

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1014 Session of  
2023

INTRODUCED BY LAUGHLIN, PENNYCUICK AND ARGALL, DECEMBER 18, 2023

REFERRED TO COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT,  
DECEMBER 18, 2023

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 city revitalization and improvement zones,  
11 further providing for definitions, for establishment or  
12 designation of contracting authority, for approval, for  
13 transfers, for restrictions, for transfer of property and for  
14 review.

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

17 Section 1. The definitions of "city," "city revitalization  
18 and improvement zone," "eligible tax," "municipality" and "pilot  
19 zone" in section 1802-C of the act of March 4, 1971 (P.L.6,  
20 No.2), known as the Tax Reform Code of 1971, are amended to  
21 read:

22 Section 1802-C. Definitions.

23 The following words and phrases when used in this article  
24 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 \* \* \*

3 "City." A city of the second class A or third class or a  
4 home rule municipality with a population of at least 20,000  
5 based on the most recent Federal decennial census. The term does  
6 not include a city that is determined to be distressed under the  
7 act of July 10, 1987 (P.L.246, No.47), known as the  
8 Municipalities Financial Recovery Act.

9 "City revitalization and improvement zone." An area of not  
10 more than 130 acres, in a city, municipality, or that may  
11 include an area in one or more contiguous municipalities,  
12 comprised of parcels designated by the contracting authority,  
13 which will provide economic development and job creation within  
14 a city or one or more municipalities.

15 \* \* \*

16 "Eligible tax." Any of the following taxes:

17 (1) Corporate net income tax, capital stock and  
18 franchise tax, bank shares tax, insurance premiums tax,  
19 personal income tax paid by shareholders, members or partners  
20 of Subchapter S corporations, limited liability companies,  
21 partnerships or sole proprietors on income other than passive  
22 activity income as defined under section 469 of the Internal  
23 Revenue Code of 1986 (Public Law 99-516, 26 U.S.C. § 1 et  
24 seq.) or business privilege tax, calculated and apportioned  
25 as to amount attributable to the location within the zone and  
26 calculated under section 1904-B(b) and (c).

27 (2) Amusement tax, only to the extent the tax is related  
28 to the activity of a qualified business within the zone.

29 (3) Sales and use tax, only to the extent the tax is  
30 related to the activity of a qualified business within the

1 zone. The term includes sales and use taxes on material used  
2 for construction in the zone and business personal property  
3 to be used by the qualified business in the zone.

4 (3.1) The hotel occupancy tax imposed under Part V of  
5 Article II.

6 (4) Personal income tax withheld from its employees by a  
7 qualified business for work performed in the zone.

8 (5) Local services tax withheld from its employees by a  
9 qualified business for work performed in the zone.

10 (6) Earned income tax withheld from its employees by a  
11 qualified business for work performed in the zone.

12 (7) All taxes paid to the Commonwealth, or an amount  
13 equal to all of the taxes paid to the Commonwealth, related  
14 to the purchase or sale of liquor, wine or malt or brewed  
15 beverages by a licensee located in the zone for purchases  
16 that occurred outside the zone.

17 The term does not include cigarette tax.

18 \* \* \*

19 "Municipality." An incorporated town, township or borough.

20 The term does not include an incorporated town, township or  
21 borough that is determined to be distressed under the  
22 Municipalities Financial Recovery Act.

23 \* \* \*

24 "Pilot zone." An area of not more than 100 acres designated  
25 by the contracting authority prior to July 1, 2023, following  
26 application and approval by the Department of Community and  
27 Economic Development, the office and the department which will  
28 provide economic development and job creation within one or more  
29 municipalities, with a total population of at least 7,000 based  
30 on the most recent Federal decennial census.

1 \* \* \*

2 Section 2. Section 1803-C of the act is amended to read:  
3 Section 1803-C. Establishment or designation of contracting  
4 authority.

5 (a) Authorization.--[Except as set forth in subsection (b),  
6 a] A city, municipality or [home rule county] municipalities may  
7 establish or designate a contracting authority to designate a  
8 zone under this article. For the purposes of appointing a  
9 qualified operating board with diverse skill sets in the areas  
10 of government, law, finance, banking, economic development,  
11 community development, planning, project management, project  
12 engineering, real estate development and environmental  
13 remediation, the operating board of the contracting authority  
14 shall include residents of the zone, business owners located in  
15 the zone and residents, business owners and business  
16 representatives from the city, municipality or municipalities  
17 that created the zone.

18 (a.1) Membership.--

19 (1) The operating board shall consist of an odd number  
20 of members with an equal number being appointed by each of  
21 the following:

22 (i) The mayor of the city, incorporated town or  
23 borough or the board of commissioners of a township.

