

KEYSTONE OPPORTUNITY ZONE ACT
73 P.S. §§820.101-820.1309 (as of 12/2008)

TABLE OF CONTENTS

Section 820.101.	Short title
Section 820.102.	Legislative findings
Section 820.103.	Definitions
Section 820.301.	Keystone opportunity zones
Section 820.301a.	Keystone opportunity expansion zones
Section 820.301b.	Keystone opportunity improvement zones
Section 820.301c.	Extension for unoccupied parcels
Section 820.301d.	Additional keystone opportunity expansion zones
Section 820.301e.	Expansion for new parcels
Section 820.301f.	Substitution of parcels outside a subzone
Section 820.302.	Application
Section 820.303.	Review
Section 820.304.	Criteria for authorization of keystone opportunity zone
Section 820.305.	Zone limitations
Section 820.306.	Residency
Section 820.307.	Qualified businesses
Section 820.308.	Forms
Section 820.309.	Decertification
Section 820.310.	Payments
Section 820.311.	Prohibition on illegal alien labor
Section 820.501.	State taxes
Section 820.511.	Sales and use tax
Section 820.512.	Personal income tax
Section 820.513.	Residency considerations
Section 820.514.	Deleted
Section 820.515.	Corporate net income tax
Section 820.516.	Capital stock franchise tax
Section 820.517.	Bank and trust company shares tax, alternative bank and trust company shares tax and mutual thrift institutions tax
Section 820.518.	Keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit
Section 820.519.	Keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit
Section 820.701.	Local taxes
Section 820.702.	Real property tax
Section 820.703.	Local earned income and net profits taxes; business privilege taxes
Section 820.704.	Mercantile license tax
Section 820.705.	Local sales and use tax
Section 820.901.	Transferability
Section 820.902.	Recapture
Section 820.903.	Delinquent or deficient State or local taxes
Section 820.904.	Code compliance
Section 820.905.	Appeals
Section 820.906.	Notice requirements; state and local authorities.
Section 820.907.	Application time
Section 820.1101.	Community benefits
Section 820.1102.	Reporting
Section 820.1103.	Other Commonwealth tax credits
Section 820.1301.	Illegal activity

Section 820.1302.	Rules and regulations
Section 820.1303.	Compliance
Section 820.1304.	Penalties
Section 820.1305.	Construction
Section 820.1306.	Applicability
Section 820.1307.	Severability
Section 820.1308.	Repeals
Section 820.1309.	Expiration

§ 820.101. Short title

This act shall be known and may be cited as the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act.

§ 820.102. Legislative findings

- (1) There exist in this Commonwealth areas of economic distress characterized by high unemployment, low investment of new capital, inadequate dwelling conditions, blighted conditions, underutilized, obsolete or abandoned industrial, commercial and residential structures and deteriorating tax bases.
- (2) These areas require coordinated efforts by private and public entities to restore prosperity and enable the areas to make significant contributions to the economic and social life of this Commonwealth.
- (3) Long-term economic viability of these areas requires the cooperative involvement of residents, businesses, State and local elected officials and community organizations. It is in the best interest of the Commonwealth to assist and encourage the creation of keystone opportunity zones and keystone opportunity expansion zones and to provide temporary relief from certain taxes within the zones to accomplish the purposes of this act.

§ 820.103. Definitions

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

"BUSINESS." An association, partnership, corporation, sole proprietorship, limited liability company or employer.

"DEPARTMENT." The Department of Community and Economic Development of the Commonwealth.

"DETERIORATED PROPERTY." Any blighted, impoverished area containing residential, industrial, commercial or other real property that is abandoned, unsafe, vacant, undervalued, underutilized, overgrown, defective, condemned, demolished or which contains economically undesirable land use. The term includes property adjacent to deteriorated property that is significantly undervalued and underutilized due to the proximity of the deteriorated property and property which has been designated as deteriorated property in accordance with any other act.

"DOMICILE." The place where a person has a true and fixed home and principal establishment for an indefinite time and to which, whenever absent, that person intends to return. Domicile continues until another place of domicile is established.

"EXPANSION SUBZONE." A clearly defined geographic area containing a minimum of 15 contiguous acres or a minimum of five contiguous acres in a rural area.

"IMPROVEMENT SUBZONE." A clearly defined geographic area.

"INSTITUTION."

(1) Every bank operating as such and having capital stock which is incorporated under any law of this Commonwealth, under the law of the United States or under the law of any other jurisdiction and is located within this Commonwealth.

(2) Every operating company having capital stock located within this Commonwealth having any of the powers of companies entitled to the benefits of section 29 of the act of April 29, 1874 (P.L. 73, No. 32), entitled "An act to provide for the incorporation and regulation of certain corporations," and any supplements thereto and under the act of June 27, 1895 (P.L. 399, No. 286), entitled "An act conferring upon certain fidelity, insurance, safety deposit, trust and savings companies the powers and privileges of companies incorporated under the provisions of section twenty-nine of an act, entitled 'An act to provide for the incorporation and regulation of certain corporations,' approved April twenty-ninth, Anno Domini one thousand eight hundred and seventy-four, and of the supplements thereto."

(3) Every company organized and operating as a bank and trust company or as a trust company having capital stock located in this Commonwealth, whether the institution is incorporated under any law of this Commonwealth, the law of the United States or any law of any jurisdiction. The term shall not include any of such companies, all of the shares of capital stock of which, other than shares necessary to qualify directors, are owned by a company which is liable to pay to the Commonwealth a tax pursuant to Article VII of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

(4) A mutual thrift institution.

"INSURANCE COMPANY." Every insurance company, association or exchange incorporated or organized by or under the laws of this Commonwealth, the United States, territories, dependencies, other states or foreign governments and engaged in transacting insurance business of any kind or classification within this Commonwealth, except title insurance companies subject to tax under Article VIII or XVI of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, as the case may be, except purely mutual beneficial associations whose funds for the benefit of members and families or heirs are made up entirely of the weekly, monthly, quarterly, semiannual or annual contributions to their members and the accumulated interest thereon and corporations organized under the former act of June 21, 1937 (P.L. 1948, No. 378), known as the Nonprofit Hospital Plan Act, and under the former act of June 27, 1939 (P.L. 1125, No. 399), known as the Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act.

"KEYSTONE OPPORTUNITY EXPANSION ZONE." A defined geographic area comprised of one or more political subdivisions or portions of political subdivisions designated by the Department of Community and Economic Development under Chapter 3. A keystone opportunity expansion zone may be comprised of not more than eight expansion subzones.

"KEYSTONE OPPORTUNITY ZONE." A defined geographic area comprised of one or more political subdivisions or portions of political subdivisions designated by the Department of Community and Economic Development under Chapter 3. A keystone opportunity zone may be comprised of not more than 12 subzones.

"METROPOLITAN STATISTICAL AREA." A core area containing a city with a population of 50,000 or more or a Bureau of Census defined urbanized area of 50,000 with a total metropolitan population of at least 100,000.

"MUTUAL THRIFT INSTITUTION." Every:

- (1) savings bank without capital stock,
- (2) building and loan association,
- (3) savings and loan association.
- (4) savings institution having capital stock;

whether the mutual thrift institution is incorporated under any law of this Commonwealth or under the law of the United States, or is incorporated under the law of any other jurisdiction and is located within this Commonwealth.

"OPPORTUNITY PLAN." A written plan that addresses the criteria and meets the requirements in section 302(a).

"PERSON." Any natural person.

"POLITICAL SUBDIVISION." A county, city, borough, township, town or school district with taxing jurisdiction in a defined geographic area within this Commonwealth.

"QUALIFIED BUSINESS." A business authorized to do business in this Commonwealth which is located or partially located within a subzone, expansion subzone or improvement subzone and is engaged in the active conduct of a trade or business in accordance with the requirements of section 307 for the taxable year. An agent, broker or representative of a business is not engaged in the active conduct of trade or business for the business.

"QUALIFIED POLITICAL SUBDIVISION." A political subdivision which has real property within its jurisdiction which has been designated by the department as a subzone, expansion subzone or improvement subzone.

"RESIDENT." A person who is domiciled and resides in an area that is designated a subzone, expansion subzone or improvement subzone and who meets the requirements of section 306.

"SUBZONE." A clearly defined geographic area containing a minimum of 20 contiguous acres or a minimum of ten contiguous acres in a rural area.

"TAX REFORM CODE OF 1971." The act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Code of 1971, and any subsequent amendments thereto.

"UNOCCUPIED PARCEL." A parcel that is not occupied on the effective date of this definition. Construction activity on a parcel shall not constitute occupation of the parcel.

§ 820.301. Keystone opportunity zones

(a) ESTABLISHMENT.-- There is hereby established within the department a program providing for keystone opportunity zones. A keystone opportunity zone shall be comprised of deteriorated property and shall not exceed a total of 5,000 acres.

(b) ZONE AUTHORIZATION.-- The department shall authorize not more than 12 keystone opportunity zones in this Commonwealth. Persons and businesses within an authorized keystone opportunity zone that are qualified under this act shall be entitled to all tax exemptions, deductions, abatements or credits set forth in this act for a period not to exceed 15 years beginning January 1, 1999, and ending on or before December 31, 2013.

(c) SUBZONE DESIGNATION.-- The department may designate not more than 12 subzones in each keystone opportunity zone. The total number of subzone acres in a keystone opportunity zone shall not exceed 5,000 acres in the aggregate.

(d) AUTHORIZATION FOR LOCAL TAX EXEMPTION.-- Every political subdivision within which a proposed subzone is located, whether in whole or in part, is hereby authorized to provide tax exemptions, deductions, abatements or credits to persons and businesses qualified under this act. The political subdivision shall agree to provide exemptions, deductions, abatements or credits from all local taxes set forth in this act in order to qualify to be designated a subzone. Except as provided in section 303(e), the exemptions, deductions, abatements or credits shall be effective January 1, 1999, if designation of a subzone within the political subdivision is granted by the department. The exemptions, deductions, abatements or credits shall be binding upon the political subdivision for the duration of the subzone designation.

