

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 288 Session of 2021

INTRODUCED BY MENSCH, BARTOLOTTA, REGAN, STEFANO, J. WARD AND BOSCOLA, FEBRUARY 26, 2021

SENATOR HUTCHINSON, FINANCE, AS AMENDED, MAY 25, 2021

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 manufacturing innovation and reinvestment deduction.

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

14 ~~Section 1. Section 407.7(a) and (d)(1.1) and (1.2) of the <--~~
15 ~~act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code~~
16 ~~of 1971, amended or added June 28, 2019 (P.L.50, No.13), are~~
17 ~~amended to read:~~

18 SECTION 1. SECTION 407.7(A) AND (D) OF THE ACT OF MARCH 4, <--
19 1971 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, ARE
20 AMENDED AND THE SECTION IS AMENDED BY ADDING A SUBSECTION TO
21 READ:

22 Section 407.7. Manufacturing Innovation and Reinvestment

1 Deduction.--(a) In order to be eligible to receive a
2 manufacturing innovation and reinvestment deduction, a taxpayer
3 must demonstrate to the department a private capital investment
4 in excess of [~~sixty million dollars (\$60,000,000)~~] ~~one hundred~~ <--
5 ~~million dollars (\$100,000,000)~~ ONE MILLION DOLLARS (\$1,000,000) <--
6 for the creation of new or refurbished manufacturing capacity
7 within three years of a designated start date.

8 * * * <--

9 ~~(d) (1.1) If the private capital investment is in excess of~~
10 ~~[sixty million dollars (\$60,000,000), but not more than one~~
11 ~~hundred million dollars (\$100,000,000)] one million dollars~~
12 ~~(\$1,000,000), but not more than ten million dollars~~
13 ~~(\$10,000,000), the maximum allowable deduction shall be equal to~~
14 ~~[thirty seven and one half] ten per cent of the private capital~~
15 ~~investment utilized in the creation of new or refurbished~~
16 ~~manufacturing capacity[. A taxpayer may utilize the deduction in~~
17 ~~an amount not to exceed seven and one half per cent of the~~
18 ~~private capital investment utilized in the creation of new or~~
19 ~~refurbished manufacturing capacity in any one year of the~~
20 ~~succeeding ten tax years immediately following the department's~~
21 ~~satisfaction determination and the execution of a satisfaction~~
22 ~~commitment letter, up to the maximum allowable deduction.] per~~
23 ~~tax year for a period of five years.~~

24 ~~(1.2) If the private capital investment [exceeds one hundred~~
25 ~~million dollars (\$100,000,000)] is in excess of ten million~~
26 ~~dollars (\$10,000,000), but not more than one hundred million~~
27 ~~dollars (\$100,000,000), the maximum allowable deduction shall be~~
28 ~~equal to [twenty five] seven and one half per cent of the~~
29 ~~private capital investment utilized in the creation of new or~~
30 ~~refurbished manufacturing capacity[. A taxpayer may utilize the~~

1 ~~deduction in an amount not to exceed five per cent of the~~
2 ~~private capital investment utilized in the creation of new or~~
3 ~~refurbished manufacturing capacity in any one year of the~~
4 ~~succeeding ten tax years immediately following the department's~~
5 ~~satisfaction determination and the execution of a satisfaction~~
6 ~~commitment letter, up to the maximum allowable deduction.] for a~~
7 ~~period of five years.~~

8 ~~(1.3) If the private capital investment exceeds one hundred~~
9 ~~million dollars (\$100,000,000), the maximum allowable deduction~~
10 ~~shall be equal to five per cent of the private capital~~
11 ~~investment utilized in the creation of new or refurbished~~
12 ~~manufacturing capacity for a period of five years.~~

13 * * *

14 (A.1) THE QUALIFIED MANUFACTURING INNOVATION AND <--
15 REINVESTMENT DEDUCTION SHALL BE APPLIED TO A TAXPAYER'S TAXABLE
16 INCOME TO REDUCE THE TAXPAYER'S LIABILITY FOLLOWING THE
17 ALLOCATION AND APPORTIONMENT OF INCOME.

18 * * *

19 (D) (1.1) IF THE PRIVATE CAPITAL INVESTMENT IS IN EXCESS OF
20 ONE MILLION DOLLARS (\$1,000,000), BUT NOT MORE THAN TEN MILLION
21 DOLLARS (\$10,000,000), THE MAXIMUM ALLOWABLE DEDUCTION SHALL BE
22 EQUAL TO SIXTY-TWO AND ONE-HALF PER CENT OF THE PRIVATE CAPITAL
23 INVESTMENT UTILIZED IN THE CREATION OF NEW OR REFURBISHED
24 MANUFACTURING CAPACITY. A TAXPAYER MAY UTILIZE THE DEDUCTION IN
25 AN AMOUNT NOT TO EXCEED TWELVE AND ONE-HALF PER CENT OF THE
26 PRIVATE CAPITAL INVESTMENT UTILIZED IN THE CREATION OF NEW OR
27 REFURBISHED MANUFACTURING CAPACITY IN ANY ONE YEAR OF THE
28 SUCCEEDING TEN TAX YEARS IMMEDIATELY FOLLOWING THE DEPARTMENT'S
29 SATISFACTION DETERMINATION AND THE EXECUTION OF A SATISFACTION
30 COMMITMENT LETTER, UP TO THE MAXIMUM ALLOWABLE DEDUCTION.