24 (ii) Any member of the Senate representing the city,  
25 municipality or municipalities.

26 (iii) Any member of the House of Representatives  
27 representing the city, municipality or municipalities.

28 (2) If there is an even number of members, the final  
29 member shall be chosen by majority vote of the appointed  
30 board members.

1 [(b) Distressed cities.--A city that is a distressed city  
2 under the act of July 10, 1987 (P.L.246, No.47), known as the  
3 Municipalities Financial Recovery Act, and is located in a home  
4 rule county may not establish a contracting authority under this  
5 article.]

6 (c) Counties.--The home rule county where a distressed city  
7 under the Municipalities Financial Recovery Act is located may  
8 establish a contracting authority to designate a zone under this  
9 article within the distressed city.]

10 Section 3. Section 1804-C(c) and (d) of the act are amended  
11 to read:

12 Section 1804-C. Approval.

13 \* \* \*

14 (c) [Approval schedule.--The Department of Community and  
15 Economic Development shall develop a schedule for the approval  
16 of applications under this section as follows:

17 (1) Following the effective date of this paragraph,  
18 applications for two initial city revitalization and  
19 improvement zones and one pilot zone may be approved.

20 (2) Beginning in 2016, applications for two additional  
21 zones may be approved each calendar year.] Approval.--

22 Applications for up to three zones may be approved in any  
23 given calendar year, which may comprise:

24 (1) Up to two zones for one or more cities or  
25 municipalities with a population between 7,000 and 19,999  
26 based on the most recent Federal decennial census.

27 (2) Up to two zones for one or more cities or  
28 municipalities with a population of 20,000 or more based on  
29 the most recent Federal decennial census.

30 \* \* \*

1 (d) [Time] Schedule.--The Department of Community and  
2 Economic Development shall establish [and publish] application  
3 deadlines [in the Pennsylvania Bulletin and] and publish the  
4 deadlines on its publicly accessible Internet website.

5 \* \* \*

6 Section 4. Section 1812-C(c) of the act is amended to read:  
7 Section 1812-C. Transfers.

8 \* \* \*

9 [(c) Notification.--The following shall apply:

10 (1) If the transfers under subsection (a) and section  
11 1811-C(c) are insufficient to make payments on the bonds  
12 issued under section 1813-C(a) (1) for the calendar year when  
13 the transfers are made, the contracting authority shall  
14 notify the Department of Community and Economic Development,  
15 the office and the department of the amount of the deficiency  
16 and may request the additional money necessary to make  
17 payments on the bonds.

18 (2) The notification under paragraph (1) must be  
19 accompanied by a detailed account of the contracting  
20 authority's expenditures and the calculation which resulted  
21 in the request for additional money. The Department of  
22 Community and Economic Development, the office or the  
23 department may request additional information from the  
24 contracting authority and shall jointly verify the proper  
25 amount of money necessary to make the payments on the bonds.

26 (3) Notwithstanding 53 Pa.C.S. § 5607(e) (relating to  
27 purposes and powers), within 90 days of the date of the  
28 notification request, the office shall direct the State  
29 Treasurer to establish a restricted account within the  
30 General Fund. The office shall direct the State Treasurer to

1 transfer the amount verified under paragraph (2) from the  
2 General Fund to the restricted account for the use of the  
3 contracting authority to make payments on the bonds issued  
4 under section 1813-C(a) (1).

5 (4) Money transferred under paragraph (3):

6 (i) shall be limited to 50% of the State tax  
7 baseline amount for the calendar year prior to the date  
8 the amount is verified under paragraph (2), not to exceed  
9 \$7,500,000; and

10 (ii) must occur in the first seven calendar years  
11 following the baseline year.

12 (4.1) Under extraordinary circumstances, a contracting  
13 authority may request money in excess of the limitations in  
14 paragraph (4) (i). The Department of Community and Economic  
15 Development, the office and the department shall determine  
16 whether the circumstances merit additional money and the  
17 amount to be transferred. The money shall be transferred  
18 under the procedure under this section.

19 (5) Money transferred under paragraph (3) shall be  
20 repaid to the General Fund by the contracting authority. If  
21 money transferred under paragraph (3) is not repaid to the  
22 General Fund by the contracting authority within 12 calendar  
23 years following the baseline year, the city, municipality or  
24 home rule county which established or designated the  
25 contracting authority shall pay the money not repaid to the  
26 General Fund plus an additional penalty of 10% of the amount  
27 outstanding on the date of the final payment on the bonds  
28 originally issued under section 1813-C(a) (1).]