(e) AUTHORIZATION TO EXTEND THE DURATION OF A KEYSTONE OPPORTUNITY ZONE OR SUBZONE.-- A subzone of a keystone opportunity zone may request to extend its designation as a subzone for a period of

three years. A subzone that is part of a keystone opportunity zone that will expire on December 31, 2008, may extend its designation as a subzone to December 31, 2010, or to December 31, 2013. The request to extend a subzone designation shall be made on a subzone-by-subzone basis. A qualified political subdivision having an approved subzone within its jurisdiction and seeking to extend the subzone designation shall pass the required ordinances, resolutions or other required action of the qualified political subdivision for the necessary exemptions, deductions, abatements or credits pursuant to this act for the period beginning after December 31, 2008, or December 31, 2010, as the case may be, and shall submit copies of the ordinance, resolution or other action to the department by June 30, 2001. The department may grant the request to extend provided all the proper binding ordinances, resolutions or other governing documents are passed by all qualified political subdivisions within the subzone extending the necessary exemptions, deductions, abatements and credits to the entire subzone to December 31, 2010, or December 31, 2013. The department shall approve or deny the request for extension of duration of a subzone by July 31, 2001, and shall provide written notice, irrespective of whether approved or denied, to each qualified political subdivision, resident and qualified business affected. Upon approval of a request for extension of duration of a subzone, the exemptions, deductions, abatements or credits shall be binding upon the qualified political subdivision as provided in subsection (d).

(f) **AUTHORIZATION TO ENHANCE SUBZONES.**-- Unless as a result of a request the limitation on size established in subsection (a) would be exceeded, a subzone may request to enhance its size. The request to enhance a subzone must be made on a subzone-by-subzone basis. A qualified political subdivision which is seeking a subzone within its jurisdiction must pass the required ordinances, resolutions or other required action of the qualified political subdivision for the necessary exemptions, deductions, abatements or credits pursuant to this act for the period beginning on January 1, 2004, and ending on December 31, 2010, or December 31, 2013. Copies of the ordinance, resolution or other action must be submitted to the department by May 1, 2004.

§ 820.301a. Keystone opportunity expansion zones

(a) **ESTABLISHMENT.**-- There is hereby established within the department a program providing for keystone opportunity expansion zones. A keystone opportunity expansion zone shall be comprised of deteriorated property and shall not exceed a total of 1,500 acres.

(b) **AUTHORIZATION.**-- The department shall authorize not more than 12 keystone opportunity expansion zones in this Commonwealth. Persons and businesses within an authorized keystone opportunity expansion zone that are qualified under this act shall be entitled to all tax exemptions, deductions, abatements or credits set forth in this act for a period of ten or 13 years beginning January 1, 2001, and ending on December 31, 2010, or December 31, 2013.

(c) **EXPANSION SUBZONE DESIGNATION.**-- The department may designate not more than eight expansion subzones in a keystone opportunity expansion zone. The total number of expansion subzone acres in a keystone opportunity expansion zone shall not exceed 1,500 acres in the aggregate.

(d) **AUTHORIZATION FOR LOCAL TAX EXEMPTION.**-- Every political subdivision within which a proposed expansion subzone is located, whether in whole or in part, is hereby authorized to provide tax exemptions, deductions, abatements or credits to persons and businesses qualified under this act for a period ending December 31, 2010, or December 31, 2013. The exemption period shall be uniform within each expansion subzone. The political subdivision shall agree to provide exemptions, deductions, abatements or credits from all local taxes set forth in this act in order to qualify to be designated an expansion subzone. The exemptions, deductions, abatements or credits shall be effective January 1, 2001, if designation of an expansion subzone within the political subdivision is granted by the department. The exemptions, deductions, abatements or credits shall be binding upon the political subdivision for the duration of the expansion subzone designation.

(e) **AUTHORIZATION TO ENHANCE EXPANSION SUBZONES.**-- Unless as a result of a request the limitation on size established in subsection (a) would be exceeded, an expansion subzone may request to enhance its size. The request to enhance an expansion subzone must be made on a subzone-by-subzone basis. A qualified political subdivision which is seeking an expansion subzone within its jurisdiction must pass the required ordinances, resolutions or other required action of the qualified political subdivision for the necessary exemptions, deductions, abatements or credits pursuant to this act for the period beginning on January 1, 2004, and ending on December 31, 2010, or on December 31, 2013. Copies of the ordinance, resolution or other action must be submitted to the department by May 1, 2004.

§ 820.301b. Keystone opportunity improvement zones

(a) ESTABLISHMENT.-- There is established within the department a program for keystone opportunity improvement zones. A keystone opportunity improvement zone shall be comprised of improvement subzones consisting of deteriorated property designated by the Governor.

(b) PROPOSAL.-- By January 1, 2003, and notwithstanding any designation under sections 301 and 301.1, the Governor may, by executive order, designate deteriorated property in this Commonwealth as a proposed improvement subzone. The executive order shall specify the period of time, not to exceed 15 years, for which the tax exemptions, deductions, abatements or credits provided by this act may be granted. The department shall immediately notify political subdivisions located within the area designated.

(c) APPLICATION.-- By June 1, 2004, a political subdivision may apply to the department for approval of the designation of the deteriorated property as an improvement subzone for the period designated under subsection (b). The application must be on a form provided by the department and must include a copy of an ordinance, resolution or other required action from the governing body of the political subdivision exempting or providing the deductions, abatement or credits required by Chapter 7 to qualified persons and qualified businesses within the proposed improvement subzone. Except as provided in section 1309, all appropriate ordinances and resolutions must be effective for the period specified in the executive order, and must be binding and nonrevocable on the political subdivision.

(d) DESIGNATION.-- If all political subdivisions within a proposed improvement subzone submit timely completed applications, the department shall approve the applications and designate the property as an improvement subzone. If a proposed improvement subzone is an existing subzone or an existing expansion subzone, failure of a political subdivision to submit the application as required by this section shall not terminate the existing designation as either a subzone or an expansion subzone. Qualified persons and qualified businesses within the improvement subzone shall be entitled to the State exemptions, deductions, abatements or credits set forth in this act and the local tax exemptions, deductions, abatements or credits set forth in this act, for the period for which the improvement subzone has been designated.

§ 820.301c. Extension for unoccupied parcels

(a) EXTENSION.-- The department may approve an application to extend the exemptions, deductions, abatements and credits under this act as follows:

(1) One of the following:

(i) For a parcel in a keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone that is an unoccupied parcel on the effective date of this section, for a period of seven years from the expiration date of the zone.

(ii) For a parcel in a keystone opportunity zone or keystone opportunity expansion zone that is an unoccupied parcel on the effective date of this section, for a period of ten years from the date of occupancy, provided that the parcel is occupied on or before December 31, 2015.

(2) The extension of exemptions, deductions, abatements or credits authorized under this section, except exemptions for sales and use tax under section 511(a) or 705(a), shall take effect only upon occupancy.

(b) REAL ESTATE TAX ABATEMENT.-- The owner of an unoccupied parcel in a keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone that has expired but that receives an extension of tax abatement eligibility following the original expiration date of the keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone under subsection (a) shall not receive an abatement of real property tax until the parcel becomes occupied or developed.

(c) APPLICATION.-- Except as provided in subsection (d), in order to extend the tax benefits for unoccupied parcels under subsection (a), the department must receive an application from a political subdivision or its designee no later than June 30, 2009. The application must contain the information required under section 302(a)(1), (2), (3), (5) and (6)

The application must include all ordinances, resolutions or other required action adopted by all political subdivisions in which the unoccupied parcel is located adopting the extension of all tax exemptions, deductions, abatements and credits authorized under Chapter 7 The department, in consultation with the Department of Revenue, shall review the application and, if approved, issue a certification of all tax exemptions, deductions, abatements or credits under this part for the unoccupied parcel within three months of receipt of the application. The certification shall be effective on the day following the expiration date of the existing subzone.

(d) APPLICATIONS FOR CERTAIN ZONES.-- For a keystone opportunity zone that expires December 31, 2008, an application may be submitted to the department to temporarily delay the expiration of the exemptions, deductions, abatements and credits for the zone until June 30, 2009. The application must be submitted by November 30, 2008, and include all ordinances, resolutions or other required action from all affected political subdivisions approving the requested delay in the expiration of the keystone opportunity zone. The department shall certify the delay in the expiration by December 31, 2008. If the expiration of a keystone opportunity zone is delayed under this subsection, a political subdivision or its designee may apply for an extension pursuant to subsection (c), provided that the application shall be submitted by May 1, 2009, and approved by the department no later than June 30, 2009. If an extension is granted under subsection (c), the extension shall be deemed to be effective January 1, 2009.

(e) EXPIRATION.-- All extensions of an unoccupied parcel certified under subsection (a)(1)(i) shall expire no later than seven years following the expiration date of the existing keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone. All extensions of an unoccupied parcel certified under subsection (a)(1)(ii) shall expire no later than ten years following the date of occupancy of the unoccupied parcel.

§ 820.301d. Additional keystone opportunity expansion zones

(a) ESTABLISHMENT.--

(1) In addition to any designations under section 301.1, the department may designate up to 15 additional keystone opportunity expansion zones in accordance with this section. Each additional keystone opportunity expansion zone shall:

(i) Not be less than ten acres in size, unless contiguous to an existing zone.

(ii) Not exceed, in the aggregate, a total of 350 acres.

(iii) Be comprised of parcels that meet any of the following criteria:

(A) Are deteriorated, underutilized or unoccupied on the effective date of this clause.

(B) Are occupied by a business that:

(I) Creates or retains at least 1,400 full-time jobs in this Commonwealth within three years of the designation of the keystone opportunity expansion zone; and

(II) Makes a capital investment of at least \$ 750,000,000 in the additional keystone opportunity enhancement zone within three years of the designation of the keystone opportunity expansion zone.

