
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **818** Session of
2017

INTRODUCED BY HUGHES, JULY 6, 2017

REFERRED TO FINANCE, JULY 6, 2017

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in personal income tax, further providing for
11 definitions and for classes of income.

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

14 Section 1. Sections 301 and 303 of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, are amended
16 by adding subsections to read:

17 Section 301. Definitions.--Any reference in this article to
18 the Internal Revenue Code of 1986 shall mean the Internal
19 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
20 as amended to January 1, 1997, unless the reference contains the
21 phrase "as amended" and refers to no other date, in which case
22 the reference shall be to the Internal Revenue Code of 1986 as
23 it exists as of the time of application of this article. The

1 following words, terms and phrases when used in this article
2 shall have the meaning ascribed to them in this section except
3 where the context clearly indicates a different meaning:

4 * * *

5 (1.3) (1) "KOZ investment company" means any entity, no
6 matter how organized, that is:

7 (i) defined in section 3(a)(1) of the Investment Company Act
8 of 1940 (54 Stat. 789, 15 U.S.C. § 80a-1 et seq.), including any
9 entity, no matter how organized, that issues securities,
10 including without limitation interests in private investment
11 funds, limited partnerships and limited liability companies; and

12 (ii) is certified by the Department of Community and
13 Economic Development to be a "qualified business" under section
14 307 of the act of October 6, 1998 (P.L.705, No.92), known as the
15 "Keystone Opportunity Zone, Keystone Opportunity Expansion Zone
16 and Keystone Opportunity Improvement Zone Act," as amended.

17 (2) For purposes of this definition, section 3(a)(2)(C) and
18 the exemptions set forth in section 3(b) or (c) of the
19 Investment Company Act of 1940 shall not be applicable, and
20 ownership interests in any subsidiaries shall be treated as
21 "investment securities" as defined in section 3(a)(1) of the
22 Investment Company Act of 1940.

23 (1.4) "KOZ investment company affiliate" means an entity
24 that is owned directly or indirectly to the extent of sixty-five
25 per cent or more by one or more KOZ investment companies.

26 (1.5) "KOZ investment company general partner" means a
27 general partner, managing member or similar owner of a KOZ
28 investment company, to the extent that the income of said owner
29 is:

30 (1) based in whole or in part on the financial performance

1 of the KOZ investment company or KOZ investment company
2 affiliate; or

3 (2) on services performed for or on behalf of the KOZ
4 investment company or KOZ investment company affiliate by the
5 general partner, managing member or similar owner.

6 * * *

7 Section 303. Classes of Income.--* * *

8 (a.10) The income of an entity that is a KOZ investment
9 company, KOZ investment company affiliate or KOZ investment
10 company general partner shall be entitled to the exemption under
11 section 512(a)(2) of the act of October 6, 1998 (P.L.705,
12 No.92), known as the "Keystone Opportunity Zone, Keystone
13 Opportunity Expansion Zone and Keystone Opportunity Improvement
14 Zone Act," for each year with respect to which the entity has
15 been certified by the Department of Community and Economic
16 Development under section 307 of the "Keystone Opportunity Zone,
17 Keystone Opportunity Expansion Zone and Keystone Opportunity
18 Improvement Zone Act," to the extent that the income derives
19 from activity conducted in the subzone, improvement subzone or
20 expansion subzone either directly by the entity or by another
21 entity for the benefit of the entity, regardless of how such
22 income is classified for other purposes, including, but not
23 limited to, the activities of raising capital through
24 investments in or loans to a KOZ investment company or a
25 subsidiary of a KOZ investment company, making investments,
26 whether directly or indirectly, in other entities, operating,
27 managing and supervising investments, disposing of investments,
28 and other related activities. The income of a KOZ investment
29 company, KOZ investment company affiliate or KOZ investment
30 company general partner that is distributed or distributable to

1 any direct or indirect owner thereof shall retain its character
2 as income exempt under section 512(a)(2) of the "Keystone
3 Opportunity Zone, Keystone Opportunity Expansion Zone and
4 Keystone Opportunity Improvement Zone Act" in the hands of each
5 direct or indirect owner.

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