
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1102 Session of
2019

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SCHMITT, APRIL 29, 2019

REFERRED TO COMMITTEE ON COMMERCE, APRIL 29, 2019

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, C₄H₁₀, 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, C₂H₆, 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, C₃H₈, 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 does one of the following:

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

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

12 (3) operates an apprenticeship program approved under
13 the act of July 14, 1961 (P.L.604, No.304), known as The
14 Apprenticeship and Training Act.

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

21 (1) The duration of the zone designation.

22 (2) The number of jobs created.

23 (3) The number of jobs retained.

24 (4) The amount of capital investment.

25 (5) The manufacturing, petrochemical or downstream
26 activity of the business or the manner in which the business
27 supports or provides services to a manufacturing business,
28 petrochemical business or downstream business.

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

1 (c) Relocation.--A business that relocates from outside of a
2 zone into a zone shall not receive any of the exemptions,
3 deductions, abatements or credits provided under this act unless
4 the business does one of the following:

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

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

11 (3) enters into a lease agreement for property located
12 within the zone:

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

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

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

22 Section 305. Forms.

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

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

1 Section 306. Prohibition on illegal alien labor.

2 (a) General rule.--An individual or business that receives a
3 tax exemption, deduction, abatement or credit under this act may
4 not knowingly permit the labor services of an illegal alien
5 under a contract to which the individual or business is a party
6 in the applicable zone. An individual or business shall be
7 deemed to have knowingly employed or knowingly permitted the
8 prohibited services if the individual or business had active
9 knowledge of or had reason to know that the services have been
10 provided under the contract in the applicable zone.

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

18 (c) Violations.--

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

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

26 (ii) All of the following apply:

27 (A) A contractor to an individual or business
28 that received the tax exemption, deduction, abatement
29 or credit under this act is sentenced under Federal
30 law for an offense involving knowing use of labor by

1 an illegal alien on the contract.

2 (B) The individual or business knew or had
3 reason to know of the contractor's knowing use of
4 labor by an illegal alien on the contract.

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

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

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

23 "Illegal alien." A noncitizen of the United States who is
24 violating Federal immigration laws and is providing compensated
25 labor within this Commonwealth.

26 Section 307. Requirement to exclusively use construction
27 contractors that participate in apprenticeship
28 programs that meet State standards.

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

1 not enter into any agreement or contract with a contractor to
2 perform construction work with the contractor's employees or by
3 using a subcontractor unless the contractor and the contractor's
4 subcontractors provide an apprenticeship program which meets the
5 standards established by the State Apprenticeship and Training
6 Council under the act of July 14, 1961 (P.L.604, No.304), known
7 as The Apprenticeship and Training Act.

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 exemption,
11 deduction, abatement or credit under this act must require full
12 repayment of the value or amount of the tax exemption,
13 deduction, abatement or credit if the individual or business
14 fails to meet the requirements under subsection (a).

15 (c) Ineligibility period.--An individual or business who is
16 required to repay the authority or a political subdivision under
17 this section shall be ineligible to apply for a tax exemption,
18 deduction, abatement or credit under this act for a period of
19 two years after the individual or business has established that
20 the individual or business has complied with the repayment
21 requirements under section (b).

22 CHAPTER 4

23 STATE TAXES

24 SUBCHAPTER A

25 GENERAL PROVISIONS

26 Section 401. State taxes.

27 (a) General rule.--An individual who is a resident of a
28 zone, a qualified business or a nonresident shall receive the
29 exemptions, deductions, abatements or credits as provided in
30 this chapter and Chapter 5 for the duration of the zone

1 designation. Exemptions, deductions, abatements or credits shall
2 expire on the date of expiration of the zone designation.

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

8 SUBCHAPTER B

9 PARTICULAR STATE TAXES

10 Section 402. Sales and use tax.

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

23 Section 403. Personal income tax.

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

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

28 (2) Net income from the operation of a qualified
29 business received by a resident or nonresident of a zone
30 attributable to business activity conducted within a zone,

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

10 (3) All of the following:

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

29 (ii) Net gains, less net losses, realized by a
30 resident of a zone from the sale, exchange or disposition

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

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

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

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

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

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

29 (ii) If the tangible personal property was used both
30 inside and outside of the zone during the taxable year,

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

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

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

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

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

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

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

30 The partner or member shall be entitled to the exemptions

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

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

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

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

26 (e) Nonapplicability.--Any portion of net income or gain
27 that is attributable to operation of a railroad, truck, bus or
28 airline company or entity that would qualify as a regulated
29 investment company under Article IV of the Tax Reform Code of
30 1971 or would qualify as a holding company under Article VI of

1 the Tax Reform Code of 1971 shall not be used to calculate an
2 exemption under this section. This subsection shall not apply to
3 the exemption from tax provided under subsection (a) (5).

4 Section 404. Corporate net income tax.

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

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

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

26 (1) If the entire business of the corporation in this
27 Commonwealth is transacted wholly within the zone, the
28 taxable income attributable to business activity within the
29 zone shall consist of the Pennsylvania taxable income as
30 determined under Article IV of the Tax Reform Code of 1971.