(2) The department shall immediately notify political subdivisions located within the area designated.

(b) AUTHORIZATION.-- Persons and businesses within an additional keystone opportunity expansion zone authorized under subsection (a) shall be entitled to all tax exemptions, deductions, abatements or credits set forth under this act, except exemptions for sales and use tax under section 511(a) or 705(a), for a period of ten years beginning January 1, 2010, and ending on December 31, 2020. Exemptions for sales and use taxes under sections 511 and 705 shall commence upon designation of the zone by the department.

(c) APPLICATION.-- In order to receive a designation under subsection (a), the department must receive an application from a political subdivision or its designee no later than May 1, 2009. The application must contain the information required under section 302(a)(1), (2)(i) and (ix) and (6) The application must include all ordinances, resolutions or other required action adopted by all political subdivisions in which the keystone opportunity expansion zone is located providing the tax exemptions, deductions, abatements and credits authorized under Chapter 7 The department, in consultation with the Department of Revenue, shall review the application and, if approved, issue a certification of all tax exemptions, deductions, abatements or credits under this part for the additional keystone opportunity expansion zone within three months of receipt of the application. The department shall act on an application under this subsection by June 30, 2009.

§ 820.301e. Expansion for new parcels

(a) EXPANSION.-- A political subdivision or its designee may apply for an expansion to add up to 15 acres of deteriorated property to an existing keystone opportunity expansion zone, keystone opportunity improvement zone or a subzone of a keystone opportunity zone for parcels that are contiguous to the existing zone or subzone.

(b) APPLICATION.-- In order to receive a designation under this section, the department must receive an application from a political subdivision or its designee no later than December 31, 2008. The application must contain the information required under section 302(a)(1), (2)(i) and (ix), (5) and (6) The application must include all ordinances, resolutions or other required action adopted by all political subdivisions in which the keystone opportunity expansion zone, keystone opportunity improvement zone or a subzone of a keystone opportunity zone is located adopting all tax exemptions, deductions, abatements and credits authorized under Chapter 7 to the expanded area. The department, in consultation with the Department of Revenue, shall review the application and, if approved, issue a certification of all tax exemptions, deductions, abatements or credits under this act for the expansion authorized under subsection (a) within two months of the receipt of the application.

(c) APPLICATIONS FOR CERTAIN ZONES.-- For a keystone opportunity zone that expires December 31, 2008, but is seeking an extension under section 301.3, the application shall include the request for an expansion under subsection (a). The application must be submitted by December 31, 2008, and include all ordinances, resolutions or other required action from all affected political subdivisions approving the addition of the acreage. If the expiration of a keystone opportunity zone is delayed under this subsection, a political subdivision or its designee may apply for an extension under section 301.3 and an expansion under this section. If an extension is granted under section 301.3, the extension and the expansion shall be deemed to be effective January 1, 2009.

(d) AUTHORIZATION.-- Persons or businesses within the expanded area shall be entitled to all tax exemptions, deductions, abatements or credits set forth under this act, except for sales and use taxes under section 511(a) or 705(a), for the period set forth in subsection (e). Exemptions for sales and use taxes under sections 511 and 705 shall commence upon approval of the expansion by the department.

(e) EXPIRATION.-- All expansions under this section shall expire on the same date as the keystone opportunity expansion zone, keystone opportunity improvement zone or subzone of a keystone opportunity zone.

§ 820.301f. Substitution of parcels outside a subzone

(a) APPROVAL.-- If a portion of an existing subzone is affected by a governmental prohibition of an environmental nature which has a substantial adverse effect on development, the department may approve a substitution of other parcels for those affected acres in the existing subzone, creating a new subzone if the new subzone is substantially similar in acreage size and is within five miles and in the same county as the original subzone.

(b) APPLICATION AND APPROVAL.-- Applications to substitute parcels under this section shall be made to the department no later than May 31, 2009. Applications under this section shall be made to the department in accordance with section 302(a)(1), (2), (3), (5) and (6) The department shall certify the substitutions by June 30, 2009.

§ 820.302. Application

(a) INITIAL APPLICATION.-- One or more political subdivisions, or a designee of one or more political subdivisions, may apply to the department to designate deteriorated property within the political subdivision or portions thereof a subzone or expansion subzone. The application shall contain the following:

(1) The geographic area of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone. The geographic area shall be located within the boundaries of the participating political subdivision and shall not contain more than 5,000 acres in the case of a keystone opportunity zone or 1,500 acres in the case of a keystone opportunity expansion zone.

(2) An opportunity plan that shall include the following:

(i) A detailed map of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone, including geographic boundaries, total area and present use and conditions of the land and structures of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.

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

(iii) A proposal to increase economic opportunity, reduce crime, improve education, facilitate infrastructure improvement, reduce the local regulating burden and identify potential jobs and job training opportunities and which states whether or not the zone is located in an area which has tax revenue dedicated to the payment of debt.

(iv) A description of the current social, economic and demographic characteristics of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone and anticipated improvements in education, health, human services, public safety and employment that will result from keystone opportunity zone or keystone opportunity expansion zone designation.

(v) A description of anticipated activity in the proposed keystone opportunity zone or proposed keystone opportunity expansion zone, including, but not limited to, industrial use, industrial site reuse, commercial or retail use and residential use.

(vi) Evidence of potential private and public investment in the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.

(vii) The role of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone in regional economic and community development.

(viii) Plans to utilize existing resources for the administration of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.

(ix) Any other information deemed appropriate by the department.

(3) A report on youth at risk to include issues relating to health, welfare and education.

(4) The duration of the proposed subzones or proposed expansion subzones. The duration of a subzone may not exceed 15 years. The duration of an expansion subzone may not exceed 13 years.

(5) A formal, binding ordinance or resolution passed by every political subdivision in which the proposed subzone or proposed expansion subzone is located that specifically provides for all local tax exemptions, deductions, abatements or credits for persons and businesses set forth in this act.

(6) Evidence that the proposed keystone opportunity zone or proposed keystone opportunity expansion zone meets the required criteria under section 304

(A.1) ENHANCEMENT APPLICATION.-- One or more political subdivisions within a keystone opportunity zone or keystone opportunity expansion zone, or a designee of one or more political subdivisions within a keystone opportunity zone or keystone opportunity expansion zone, may apply to the department to designate deteriorated property within the political subdivision or portions of the political subdivision as enhancements to a subzone or an expansion subzone. The application must satisfy the requirements of subsection (a)(1), (2), (3), (5) and (6).

(b) PARTICIPATION LIMITATION.-- A political subdivision shall not be a part of more than one proposed keystone opportunity zone or proposed keystone opportunity expansion zone. A proposed expansion subzone may not overlap the boundaries of a subzone.

(c) APPLICATION LIMITATION.-- A political subdivision may submit only one application to the department for authorization as a keystone opportunity zone. A political subdivision may submit only one application to the department for authorization as a keystone opportunity expansion zone. A political subdivision may submit only one application to the department for designation of enhancements to keystone opportunity zones and keystone opportunity expansion zones. If a political subdivision seeks to enhance its subzone under section 301(f) or its expansion subzone under section 301.1(e) and the Governor has designated an improvement subzone located within the political subdivision under section 301.2(b), the political subdivision must submit one application containing both the request required by section 301(f) or 301.1(e) and the application required by section 301.2(c).

§ 820.303. Review

(a) ACTION OF DEPARTMENT.-- The department, in consultation with the Department of Revenue, shall review all completed applications submitted under this act. An application for authorization as a keystone opportunity zone and designation of subzones must be received by the department on or before September 30, 1998, in order to be considered by the department. An application for authorization as a keystone opportunity expansion zone and designation of expansion subzones must be received by the department on or before February 28, 2001, in order to be considered by the department. An application for enhancement of a keystone opportunity zone or of a keystone opportunity expansion zone and designation of enhancements to subzones and to expansion subzones must be received by the department on or before June 1, 2004.

(b) PROCESS.-- The department shall authorize up to 12 keystone opportunity zones from applications meeting the criteria in section 304 based upon need and likelihood of success. The department shall authorize up to 12 keystone opportunity expansion zones from applications meeting the criteria in section 304 based upon need and likelihood of success. Additionally, the department shall not alter the geographic boundaries of a subzone or expansion subzone or the duration of a subzone or expansion subzone described in an application. The department shall authorize additional enhancements to keystone opportunity zones and keystone opportunity expansion zones from applications meeting the criteria in section 304 based upon need and likelihood of success as determined by the department.

(c) AUTHORIZATIONS.-- The department shall authorize all keystone opportunity zones by November 30, 1998. The department shall authorize all keystone opportunity expansion zones by March 30, 2001. The department shall authorize all enhancements to keystone opportunity zones and keystone opportunity expansion zones by June 30, 2004.

(d) EFFECTIVE DATE OF DESIGNATION.-- The designation of a subzone under this act shall take effect on January 1, 1999. The designation of an expansion subzone under this act shall take effect on January 1, 2001. The designation of enhancements to subzones and expansion subzones under this act shall take effect January 1, 2004. The designation of an improvement subzone under this act shall take effect on the date the property is designated an improvement subzone.