1 (1.2) IF THE PRIVATE CAPITAL INVESTMENT IS IN EXCESS OF TEN
2 MILLION DOLLARS (\$10,000,000), BUT NOT MORE THAN SIXTY MILLION
3 DOLLARS (\$60,000,000), THE MAXIMUM ALLOWABLE DEDUCTION SHALL BE
4 EQUAL TO FIFTY PER CENT OF THE PRIVATE CAPITAL INVESTMENT
5 UTILIZED IN THE CREATION OF NEW OR REFURBISHED MANUFACTURING
6 CAPACITY. A TAXPAYER MAY UTILIZE THE DEDUCTION IN AN AMOUNT NOT
7 TO EXCEED TEN PER CENT OF THE PRIVATE CAPITAL INVESTMENT
8 UTILIZED IN THE CREATION OF NEW OR REFURBISHED MANUFACTURING
9 CAPACITY IN ANY ONE YEAR OF THE SUCCEEDING TEN TAX YEARS
10 IMMEDIATELY FOLLOWING THE DEPARTMENT'S SATISFACTION
11 DETERMINATION AND THE EXECUTION OF A SATISFACTION COMMITMENT
12 LETTER, UP TO THE MAXIMUM ALLOWABLE DEDUCTION.

13 [(1.1)] (1.3) IF THE PRIVATE CAPITAL INVESTMENT IS IN
14 EXCESS OF SIXTY MILLION DOLLARS (\$60,000,000), BUT NOT MORE THAN
15 ONE HUNDRED MILLION DOLLARS (\$100,000,000), THE MAXIMUM
16 ALLOWABLE DEDUCTION SHALL BE EQUAL TO THIRTY-SEVEN AND ONE-HALF
17 PER CENT OF THE PRIVATE CAPITAL INVESTMENT UTILIZED IN THE
18 CREATION OF NEW OR REFURBISHED MANUFACTURING CAPACITY. A
19 TAXPAYER MAY UTILIZE THE DEDUCTION IN AN AMOUNT NOT TO EXCEED
20 SEVEN AND ONE-HALF PER CENT OF THE PRIVATE CAPITAL INVESTMENT
21 UTILIZED IN THE CREATION OF NEW OR REFURBISHED MANUFACTURING
22 CAPACITY IN ANY ONE YEAR OF THE SUCCEEDING TEN TAX YEARS
23 IMMEDIATELY FOLLOWING THE DEPARTMENT'S SATISFACTION
24 DETERMINATION AND THE EXECUTION OF A SATISFACTION COMMITMENT
25 LETTER, UP TO THE MAXIMUM ALLOWABLE DEDUCTION.

26 [(1.2)] (1.4) IF THE PRIVATE CAPITAL INVESTMENT EXCEEDS ONE
27 HUNDRED MILLION DOLLARS (\$100,000,000), THE MAXIMUM ALLOWABLE
28 DEDUCTION SHALL BE EQUAL TO TWENTY-FIVE PER CENT OF THE PRIVATE
29 CAPITAL INVESTMENT UTILIZED IN THE CREATION OF NEW OR
30 REFURBISHED MANUFACTURING CAPACITY. A TAXPAYER MAY UTILIZE THE

1 DEDUCTION IN AN AMOUNT NOT TO EXCEED FIVE PER CENT OF THE
2 PRIVATE CAPITAL INVESTMENT UTILIZED IN THE CREATION OF NEW OR
3 REFURBISHED MANUFACTURING CAPACITY IN ANY ONE YEAR OF THE
4 SUCCEEDING TEN TAX YEARS IMMEDIATELY FOLLOWING THE DEPARTMENT'S
5 SATISFACTION DETERMINATION AND THE EXECUTION OF A SATISFACTION
6 COMMITMENT LETTER, UP TO THE MAXIMUM ALLOWABLE DEDUCTION.

7 (3) A TAXPAYER CANNOT USE THE DEDUCTION TO REDUCE ITS TAX
8 LIABILITY BY MORE THAN FIFTY PER CENT OF THE TAX LIABILITY UNDER
9 THIS ARTICLE FOR THE TAXABLE YEAR. THE DEDUCTION IS
10 NONTRANSFERABLE AND ANY UNUSED PORTION IN A TAX YEAR SHALL
11 EXPIRE AT THE END OF THE CORRESPONDING TAX YEAR.

12 Section 2. This act shall take effect in 60 days.