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

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

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

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

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

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

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

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

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

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

24 Section 405. Capital stock franchise tax.

25 (a) Credits.--For tax years that begin on or after January
26 1, 2021, a corporation that is a qualified business under this
27 act may claim a credit against the tax imposed by Article VI of
28 the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform
29 Code of 1971, for tax liability attributable to the capital
30 employed within the zone in the taxable year. A credit may not

1 be claimed for capital employed prior to designation of the real
2 property as part of a zone. The business activity must be
3 conducted directly by a corporation in the zone in order for the
4 corporation to claim the tax credit.

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

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

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

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

30 (d) Limitation on amount of credit.--The credit allowed

1 under this section shall not exceed the tax liability of the
2 taxpayer under Article VI of the Tax Reform Code of 1971 for the
3 tax year.

4 CHAPTER 5

5 LOCAL TAXES

6 Section 501. Local taxes.

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

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

13 Section 502. Real property tax.

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

22 (b) Applicability.--

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

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

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

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

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

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

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

24 (f) Calculations for education subsidy for school
25 districts.--In determining the market value of real property in
26 each school district, the State Tax Equalization Board shall
27 exclude any increase in value above the base value prior to the
28 effect of the abatement of local taxes to the extent and during
29 the period of time that real estate tax revenues attributable to
30 the increased value are not available to the school district for

1 general school district purposes.

2 Section 503. Local earned income and net profits taxes;

3 business privilege taxes.

4 (a) General exemption.--

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

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

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

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

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

21 (b) Additional exemptions.--

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

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

30 (ii) The act of March 10, 1949 (P.L.30, No.14),

1 known as the Public School Code of 1949.

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

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

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

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

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

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

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

28 (iii) The gross or net income or gross or net
29 profits realized from the operation of a qualified
30 business to the extent attributable to business activity

1 conducted within the zone.

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

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

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

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

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

22 (1) Business gross receipts.

23 (2) Gross or net income.

24 (3) Gross or net profits.

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

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

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

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

6 Section 504. Mercantile license tax.

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

21 Section 505. Local sales and use tax.

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

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

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

30 (b) Exemption.--Except as set forth in subsection (c), a

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

9 (c) Exception.--

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

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

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

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

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

22 CHAPTER 6

23 ADMINISTRATION OF TAX PROVISIONS

24 Section 601. Transferability.

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

29 Section 602. Recapture.

30 (a) Refund.--Except as set forth in subsection (c), if a

1 qualified business located within a zone has received an
2 exemption, deduction, abatement or credit under this act and
3 subsequently relocates outside of the zone within the first five
4 years of locating in a zone, the business shall refund to the
5 Commonwealth and the political subdivision which granted the
6 exemption, deduction, abatement or credit received.

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

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

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

15 (c) Exceptions.--

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

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

26 (i) Natural disaster.

27 (ii) Unforeseen industry trends.

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

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

30 (a) Individuals.--An individual may not claim or receive an

1 exemption, deduction, abatement or credit under this act unless
2 that individual is in full compliance with tax statutes,
3 ordinances and resolutions.

4 (b) Qualified business.--

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

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

14 (c) Later compliance and eligibility.--

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

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

29 (d) Tax appeals.--An individual or a qualified business
30 shall be deemed to be in full compliance under this section if

1 the individual or qualified business:

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

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

7 Section 604. Zoning, building and housing compliance.

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

14 (b) Opportunity to achieve compliance.--

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

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

30 (i) The individual or qualified business has made

1 and will continue to make a good faith effort to come
2 into compliance.

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

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

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

10 (a) Requirement.--

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

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

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

23 Section 606. Application time.

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

29 (b) Extension or waiver.--Upon request of the applicant, the
30 authority may extend or waive the application deadline for good

1 cause if the political subdivision does not object to the waiver
2 or extension.

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

7 CHAPTER 7

8 PROCEDURES FOR ZONES

9 Section 701. Relation to other programs.

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

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

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

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

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

27 (i) taxation;

28 (ii) implementation of the strategic plan; and

29 (iii) establishment of annual benchmarks and
30 reporting requirements to the authority.

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

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

7 Section 702. Reporting.

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

10 Section 703. Other Commonwealth tax credits.

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

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

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

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

22 (b) Outside of zone.--

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

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

30 Section 704. Monitoring data.

- 1 The authority shall monitor all of the following:
- 2 (1) Verifiable job creation and job retention data.
 - 3 (2) Information on the types of jobs created and average
4 hourly wages.
 - 5 (3) Number of years in the program.
 - 6 (4) Annual, unduplicated public and private capital
7 investment amounts.
 - 8 (5) Business type and description.
 - 9 (6) Types and amounts of other economic development
10 assistance received from the Commonwealth.
 - 11 (7) Documentation that proper participants identified as
12 relocations meet the requirements of this act.

13 CHAPTER 13

14 MISCELLANEOUS PROVISIONS

15 Section 1301. Illegal activity.

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

20 Section 1302. Regulations.

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

24 Section 1303. Compliance.

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

30 Section 1304. Reports.

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

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

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

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

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

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

21 Section 1305. Penalties.

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

28 (b) Criminal penalty.--In addition to a criminal penalty
29 under the Tax Reform Code of 1971, a person that knowingly
30 violates this act commits a misdemeanor of the third degree.

1 Section 1306. Construction.

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

6 Section 1307. Applicability.

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

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

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

14 Section 1308. Repeals.

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

17 Section 1309. Effective date.

18 This act shall take effect immediately.