(e) EXTENSION.-- The department may extend the deadline for the receipt of applications for keystone opportunity zones until December 31, 1998, if all 12 zones have not been authorized and the extension is necessary to allow eligible political subdivisions to apply. The department shall authorize additional keystone opportunity zones under this subsection by February 28, 1999. The authorization shall take effect January 1, 1999, or if the authorization occurs after January 1, 1999, that subsequent authorization shall for all purposes be retroactive to January 1, 1999. The keystone opportunity zone authorization shall end as provided in section 301(b)

§ 820.304. Criteria for authorization of keystone opportunity zone

(a) SPECIFIC CRITERIA.-- In order to qualify for authorization under this act, the proposed keystone opportunity zone or proposed keystone opportunity expansion zone shall meet at least two of the following criteria:

- (1) At least 20% of the population is below the poverty level.
- (2) The unemployment rate is 1.25 times the Statewide average.
- (3) At least 20% of all real property within a five-mile radius of the proposed keystone opportunity zone, proposed keystone opportunity expansion zone, proposed subzone or proposed expansion subzone in a nonurban area is deteriorated or underutilized.
- (4) At least 20% of all real property within a one-mile radius of the proposed keystone opportunity zone, proposed keystone opportunity expansion zone, proposed subzone or proposed expansion subzone in an urban area is deteriorated or underutilized.
- (5) At least 20% of all occupied housing within a two-mile radius of the proposed keystone opportunity zone, proposed keystone opportunity expansion zone, proposed subzone or proposed expansion subzone in a nonurban area is deteriorated.
- (6) At least 20% of all occupied housing within a one-mile radius of the proposed keystone opportunity zone, proposed keystone opportunity expansion zone, proposed subzone or proposed expansion subzone in an urban area is deteriorated.
- (7) In an urban area, the median family income is 80% or less of the urban median family income for that metropolitan statistical area.
- (8) In an area other than an urban area, the median family income is 80% or less of the Statewide nonurban median family income.
- (9) The population loss exceeds 10% in an area that includes the proposed keystone opportunity zone or proposed keystone opportunity expansion zone and its surrounding area but is not larger than the county or counties in which the proposed keystone opportunity zone or proposed keystone opportunity expansion zone is located, based on census data for the period between 1980 and 1990 or census estimates since 1990 establishing a pattern of population loss.
- (10) The political subdivision in which the proposed keystone opportunity zone or proposed keystone opportunity expansion zone is located has experienced a sudden and/or severe job loss.
- (11) At least 33% of the real property in a proposed keystone opportunity zone or proposed keystone opportunity expansion zone in a nonurban area would otherwise remain underdeveloped or nonperforming due to physical characteristics of the real property.
- (12) The area has substantial real property with adequate infrastructure and energy to support new or expanded development.

(b) ADDITIONAL CRITERIA.-- In addition to the required criteria under subsection (a), the department shall consider the following criteria:

- (1) Evidence of distress, including, but not limited to, unemployment, percentage of population below 80% of the State median income, poverty rate, deteriorated property and adverse economic and socioeconomic conditions in the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.
- (2) The strength and viability of the proposed goals, objectives and strategies in the opportunity plan.

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

(4) Local public and private commitment to the development of the proposed keystone opportunity zone or proposed keystone opportunity expansion zone and the potential cooperation of surrounding communities.

(5) Existing resources available to the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.

(6) How keystone opportunity zone or keystone opportunity expansion zone authorization or economic redevelopment relates to other current economic and community development projects and to regional initiatives or programs.

(7) How the local regulatory burden will be eased for businesses operating in the proposed keystone opportunity zone or proposed keystone opportunity expansion zone.

(8) Proposals to implement educational opportunities and improvements.

(9) Crime statistics and proposals to implement local crime reduction measures.

(10) Proposals to establish and link job creation and job training.

(c) TAX EXEMPTION ORDINANCES.-- An area shall not be authorized as a keystone opportunity zone or a keystone opportunity expansion zone unless, as a part of the application, each political subdivision in which the proposed subzone or proposed expansion subzone is to be located adopts and provides a copy of an ordinance, resolution or other required action from the governing body of each political subdivision that exempts or provides deductions, abatements or credits to qualified persons and qualified businesses from local taxes upon designation of the area as a subzone or expansion subzone. All appropriate ordinances and resolutions shall be effective on or before January 1, 1999, if designation as a subzone is granted. All appropriate ordinances and resolutions shall be effective on January 1, 2001, if designation as an expansion subzone is granted. All appropriate ordinances and resolutions shall be effective January 1, 2004, if designation of enhancements to a subzone or expansion subzone are granted. Except as provided in section 309, the resolution, ordinance or other required action shall be binding and nonrevocable on the qualified political subdivisions for the duration of the opportunity plan.

(d) URBAN AREAS.-- The department shall promulgate guidelines that include the definition of "urban area" for the purposes of receiving applications for authorization as a keystone opportunity zone or keystone opportunity expansion zone.

§ 820.305. Zone limitations

The department shall not authorize more than 12 keystone opportunity zones within this Commonwealth. No subzone shall encompass an entire political subdivision. The department shall not authorize more than 12 keystone opportunity expansion zones within this Commonwealth. No expansion subzones shall encompass an entire political subdivision.

§ 820.306. Residency

In order to qualify each year for a tax exemption, deduction, abatement or credit under this act, a person shall be domiciled and shall reside in a subzone, expansion subzone or improvement subzone for a period of 184 consecutive days during each taxable year, which may begin on the date of designation by the department or on the date the person first resides within the subzone, expansion subzone or improvement subzone.

§ 820.307. Qualified businesses

(a) QUALIFICATIONS.-- In order to qualify each year for a tax exemption, deduction, abatement or credit under this act, a business shall own or lease real property in a subzone, improvement subzone or expansion subzone from which the business actively conducts a trade, profession or business. The qualified business shall receive certification

from the department that the business is located and is in the active conduct of a trade, profession or business, within the subzone, improvement subzone or expansion subzone. The business shall obtain annual renewal of the certification from the department to continue to qualify under this section.

(b) RELOCATION.-- Any business that relocates from outside a subzone, improvement subzone or expansion subzone into a subzone, improvement subzone or expansion subzone shall not receive any of the exemptions, deductions, abatements or credits set forth in this act unless that business does one of the following:

(1) increases full-time employment by at least 20% in the first full year of operation within the subzone, improvement subzone or expansion subzone;

(2) makes a capital investment in the property located within the subzone, improvement subzone or expansion subzone at least equivalent to 10% of the gross revenues of that business in the immediately preceding calendar or fiscal year; or

(3) enters into a lease agreement for property located within the subzone, improvement subzone or expansion subzone:

(i) for a term at least equivalent to the duration of the subzone, improvement subzone or expansion subzone; and

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

The department, in consultation with the Department of Revenue, may waive or modify the requirements of this subsection, as appropriate.

§ 820.308. Forms

(a) APPLICATION FORMS.-- Applications for authorization as a keystone opportunity zone or keystone opportunity expansion zone shall be on forms prescribed by the department.

(b) DEPARTMENT ASSISTANCE.-- The department shall assist political subdivisions in using the Internet as a tool for encouraging new business development, including assisting political subdivisions in making available via the Internet information, applications and other forms necessary under this act.

§ 820.309. Decertification

(a) APPLICATION.-- One or more political subdivisions, or a designee of one or more political subdivisions, may apply to the department to decertify and remove the designation of deteriorated property as part of a subzone, improvement subzone or expansion subzone. The application must contain all of the following:

(1) An identification of the property to be removed.

(2) A copy of an agreement which was supported by consideration in which each entity which possesses an interest in the real property to be removed, including any holder of an option either to purchase the real estate or to enter into a ground lease of the real estate or any other leasehold interest in the real estate, waives the party's right to any exemptions, deductions, abatements or credits granted by this act.

(3) A copy of a binding ordinance, resolution or other governing document passed by the political subdivision removing any exemptions, deductions, abatements or credits granted by this act effective upon decertification by the department.

(b) PROCESS.-- The department may grant the request to decertify and remove the property provided that completed applications have been submitted by all qualified political subdivisions in which the property is located.

§ 820.310. Payments

The following shall apply to an agreement between a business and a political subdivision entered into after the effective date of this section in exchange for the approval of, or otherwise relating to, the establishment of a keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone under this act, to include an extension under section 301.2:

(1) Except as otherwise required or authorized by law, a business may not provide payments to a political subdivision in exchange for the approval of, or otherwise relating to, the designation or extension of a keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone in excess of 110% of the amount of real property taxes payable to the political subdivision for the tax year immediately prior to the year in which the designation or extension is granted. The limitation on payments set forth under this paragraph may increase by the percentage increase in the payments that would occur if the property was not exempt from local real property taxes.

(2) Except as provided under paragraph (3), payments made under paragraph (1) may be increased based on a taxpayer assessment appeal or as necessary to correct any errors or omissions in the county's assessment records. Payments may be increased following a countywide reassessment based on improvements to the property made prior to the approval of the designation or expansion.

(3) Payments may not be increased for the duration of the designation or expansion based on an increase in the assessed value of property due to improvements to the property made subsequent to designation.

(4) Any agreement to make payments under this section shall be in writing and approved by a majority vote of the governing body of the political subdivision at a meeting that is subject to 65 Pa.C.S. Ch. 7 (relating to open meetings).

§ 820.311. Prohibition on illegal alien labor

(a) GENERAL RULE.-- No person or business that receives a tax exemption, deduction, abatement or credit under this act shall knowingly permit the labor services of an illegal alien under a contract to which the person or business is a party in the applicable keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone. A person shall be deemed to have knowingly employed or knowingly permitted the prohibited services if he shall have active knowledge of or have reason to know that such services have been provided under the contract in the applicable keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone.

(b) REIMBURSEMENT.-- As a condition of the receipt of a tax exemption, deduction, abatement or credit under this act, the department or political subdivision that awards the tax exemption, deduction, abatement or credit under this act shall require full repayment of the value or amount of the tax exemption, deduction, abatement or credit if subsection (c) applies.

(c) VIOLATIONS.--

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

(i) The person or business that received the tax exemption, deduction, abatement or credit under this act is sentenced under Federal law for an offense involving knowing use of labor by an illegal alien under the contract in the applicable keystone opportunity zone, keystone opportunity expansion zone or keystone improvement zone.

(ii) All of the following apply:

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

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

(2) Any person who is required to repay the department or political subdivision under this section shall be ineligible to apply for any tax exemption, deduction, abatement or credit under this act for a period of two years.