29 Section 5. Section 1813-C(a) (3) and (c) (1) of the act are  
30 amended and the subsections are amended by adding paragraphs to

1 read:

2 Section 1813-C. Restrictions.

3 (a) Utilization.--Money transferred under section 1812-C may  
4 only be utilized for the following:

5 \* \* \*

6 (3) Replenishment of amounts in debt service reserve  
7 funds established to pay debt service on bonds or on  
8 privately obtained financing through a lending institution  
9 for a project in a zone.

10 \* \* \*

11 (8) Payment of debt service on loans secured privately  
12 by a qualified business, property owner or developer for the  
13 acquisition, development, construction, including related  
14 infrastructure and site preparation, reconstruction,  
15 renovation or refinancing of a facility in the zone.

16 \* \* \*

17 (c) Excess money.--

18 (1) Except as set forth in [paragraph (4),] paragraph  
19 (4) or (5), for the first five calendar years of the zone  
20 designated after July 1, 2023, if the amount of money  
21 transferred to the fund under sections 1811-C(c) and 1812-C  
22 in any one calendar year exceeds the money utilized, budgeted  
23 or appropriated by official resolution of the contracting  
24 authority under this section in that calendar year, the  
25 contracting authority may carry forward any excess up to a  
26 total sum of \$3,000,000 for the five-year calendar period.  
27 For the sixth calendar year and each calendar year  
28 thereafter, if the amount of money transferred to the fund  
29 under sections 1811-C(c) and 1812-C in any one calendar year  
30 exceeds the money utilized, budgeted or appropriated by



1 official resolution of the contracting authority under this  
2 section in that calendar year, the contracting authority  
3 shall submit by April 15 following the end of the calendar  
4 year any money not utilized, budgeted or appropriated by  
5 official resolution of the contracting authority to the State  
6 Treasurer for deposit into the General Fund.

7 \* \* \*

8 (5) Other than a zone described in paragraph (1) or (4),  
9 for a zone designation prior to July 1, 2023, if the amount  
10 of money transferred to the fund under section 1811-C(c), in  
11 any one calendar year exceeds the money utilized, budgeted or  
12 appropriated by official resolution of the contracting  
13 authority under this section in that calendar year, the  
14 contracting authority shall submit any money not utilized,  
15 budgeted or appropriated by official resolution to the State  
16 Treasurer for deposit into the General Fund by April 15 of  
17 the following calendar year.

18 \* \* \*

19 Section 6. Section 1814-C(a) and (b) of the act are amended  
20 and the section is amended by adding a subsection to read:

21 Section 1814-C. Transfer of property.

22 (a) Property.--[Parcels in a zone where] A parcel or parcels  
23 in a zone where no zone fund dollars were expended upon the  
24 parcel or parcels or where a facility has not been constructed,  
25 reconstructed or renovated using money under this article may be  
26 transferred out of the zone, if the contracting authority  
27 provides a notarized certification, confirmed in the annual  
28 audit required under section 1807-C(c), that no fund dollars  
29 were used on the [property] parcel or parcels. Additional  
30 acreage, not to exceed the acreage transferred out of the zone,

1 may be added to the zone.

2 \* \* \*

3 (a.3) Returned property.--A parcel or parcels in a zone  
4 where zone fund dollars were expended upon the parcel or parcels  
5 or where a facility has been constructed, reconstructed or  
6 renovated using money under this article may be transferred out  
7 of the zone for the purpose of returning a parcel or parcels to  
8 State and local tax rolls prior to the duration established  
9 under section 1815-C. Additional acreage, not to exceed the  
10 acreage transferred out of the zone, may be added to the zone.  
11 Each local taxing authority shall pass a resolution or ordinance  
12 in support of the transfer of the parcel or parcels.

13 (b) [Approval.--A transfer under subsections (a) and (a.2)  
14 must be] Review and approval.--A transfer must be reviewed and  
15 approved by the Department of Community and Economic Development  
16 in consultation with the office and the department. The  
17 contracting authority shall submit a written request to the  
18 Department of Community and Economic Development to approve the  
19 transfer of a parcel or parcels. In addition to the written  
20 request, the contracting authority shall submit the following to  
21 the Department of Community and Economic Development:

22 (1) The certification under subsection (a).

23 (2) A resolution of the contracting authority board  
24 approving the transfer of the parcel or parcels.

25 (3) Any additional information as required by the  
26 Department of Community and Economic Development, the office  
27 or the department.

28 Section 7. Section 1819-C(a) introductory paragraph of the  
29 act is amended to read:

30 Section 1819-C. Review.

1 (a) Department of Community and Economic Development.--By  
2 December 31, 2021, and annually each March 31 thereafter, the  
3 Department of Community and Economic Development shall, in  
4 cooperation with the office and the department, complete a  
5 review and analysis of all active zones. The review shall  
6 include an analysis of:

7 \* \* \*

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