or qualified businesses that are not in compliance  
9 with this section by January 30.

10 Section 605. Notice requirements; State and local authorities.

11       (a) Requirement.--

12           (1) After compliance reviews have been conducted by  
13 appropriate Commonwealth and political subdivision  
14 authorities, the authority shall notify each zone applicant  
15 by regular mail each year of the authority's approval or  
16 denial of the applicant's application.

17           (2) An applicant shall not be entitled to a tax benefit  
18 unless it receives approval from the authority.

19       (b) Transmittal.--The authority or its designated official  
20 shall, within 15 business days of receipt of an application made  
21 under this act, forward a copy of the application to appropriate  
22 Commonwealth and political subdivision authorities for review  
23 and processing.

24 Section 606. Application time.

25       (a) Requirement.--Except as set forth in subsection (b), an  
26 applicant must file an application in a manner prescribed by the  
27 department by December 31 of the year for which the applicant  
28 claims any exemption, deduction, abatement or credit under this  
29 act.

30       (b) Extension or waiver.--Upon request of the applicant, the

1 authority may extend or waive the application deadline for good  
2 cause if the political subdivision does not object to the waiver  
3 or extension.

4 (c) Approval.--An exemption, deduction, abatement or credit  
5 may not be claimed or received for a calendar year until  
6 approval has been recommended by the department and granted by  
7 the authority.

## 8 CHAPTER 7

### 9 PROCEDURES FOR ZONES

10 Section 701. Relation to other programs.

11 (a) Reduced interest.--Projects in a zone which are approved  
12 for Pennsylvania Industrial Development Authority or the Small  
13 Business First financing shall receive the lowest interest rate  
14 extended to borrowers.

15 (b) Priority consideration.--Projects in a zone shall  
16 receive priority consideration for State assistance under State  
17 economic, community and economic development programs and  
18 community building initiatives.

19 (c) Marketing.--The authority, in cooperation with political  
20 subdivisions, shall develop and implement a consolidated  
21 marketing strategy for a zone for use in job retention and  
22 attraction activities.

23 (d) Local governments.--The Center for Local Government  
24 Services in the Department of Community and Economic Development  
25 shall do all of the following:

26 (1) Provide technical assistance to political  
27 subdivisions relating to:

28 (i) taxation;

29 (ii) implementation of the strategic plan; and

30 (iii) establishment of annual benchmarks and



1 reporting requirements to the authority.

2 (2) Provide political subdivisions with property  
3 designated as a zone with technical assistance to encourage  
4 the implementation of best practices in achieving efficient  
5 and effective local government administration.

6 (3) Coordinate activities with other Commonwealth  
7 agencies providing various assistance to communities.

8 Section 702. Reporting.

9 The authority shall report to the General Assembly on the  
10 economic effects of this act in each zone every four years.

11 Section 703. Other Commonwealth tax credits.

12 (a) Prohibition.--An individual or a qualified business that  
13 is entitled to claim an exemption, deduction, abatement or  
14 credit under this act may not claim or accumulate any of the  
15 following tax credits:

16 (1) Research and development under Article XVII-B of the  
17 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
18 Code of 1971.

19 (2) Job creation under Article XVIII-B of the Tax Reform  
20 Code of 1971.

21 (3) Neighborhood assistance under Article XIX-A of the  
22 Tax Reform Code of 1971.

23 (b) Outside of zone.--

24 (1) An individual or a qualified business may apply an  
25 exemption, deduction, abatement or credit to income realized  
26 from activity or transactions outside the zone, but only for  
27 the taxable year to which the exemption, deduction, abatement  
28 or credit applies.

29 (2) This subsection applies only to the taxes set forth  
30 in Chapters 4 and 5.

1 Section 704. Monitoring data.

2 The authority shall monitor all of the following:

3 (1) Verifiable job creation and job retention data.

4 (2) Information on the types of jobs created and average  
5 hourly wages.

6 (3) Number of years in the program.

7 (4) Annual, unduplicated public and private capital  
8 investment amounts.

9 (5) Business type and description.

10 (6) Types and amounts of other economic development  
11 assistance received from the Commonwealth.

12 (7) Documentation that proper participants identified as  
13 relocations meet the requirements of this act.

14 CHAPTER 13

15 MISCELLANEOUS PROVISIONS

16 Section 1301. Illegal activity.

17 Money and other forms of consideration received by a person  
18 conducting illegal activity shall not be eligible for any  
19 exemption, deduction, abatement or credit or any other benefit  
20 created under this act.

21 Section 1302. Regulations.

22 The department, in consultation with the authority, may  
23 promulgate regulations necessary to effectuate the provisions of  
24 this act.

25 Section 1303. Compliance.

26 An individual or a qualified business eligible for an  
27 exemption, deduction or credit under this act shall comply with  
28 all reporting, filing and compliance requirements under the act  
29 of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
30 1971, unless otherwise provided for in this act.

1 Section 1304. Reports.

2 (a) State zone report.--By June 15 following the baseline  
3 year and each year thereafter, each qualified business shall  
4 file a report with the department in a form or manner required  
5 by the department which shall include the following:

6 (1) Amount of each eligible tax which was paid to the  
7 Commonwealth by the qualified business in the prior calendar  
8 year.

9 (2) Amount of each eligible tax refund received from the  
10 Commonwealth in the prior calendar year by the qualified  
11 business.

12 (b) Local zone report.--By June 15 following the baseline  
13 year and for each year thereafter, each qualified business shall  
14 file a report with the local taxing authority which shall  
15 include the following:

16 (1) Amount of each eligible tax which was paid to the  
17 local taxing authority by the qualified business in the prior  
18 calendar year.

19 (2) Amount of each eligible tax refund received from the  
20 local taxing authority in the prior calendar year by the  
21 qualified business.

22 Section 1305. Penalties.

23 (a) Civil penalty.--In addition to a penalty under the act  
24 of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
25 1971, the department may impose an additional administrative  
26 penalty not to exceed \$10,000 for any act or violation of this  
27 act relating to State and local tax, including the filing of any  
28 false statement, return or document.

29 (b) Criminal penalty.--In addition to a criminal penalty  
30 under the Tax Reform Code of 1971, a person that knowingly

1 violates this act commits a misdemeanor of the third degree.

2 Section 1306. Construction.

3 This act shall be interpreted to ensure that all provisions  
4 relating to State and local tax exemptions, deductions,  
5 abatements and credits are strictly construed in favor of the  
6 Commonwealth.

7 Section 1307. Applicability.

8 The provisions of this act shall be applied prospectively. An  
9 individual or qualified business may not claim any exemption,  
10 deduction, abatement or credit until:

11 (1) the individual or business becomes qualified under  
12 this act; and

13 (2) in the case of a business, receives certification  
14 from the authority that the business is qualified.

15 Section 1308. Repeals.

16 All acts and parts of acts are repealed insofar as they are  
17 inconsistent with this act.

18 Section 1309. Effective date.

19 This act shall take effect immediately.