(3) It shall be an affirmative defense to a violation of this section, if the person or business contracts with a contractor to provide labor under the contract in the applicable keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone and establishes that the person has required the contractor to certify compliance with the requirements of section 274A of the Immigration Reform and Control Act of 1986 (Public Law 99-603, 8 U.S.C. § 1324A) with respect to the hiring, recruiting or referral for employment of an alien in the United States and has notified the appropriate Federal authority, if the person knew that the contractor used labor by an illegal alien.

(d) DEFINITION.-- As used in this section, "illegal alien" means a noncitizen of the United States who is violating Federal immigration laws and is providing compensated labor within this Commonwealth.

§ 820.501. State taxes

(a) GENERAL RULE.-- A person who is a resident of a subzone, improvement subzone or expansion subzone, a qualified business or a nonresident under section 513 shall receive the exemptions, deductions, abatements or credits as provided in this chapter and Chapter 7 for the duration of the subzone, improvement subzone or expansion subzone designation. Exemptions, deductions, abatements or credits shall expire on the date of expiration of the subzone, improvement subzone or expansion subzone designation.

(b) CONSTRUCTION.-- The Department of Revenue shall administer, construe and enforce the provisions of this chapter in conjunction with Articles II, III, IV, VI, VII, IX and XV of the Tax Reform Code of 1971

§ 820.511. Sales and use tax

(a) EXEMPTION.-- Sales at retail of services or tangible personal property, other than motor vehicles, to a qualified business or a construction contractor pursuant to a construction contract with a qualified business, landowner or lessee for the exclusive use, consumption and utilization of the tangible personal property or service by the qualified business at the qualified business's, landowner's or lessee's facility located within a subzone, improvement subzone or expansion subzone are exempt from the sales and use tax imposed under Article II of the Tax Reform Code of 1971. No person shall be allowed an exemption for sales conducted prior to designation of the real property as part of a subzone or expansion subzone.

(b) Deleted by 2008, July 10, P.L. 1014, No. 79, § 3, effective in 60 days [Sept. 8, 2008].

§ 820.512. Personal income tax

(a) GENERAL RULE.-- A person shall be allowed an exemption for:

(1) Compensation received during the time period when the person was a resident of a subzone, improvement subzone or expansion subzone.

(2) Net income from the operation of a qualified business received by a resident or nonresident of a subzone, improvement subzone or expansion subzone attributable to business activity conducted within a subzone, improvement subzone or expansion subzone, determined in accordance with section 515, except that any business that operates both within and outside this Commonwealth, before computing its subzone, improvement subzone or expansion subzone exemption, shall first determine its Pennsylvania activity over its activity everywhere by applying the three-factor apportionment formula as set forth in Department of Revenue personal income tax regulations applicable to income apportionment in connection with a business, trade or profession carried on both within and outside this Commonwealth.

(3) All of the following:

(i) Net gains or income, less net losses, derived by a resident or nonresident of a subzone, improvement subzone or expansion subzone from the sale, exchange or other disposition of real or tangible personal property located in a subzone,

improvement subzone or expansion subzone as determined in accordance with accepted accounting principles and practices. The exemption provided in this subparagraph shall not apply to the sale, exchange or other disposition of any stock of goods, merchandise or inventory, or any operational assets unless the transfer is in connection with the sale, exchange or other disposition of all of the assets in complete liquidation of a qualified business located in a subzone, improvement subzone or expansion subzone. This subparagraph shall apply to intangible personal property employed in a trade, profession or business in a subzone or expansion subzone by a qualified business, but only when transferred in connection with a sale, exchange or other disposition of all of the assets in complete liquidation of the qualified business in the subzone, improvement subzone or expansion subzone.

(ii) Net gains, less net losses, realized by a resident of a subzone, improvement subzone or expansion subzone from the sale, exchange or disposition of intangible personal property or obligations issued on or after February 1, 1994, by the Commonwealth, a public authority, commission, board or other Commonwealth agency, political subdivision or authority created by a political subdivision or by the Federal Government as determined in accordance with accepted accounting principles and practices.

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

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

(B) In the case of gains, less net losses, in subparagraph (ii), the percentage of time, based on calendar days, the property was held by the taxpayer while a resident of a subzone, improvement subzone or expansion subzone in relation to the total time the property was held.

(4) Net gains or income derived from or in the form of rents received by a person, whether a resident or nonresident of a subzone, improvement subzone or expansion subzone, to the extent that income or loss from the rental of real or tangible personal property is allocable to a subzone, improvement subzone or expansion subzone. For purposes of calculating this exemption:

(i) Net rents derived from real or tangible personal property located in a subzone, improvement subzone or expansion subzone are allocable to a subzone, improvement subzone or expansion subzone.

(ii) If the tangible personal property was used both within and without the subzone, improvement subzone or expansion subzone during the taxable year, only the net income attributable to use in the subzone, improvement subzone or expansion subzone is exempt. The net rental income shall be multiplied by a fraction, the numerator of which is the number of days the property was used in the subzone, improvement subzone or expansion subzone and the denominator which is the total days of use.

(5) Dividends received during the time the person was a resident of a subzone, improvement subzone or expansion subzone.

(6) Interest received during the time period the person was a resident of a subzone, improvement subzone or expansion subzone.

(7) The part of the income or gains received by an estate or trust for its taxable year ending within or with the resident-beneficiary's taxable year which, under the governing instrument and applicable State law, is required to be distributed currently or is in fact paid or credited to the resident-beneficiary and which would have been exempt under this act if received by a resident-beneficiary directly.

(A.1) EXEMPTION.-- Beginning in taxable year 1999, a person located in a designated subzone shall be allowed an exemption under subsection (a) from the tax imposed by Article III of the Tax Reform Code of 1971 for the classes of income set forth in subsection (a). Beginning in taxable year 2001, a person located in a designated expansion subzone shall be allowed an exemption under subsection (a) from the tax imposed by Article III of the Tax Reform Code of 1971 for the classes of income set forth in subsection (a). No person shall be allowed an exemption for activities conducted prior to designation of the real property as part of a subzone or expansion subzone.

(A.2) PASS-THROUGH ENTITIES.-- The exemptions provided for in subsection (a)(2), (3)(i) and (4) shall apply to all of the following:

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

(2) The income or gain of a Pennsylvania S corporation. The shareholder shall be entitled to the exemptions under this section for the shareholder's pro rata share, whether or not distributed, of the income or gain received by the corporation for its taxable year ending within or with the shareholder's taxable year.

(b) LIMITATION.-- A partnership, association, Subchapter S corporation, resident or nonresident may not apply an exemption from income under this act for any class of income against any other classes of income or gain. A partnership, association, Subchapter S corporation, resident or nonresident may not carry back or carry forward any exemption under this act from year to year. The credit allowed under this section shall not exceed the tax liability of the taxpayer under Article III of the Tax Reform Code of 1971 for the tax year.

(c) SECTION NOT APPLICABLE TO CERTAIN ENTITIES.-- Any portion of net income or gain that is attributable to operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company or entity which would qualify as a regulated investment company under Article IV of the Tax Reform Code of 1971 or would qualify as a holding company under Article VI of the Tax Reform Code of 1971 shall not be used to calculate an exemption under this section. This subsection shall not apply to the exemption from tax provided in subsection (a)(5).

§ 820.513. Residency considerations

If a person completes the residency requirements under section 306 or if a nonresident realizes income attributable to business activity or property within a subzone, improvement subzone or expansion subzone on or before the end of the tax year, the person may claim the exemptions from income for the items set forth in section 512 for that portion of the tax year that the person was a resident or for that portion of the tax year during which the area is designated as a subzone, improvement subzone or expansion subzone.

§ 820.514. Deleted. 2000, Dec. 20, P.L. 841, No. 119, § 4, imd. effective

§ 820.515. Corporate net income tax

(a) CREDITS.-- For the tax years that begin on or after January 1, 1999, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within the subzone in the taxable year. For the tax years that begin on or after January 1, 2001, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within the expansion subzone in the taxable year. For tax years that begin on or after January 1, 2004, a corporation which is a qualified business under this act may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within the improvement subzone in the taxable year. No credit may be claimed for activities conducted prior to designation of the real property as part of a subzone or expansion subzone. The business activity must be conducted directly by a corporation in the subzone, improvement subzone or expansion subzone in order for the corporation to claim the tax credit.

(b) TAX LIABILITY DETERMINATIONS.-- The corporate tax liability attributable to business activity conducted within a subzone, improvement subzone or expansion subzone shall be determined by multiplying the corporation's taxable income that is attributable to business activity conducted within the subzone or expansion subzone by the rate of tax imposed under Article IV of the Tax Reform Code of 1971 for the taxable year.

(c) DETERMINATIONS OF ATTRIBUTABLE TAX LIABILITY.-- Tax liability attributable to business activity conducted within a subzone, improvement subzone or expansion subzone shall be computed, construed, administered and enforced in conformity with Article IV of the Tax Reform Code of 1971 and with specific reference to the following:

(1) If the entire business of the corporation in this Commonwealth is transacted wholly within the subzone, improvement subzone or expansion subzone, the taxable income attributable to business activity within a subzone, improvement subzone

or expansion subzone shall consist of the Pennsylvania taxable income as determined under Article IV of the Tax Reform Code of 1971.

(2) If the entire business of the corporation in this Commonwealth is not transacted wholly within the subzone, improvement subzone or expansion subzone, the taxable income of a corporation in a subzone, improvement subzone or expansion subzone shall be determined upon such portion of the Pennsylvania taxable income of such corporation attributable to business activity conducted within the subzone, improvement subzone or expansion subzone and apportioned in accordance with subsection (d).

(d) INCOME APPORTIONMENT.-- The taxable income of a corporation that is a qualified business shall be apportioned to the subzone, improvement subzone or expansion subzone by multiplying the Pennsylvania taxable income by a fraction, the numerator of which is the property factor plus the payroll factor and the denominator of which is two, in accordance with the following:

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

(2) (i) The payroll factor is a fraction, the numerator of which is the total amount paid in the subzone, improvement subzone or expansion subzone during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid in this Commonwealth during the tax period.

(ii) Compensation is paid in the subzone, improvement subzone or expansion subzone if:

(A) the person's service is performed entirely within the subzone, improvement subzone or expansion subzone;

(B) the person's service is performed both within and without the subzone, improvement subzone or expansion subzone, but the service performed without the subzone, improvement subzone or expansion subzone is incidental to the person's service within the subzone, improvement subzone or expansion subzone; or

(C) some of the service is performed in the subzone, improvement subzone or expansion subzone and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the subzone, improvement subzone or expansion subzone, or the base of operations or the place from which the service is directed or controlled is not in any location in which some part of the service is performed, but the person's residence is in the subzone, improvement subzone or expansion subzone.

(3) Deleted by 2008, July 10, P.L. 1014, No. 79, § 4, effective in 60 days [Sept. 8, 2008].

(e) COMPUTATION.-- A corporation shall compute its Commonwealth taxable income in conformity with Article IV of the Tax Reform Code of 1971 with no adjustments or subtractions for subzone, improvement subzone or expansion subzone taxable income.

(f) LIMITATION ON AMOUNT OF CREDIT.-- The credit allowed under this section shall not exceed the tax liability of the taxpayer under Article IV of the Tax Reform Code of 1971 for the tax year.

(g) SECTION NOT APPLICABLE TO CERTAIN BUSINESSES.-- Any portion of the taxpayer's taxable income that is attributable to the operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company, a corporation that qualifies as a regulated investment company under Article IV of the Tax Reform Code of 1971 or holding company as defined in Article VI of the Tax Reform Code of 1971 shall not be used to calculate a credit under this section.

§ 820.516. Capital stock franchise tax

(a) CREDITS.-- For tax years that begin on or after January 1, 1999, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article VI of the Tax Reform Code of 1971 for tax liability attributable to

the capital employed within the subzone in the taxable year. For tax years that begin on or after January 1, 2001, a corporation that is a qualified business under this act may claim a credit against the tax imposed by Article VI of the Tax Reform Code of 1971 for tax liability attributable to the capital employed within the expansion subzone in the taxable year. For tax years that begin on or after January 1, 2004, a corporation which is a qualified business under this act may claim a credit against the tax imposed by Article VI of the Tax Reform Code of 1971 for tax liability attributable to the capital employed within the improvement subzone in the taxable year. No credit may be claimed for capital employed prior to designation of the real property as part of a subzone or expansion subzone. The business activity must be conducted directly by a corporation in the subzone or expansion subzone in order for the corporation to claim the tax credit.

(b) TAX LIABILITY.-- The corporation's tax liability attributable to capital employed within a subzone, improvement subzone or expansion subzone shall be determined by multiplying the corporation's taxable value attributable to capital employed within the subzone, improvement subzone or expansion subzone by the rate of tax imposed under Article VI of the Tax Reform Code of 1971 for the taxable year. The corporation shall compute its Pennsylvania taxable value in conformity with Article VI of the Tax Reform Code of 1971 with no adjustments or subtractions for the capital employed in the subzone, improvement subzone or expansion subzone.

(c) DETERMINATION OF ATTRIBUTABLE TAX LIABILITY.-- The determination of the corporation's taxable value attributable to the capital employed within a subzone, improvement subzone or expansion subzone shall be determined with specific reference to the following:

(1) If the entire business of the corporation in this Commonwealth is transacted wholly within a subzone, improvement subzone or expansion subzone, the taxable value attributable to the capital employed within a subzone, improvement subzone or expansion subzone shall consist of the Pennsylvania taxable value as determined under Article VI of the Tax Reform Code of 1971.

(2) If the entire business of the corporation in this Commonwealth is not wholly transacted within a subzone, improvement subzone or expansion subzone, the taxable value of a corporation in a subzone, improvement subzone or expansion subzone shall be determined upon such portion of the Pennsylvania taxable value attributable to the capital employed within the subzone, improvement subzone or expansion subzone by employing the apportionment factors set forth in section 515(d)

(d) Deleted. 2000, Dec. 20, P.L. 841, No. 119, § 4, imd. effective.

(e) LIMITATION ON AMOUNT OF CREDIT.-- The credit allowed under this section shall not exceed the tax liability of the taxpayer under Article VI of the Tax Reform Code of 1971 for the tax year.

(f) CREDIT NOT AVAILABLE.-- Any portion of the taxpayer's tax liability that is attributable to the capital employed in the operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company, a corporation that qualifies as a regulated investment company under Article IV of the Tax Reform Code of 1971 or holding company as defined in Article VI of the Tax Reform Code of 1971 shall not be used to calculate a credit under this section.

§ 820.517. Bank and trust company shares tax, alternative bank and trust company shares tax and mutual thrift institutions tax

(a) CREDITS.-- For tax years that begin on or after January 1, 2001, an institution that is a qualified business under this act may claim a credit against the tax imposed by Article VII or XV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within the subzone or expansion subzone in the taxable year. For tax years that begin on or after January 1, 2004, an institution which is a qualified business under this act may claim a credit against the tax imposed by Article VII or XV of the Tax Reform Code of 1971 for tax liability attributable to business activity conducted within an improvement subzone in the taxable year. No credit may be claimed for business activity conducted prior to designation of the real property as part of a subzone or expansion subzone. The business activity must be conducted directly by an institution in the subzone, improvement subzone or expansion subzone in order for the institution to claim the tax credit.

(b) TAX LIABILITY.-- The institution's tax liability attributable to business activity conducted within a subzone, improvement subzone or expansion subzone shall be determined by multiplying the taxable amount of its shares or net income that is attributable to business activity conducted within the subzone, improvement subzone or expansion subzone by the rate of tax imposed under Article VII or XV of the Tax Reform Code of 1971 for the taxable year. The institution shall

compute the Pennsylvania taxable amount of its shares or net income in conformity with Article VII or XV of the Tax Reform Code of 1971.

(c) DETERMINATION OF ATTRIBUTABLE TAXABLE LIABILITY.-- The taxable shares or the income of an institution that is a qualified business shall be apportioned to the subzone, improvement subzone or expansion subzone by multiplying the Pennsylvania taxable shares or income by a fraction, the numerator of which is the payroll factor plus the receipts factor plus the deposits factor and the denominator of which is three.

(1) The payroll factor is a fraction, the numerator of which is the total wages paid in a subzone, improvement subzone or expansion subzone during the tax period by the taxpayer and the denominator of which is the total wages paid in this Commonwealth during the period. Wages are paid in a subzone, improvement subzone or expansion subzone if they are paid to an employee having a regular presence in the subzone, improvement subzone or expansion subzone.

(2) The receipts factor is a fraction, the numerator of which is total receipts of the taxpayer in a subzone, improvement subzone or expansion subzone during the tax period and the denominator of which is the total receipts located in this Commonwealth. Receipts do not include principal repayments on loans or credit, travel and entertainment cards. Receipts from the sale or disposition of intangible and tangible property include only the net gain received from the sale or disposition. The location of receipts shall be determined as follows:

(i) Receipts from loans primarily secured by real property are located in a subzone, improvement subzone or expansion subzone if the predominant portion of the real property is located in the subzone, improvement subzone or expansion subzone and the application and negotiation or administrative responsibility occurs at a qualified business.

(ii) Receipts from loans not primarily secured by real property are located in a subzone, improvement subzone or expansion subzone if the obligor, in the case of an individual, resides in a subzone or expansion subzone or, in the case of a corporation, if the corporation's commercial domicile is located in a subzone, improvement subzone or expansion subzone and the application and negotiation or administrative responsibility occurs at a qualified business.

(iii) Receipts from performance of services are located in a subzone, improvement subzone or expansion subzone if the services are performed in the subzone, improvement subzone or expansion subzone. If services are performed partly within the subzone, improvement subzone or expansion subzone and partly outside the subzone, improvement subzone or expansion subzone, the subzone, improvement subzone or expansion subzone receipts shall be the ratio that the time spent in performing the services in the subzone, improvement subzone or expansion subzone bears to the total time spent in performing the services in this Commonwealth. Time spent in performing services in the subzone, improvement subzone or expansion subzone is the time spent by employees having a regular presence in the subzone, improvement subzone or expansion subzone in performing the services.

(iv) Receipts from lease transactions are located in a subzone, improvement subzone or expansion subzone if the leased property is located in the subzone, improvement subzone or expansion subzone.

(v) Receipts from interest or service charges, excluding merchant discounts, from credit, travel and entertainment card receivables and credit card holders' fees are located in a subzone, improvement subzone or expansion subzone if the credit card holder, in the case of an individual, resides in a subzone, improvement subzone or expansion subzone or, in the case of a corporation, if the corporation's commercial domicile is located in a subzone, improvement subzone or expansion subzone.

(vi) Receipts from interest, dividends and net gains from the sale or disposition of intangibles, exclusive of those receipts described elsewhere in this paragraph, are located in a subzone, improvement subzone or expansion subzone if the institution maintains a qualified business that treats such intangibles as assets on its books or records.

(vii) Receipts from fees or charges from the issuance of traveler's checks and money orders are located in a subzone, improvement subzone or expansion subzone if the traveler's checks or money orders are issued in the subzone, improvement subzone or expansion subzone.

(viii) Receipts from sales of tangible property are located in a subzone, improvement subzone or expansion subzone if the property is delivered or shipped to a purchaser located in a subzone, improvement subzone or expansion subzone, regardless of the free on board point or other conditions of the sale.

(ix) Receipts not specifically treated under this paragraph are located in a subzone, improvement subzone or expansion subzone if the greatest portion of the income-producing activities are performed in the subzone, improvement subzone or expansion subzone, based on costs of performance.

(3) The deposits factor is a fraction, the numerator of which is the average value of deposits located in a subzone, improvement subzone or expansion subzone during the taxable year and the denominator of which is the average value of the total deposits in this Commonwealth during the taxable year. The average value of deposits is to be computed on a quarterly basis. Deposits are located in the subzone, improvement subzone or expansion subzone if the institution maintains a qualified business that properly treats the deposits as a liability on its books or records. A deposit is considered to be properly treated as a liability on the books or records of a qualified business if:

(i) the deposit account was opened or transferred to the qualified business by or at the direction of the depositor, regardless of where subsequent deposits or withdrawals are made;

(ii) the employees regularly connected with the qualified business are primarily responsible for servicing the depositor's general banking and other financial needs; and

(iii) at least one of the following factors occurs at the qualified business:

(A) The deposit was solicited by an employee regularly connected with the qualified business, regardless of where the deposit was actually solicited.

(B) The terms governing the deposit were negotiated by employees regularly connected with the qualified business, regardless of where the negotiations were actually conducted.

(C) The essential records relating to the deposit are physically located at the qualified business and the deposit is serviced at the qualified business.

(d) **LIMITATION ON AMOUNT OF CREDIT.**-- The credit allowed under this section shall not exceed 50% of the tax liability of the taxpayer under Article VII or XV of the Tax Reform Code of 1971 for the tax year.

§ 820.518. Keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit

(a) **CREDITS.**-- For tax years that begin on or after January 1, 2001, an insurance company that is a qualified business under this act may apply to the Department of Revenue for a job tax credit against the tax imposed by Article IX of the Tax Reform Code of 1971 for all full-time jobs within a subzone or expansion subzone in the taxable year. For tax years that begin on or after January 1, 2004, an insurance company that is a qualified business under this act may apply to the Department of Revenue for a job tax credit against the tax imposed by Article IX of the Tax Reform Code of 1971 for all full-time jobs within an improvement subzone in the taxable year. The job must be held directly with an insurance company in the subzone, improvement subzone or expansion subzone in order for the insurance company to apply for the tax credit. The Department of Revenue will prescribe the form and manner to obtain the credit.

(b) Section not applicable to certain insurance companies.

(1) An insurance company that relocates from a location in a political subdivision in this Commonwealth that is not in a subzone, improvement subzone or expansion subzone to a location in a subzone, improvement subzone or expansion subzone may not apply for a credit for an existing job that is transferred, discontinued or lost in this Commonwealth which is attributable to the relocation.

(2) An insurance company that has relocated pursuant to paragraph (1) may apply for a keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit for a new full-time job that is created in the subzone, improvement subzone or expansion subzone. A new full-time job is created with an insurance company if the average monthly employment for that insurance company has increased from the prior 12-month calendar year in the subzone, improvement subzone or expansion subzone.

(c) **APPLICATION OF CREDIT.**-- An insurance company shall apply for a credit by January 15 for the previous calendar year.

(d) APPORTIONMENT.-- The Department of Revenue shall apportion a keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or a keystone opportunity expansion zone job tax credit for an insurance company that is a qualified business that has not operated in a subzone, improvement subzone or expansion subzone for a full fiscal year.

(e) CREDIT DETERMINATIONS.-- The keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit shall be determined by multiplying the monthly average of all full-time jobs by the allowance. The allowance for purposes of the keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit for taxable years beginning within the dates set forth shall be as follows:

January 1, 2001, to December 31, 2001	\$500 per job
January 1, 2002, to December 31, 2002	\$750 per job
January 1, 2003, to December 31, 2003	\$1,000 per job
January 1, 2004, to December 31, 2004	\$1,250 per job
January 1, 2005, to December 31, 2005	\$1,250 per job
January 1, 2006, to December 31, 2006	\$1,250 per job
January 1, 2007, to December 31, 2007	\$1,250 per job
January 1, 2008, to December 31, 2008	\$1,250 per job
January 1, 2009, to December 31, 2009	\$1,250 per job
January 1, 2010, to December 31, 2010	\$1,250 per job
January 1, 2011, to December 31, 2011	\$1,250 per job
January 1, 2012, to December 31, 2012	\$1,250 per job
January 1, 2013, to December 31, 2013	\$1,250 per job
January 1, 2014, to December 31, 2014	\$1,250 per job
January 1, 2015, to December 31, 2015	\$1,250 per job
January 1, 2016, to December 31, 2016	\$1,250 per job
January 1, 2017, to December 31, 2017	\$1,250 per job
January 1, 2018, to December 31, 2018	\$1,250 per job

(f) NOTIFICATION OF CREDIT.-- By March 15, the Department of Revenue shall notify an insurance company of the amount of the insurance company's tax credit approved.

(g) LIMITATION ON AMOUNT OF CREDIT.-- The tax credit allowed under this section shall not exceed 50% of the tax liability of the insurance company under Article IX of the Tax Reform Code of 1971 for the tax year. An insurance company may not carry back or forward any credit received under this section.

(h) ALLOCATION.-- The total amount of credits approved by the Department of Revenue under this section shall not exceed \$ 1,000,000 annually. If the credits exceed the \$ 1,000,000 cap in a given year, the credits will be allocated on a pro rata basis.

(i) CALCULATION OF ALLOCATION.-- If the total amount of keystone opportunity zone job tax credits, keystone opportunity improvement zone job tax credit and keystone opportunity expansion zone job tax credits applied for by all insurance companies under this section exceeds \$ 1,000,000, then the credit to be received by each insurance company shall be the product of \$ 1,000,000 multiplied by the quotient of the credit applied for by the insurance company divided by the total of all credits applied for by all insurance companies, the algebraic equivalent of which is:

insurance company's keystone opportunity zone job tax credit,
keystone opportunity improvement zone job tax credit or keystone
opportunity expansion zone job tax credit = \$ 1,000,000 X (the amount
of keystone opportunity zone job tax credit, keystone opportunity
improvement zone job tax credit or keystone opportunity expansion
zone job tax credit applied for by the insurance company/the sum of
all keystone opportunity zone job tax credits, keystone opportunity
improvement zone job tax credits and keystone opportunity expansion
zone job tax credits applied for by all insurance companies).

(j) PARTNERSHIP ARRANGEMENTS.-- The jobs tax credit provided for under this section may be allocated to an insurance company that is a partner in such partnership that is also a qualified business in proportion to the full-time jobs within a subzone, improvement subzone or expansion subzone that are provided to such insurance company by the partnership. However, a partnership and a partner of that partnership may not claim any other tax benefit, expense or credit for the same keystone opportunity zone job tax credit, keystone opportunity improvement zone job tax credit or keystone opportunity expansion zone job tax credit.

(k) RELIEF FROM ADDITIONAL RETALIATORY TAX.-- The tax credit taken by an insurance company under this section shall not be included in determining liability for retaliatory taxes imposed under section 212 of the act of May 17, 1921 (P.L. 789, No. 285), known as The Insurance Department Act of 1921.

(l) HOLD-HARMLESS CLAUSE.-- The tax credits allowed by this section shall not reduce the amounts which would otherwise be payable for firemen's relief pension or retirement purposes or for police pension retirement or disability purposes. The Department of Revenue shall transfer by June 30 of each fiscal year an amount equal to the tax credits taken under this section by foreign fire and casualty insurance companies from the General Fund to the Municipal Pension Aid Fund and the Fire Insurance Tax Fund, as appropriate.

§ 820.519. Keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit

(a) CREDITS.-- For tax years that begin on or after January 1, 2001, a railroad, truck, bus or airline company, pipeline or natural gas company or water transportation company that is required to apportion income in accordance with section 401(3)2(b), (c) or (d) of the Tax Reform Code of 1971 and is a qualified business under this act may apply to the Department of Revenue for a keystone opportunity zone job creation tax credit or keystone opportunity expansion zone job creation tax credit against the tax imposed by Article III, IV or VI of the Tax Reform Code of 1971. For tax years that begin on or after January 1, 2004, a railroad, truck, bus or airline company, pipeline or natural gas company or water transportation company that is required to apportion income in accordance with section 401(3)2(b), (c) or (d) of the Tax Reform Code of 1971 and is a qualified business under this act may apply to the Department of Revenue for a keystone opportunity zone improvement job creation tax credit against the tax imposed by Article III, IV or VI of the Tax Reform Code of 1971. The credit shall be for all full-time jobs created within a subzone, improvement subzone or expansion subzone in the taxable year. The job must be held directly with the qualified business in the subzone, improvement subzone or expansion subzone in order for the qualified business to apply for the tax credit. The Department of Revenue shall prescribe the form and manner to obtain the credit.

(b) SECTION NOT APPLICABLE TO CERTAIN BUSINESSES OR QUALIFIED BUSINESSES

(1) A business that relocates from a location in a political subdivision in this Commonwealth that is not in a subzone, improvement subzone or expansion subzone to a location in a subzone, improvement subzone or expansion subzone may

not apply for a credit for an existing job that is transferred, discontinued or lost in this Commonwealth which is attributable to the relocation.

(2) A business that has relocated pursuant to paragraph (1) and becomes a qualified business may apply for a keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit for a new full-time job that is created in the subzone, improvement subzone or expansion subzone. A new full-time job is created with a qualified business if the average monthly employment for that qualified business has increased from the prior 12-month calendar year in the zone.

(c) APPLICATION OF CREDIT.-- A qualified business shall apply for a credit under this section by January 15 for the previous calendar year.

(d) APPORTIONMENT.-- The Department of Revenue shall apportion a keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or a keystone opportunity expansion zone job creation tax credit for a business that is a qualified business that has not operated in a subzone, improvement subzone or expansion subzone for a full fiscal year.

(e) CREDIT DETERMINATIONS.-- The keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit shall be determined by multiplying the monthly average of all full-time jobs by the allowance. The allowance for purposes of the keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit for taxable years beginning within the dates set forth shall be as follows:

January 1, 2001, to December 31, 2001	\$500 per job
January 1, 2002, to December 31, 2002	\$750 per job
January 1, 2003, to December 31, 2003	\$1,000 per job
January 1, 2004, to December 31, 2004	\$1,250 per job
January 1, 2005, to December 31, 2005	\$1,250 per job
January 1, 2006, to December 31, 2006	\$1,250 per job
January 1, 2007, to December 31, 2007	\$1,250 per job
January 1, 2008, to December 31, 2008	\$1,250 per job
January 1, 2009, to December 31, 2009	\$1,250 per job
January 1, 2010, to December 31, 2010	\$1,250 per job
January 1, 2011, to December 31, 2011	\$1,250 per job
January 1, 2012, to December 31, 2012	\$1,250 per job
January 1, 2013, to December 31, 2013	\$1,250 per job
January 1, 2014, to December 31, 2014	\$1,250 per job
January 1, 2015, to December 31, 2015	\$1,250 per job
January 1, 2016, to December 31, 2016	\$1,250 per job
January 1, 2017, to December 31, 2017	\$1,250 per job
January 1, 2018, to December 31, 2018	\$1,250 per job

(f) NOTIFICATION OF CREDIT.-- By March 15, the Department of Revenue shall notify the qualified business of the amount of the qualified business's job creation tax credit approved.

(g) LIMITATION ON AMOUNT OF CREDIT.-- The tax credit allowed under this section shall only be used to offset a tax liability incurred from subzone, improvement subzone or expansion subzone activities and shall not exceed 50% of the tax liability of a qualified business or person under Article III, IV or VI of the Tax Reform Code of 1971 for the tax year. The job creation tax credit may not carry back or forward to any other year.

(h) ALLOCATION.-- The total amount of credits approved by the Department of Revenue under this section shall not exceed \$ 1,000,000 annually. If the credits exceed the \$ 1,000,000 cap in a given year, the credits will be allocated on a pro rata basis.

(i) CALCULATION OF ALLOCATION.-- If the total amount of keystone opportunity zone job creation tax credits, keystone opportunity improvement zone job creation tax credits and keystone opportunity expansion zone job creation tax credits applied for by all qualified businesses under this section exceeds \$ 1,000,000, then the credit to be received by each qualified business shall be the product of \$ 1,000,000 multiplied by the quotient of the credit applied for by the qualified business divided by the total of all credits applied for by all qualified businesses, the algebraic equivalent of which is:

qualified business keystone opportunity zone job creation tax credit,
keystone opportunity improvement zone job creation tax credit or
keystone opportunity expansion zone job creation tax credit = \$
1,000,000 X (the amount of keystone opportunity zone job creation tax
credit, keystone opportunity improvement zone job creation tax credit
or keystone opportunity expansion zone job creation tax credit
applied for by the qualified business/the sum of all keystone
opportunity zone job creation tax credits, keystone opportunity
improvement zone job creation tax credits and keystone opportunity
expansion zone job creation tax credits applied for by all qualified
businesses).

(j) PASS-THROUGH ENTITIES.-- The keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit and keystone opportunity expansion zone job creation tax credit provided for in this section shall apply to the following:

(1) A partner or member of a partnership or association that qualifies under this section shall be entitled to a job creation tax credit in proportion to the partner's or member's share, whether or not distributed, of the income or gain received by the partnership or association for its taxable year.

(2) A shareholder of a Pennsylvania S Corporation that qualifies under this section shall be entitled to a job creation tax credit in proportion to the shareholder's pro rata share, whether or not distributed, of the income or gain received by the corporation for its taxable year ending within or with the shareholder's taxable year.

(3) No partnership, association or Pennsylvania S Corporation, or partner, member or shareholder, may claim any other tax benefit, expense or credit for the same keystone opportunity zone job creation tax credit, keystone opportunity improvement zone job creation tax credit or keystone opportunity expansion zone job creation tax credit.

§ 820.701. Local taxes

(a) GENERAL RULE.-- Every political subdivision in which a designated subzone is located shall exempt, deduct, abate or credit local taxes in accordance with ordinances and resolutions adopted under section 301(d) or (f), as is applicable. Failure to exempt, deduct, abate or credit local taxes shall result in the revocation of the subzone designation.

(b) EXPANSION RULE.-- Every political subdivision in which a designated expansion subzone is located shall exempt, deduct, abate or credit local taxes in accordance with ordinances and resolutions adopted under section 301.1(d) or (e), as is applicable. Failure to exempt, deduct, abate or credit local taxes shall result in the revocation of the expansion subzone designation.

(c) IMPROVEMENT RULE.-- Every political subdivision in which a designated improvement subzone is located shall exempt, deduct, abate or credit local taxes in accordance with ordinances and resolutions adopted under section 301.2(d) Failure to exempt, deduct, abate or credit local taxes shall result in the revocation of the improvement subzone designation.

§ 820.702. Real property tax

(a) GENERAL RULE.-- Notwithstanding the act of May 22, 1933 (P.L.853, No.155), known as The General County Assessment Law, and the act of May 21, 1943 (P.L. 571, No. 254), known as The Fourth to Eighth Class County Assessment Law, each qualified political subdivision for taxable years beginning on or after January 1, 1999, shall by ordinance or resolution abate 100% of the real property taxation on the assessed valuation of deteriorated property in an area designated as a subzone within this Commonwealth. The real property tax abatement provided for in this section shall apply to all real property located in a subzone, irrespective of the business activity, if any, made of the realty by its owner, when this act is in effect. No abatement may be provided to deteriorated property prior to designation of the deteriorated property as part of a subzone.

(A.1) EXPANSION RULE.-- Notwithstanding The General County Assessment Law and The Fourth to Eighth Class County Assessment Law, each political subdivision for taxable years beginning on or after January 1, 2001, shall by ordinance or resolution abate 100% of the real property taxation on the assessed valuation of deteriorated property in an area designated as an expansion subzone within this Commonwealth. The real property tax abatement provided for in this section shall apply to all real property located in an expansion subzone, irrespective of the business activity, if any, made of the realty by its owner, when this act is in effect. No abatement may be provided to deteriorated property prior to designation of the deteriorated property as part of an expansion subzone.

(A.2) IMPROVEMENT RULE.-- Notwithstanding The General County Assessment Law and The Fourth to Eighth Class County Assessment Law, each political subdivision for taxable years beginning after December 31, 2003, shall by ordinance or resolution abate 100% of the real property taxation on the assessed valuation of deteriorated property in an area designated as an improvement subzone. The real property tax abatement provided for in this section shall apply to all real property located in an improvement subzone, irrespective of the business activity made of the realty by its owner, when this act is in effect. No abatement may be provided to deteriorated property prior to designation of the deteriorated property as part of an improvement subzone.

(b) INVESTMENT IN LIEU OF TAX PAYMENT.--

(1) A qualified political subdivision may require a resident of deteriorated real property to invest up to 25% of all real property taxes which would have been due if the real property was not located in a subzone, improvement subzone or expansion subzone in improvements to the real property in order for the residents to be qualified for exemptions, credits and abatements under this act.

(2) A qualified political subdivision may require a nonresident owner of deteriorated real property who leases the real property to a person for residential use to invest 50% of all real property taxes which would have been due if the real property was not located in a subzone, improvement subzone or expansion subzone in improvements to the real property.

(c) Deleted. 2000, Dec. 20, P.L. 841, No. 119, § 6, imd. effective.

(d) ANNUAL REAL PROPERTY REPORT.-- By January 31 of each calendar year, a political subdivision in which a subzone, improvement subzone or expansion subzone is located shall submit to the department a report listing the address of each real property designated a subzone, improvement subzone or expansion subzone and its owner of record.

(e) INTEREST AND PENALTIES.-- If the department or a political subdivision finds that a person claimed an abatement of real property tax to which the person was not entitled under this act, the person shall be liable for the abated taxes and subject to the applicable interest and penalty provisions provided by law.

(f) CALCULATIONS FOR EDUCATION SUBSIDY FOR SCHOOL DISTRICTS.-- In determining the market value of real property in each school district, the State Tax Equalization Board shall exclude any increase in value above the base value prior to the effect of the abatement of local taxes to the extent and during the period of time that real estate tax revenues attributable to such increased value are not available to the school district for general school district purposes.

§ 820.703. Local earned income and net profits taxes; business privilege taxes

(a) GENERAL EXEMPTION.-- If a political subdivision has enacted any tax on the privilege of engaging in any business or profession, measured by gross receipts or on a flat rate basis, earned income or net profits, as defined in the act of December 31, 1965 (P.L. 1257, No. 511), known as The Local Tax Enabling Act, imposed within the boundaries of a subzone, improvement subzone or expansion subzone, the qualified political subdivision shall exempt from the imposition or operation of the local tax ordinances, statutes, regulations or otherwise:

(1) The business gross receipts for operations conducted by a qualified business within a subzone, improvement subzone or expansion subzone.

(2) The earned income received by a resident of a subzone, improvement subzone or expansion subzone.

(3) The net profits of a qualified business attributable to business activity conducted within a subzone, improvement subzone or expansion subzone when imposed by the qualified political subdivision where that qualified business is located.

No exemption may be granted for operations conducted, for earned income received or for activities conducted prior to designation of the real property as part of a subzone or expansion subzone.

(b) ADDITIONAL EXEMPTIONS.--

(1) Paragraph (2) shall apply if a qualified political subdivision has enacted a tax on the privilege of engaging in a profession or business, on wages or compensation, on net profits from the operation of a business or profession or other activity or on the occupancy or use of real property pursuant to any of the following:

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

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

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

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

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

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

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

(i) The privilege of engaging in a business or profession within a subzone, improvement subzone or expansion subzone by a person or qualified business, whether a resident or nonresident of the subzone, improvement subzone or expansion subzone.

(ii) Salaries, wages, commissions, compensation or other income received for services rendered or work performed by a resident of a subzone, improvement subzone or expansion subzone.

(iii) The gross or net income or gross or net profits realized from the operation of a qualified business to the extent attributable to business activity conducted within a subzone, improvement subzone or expansion subzone.

(iv) The occupancy or use of real property located within the subzone, improvement subzone or expansion subzone.

(c) to (e) Deleted by 2000, Dec. 20, P.L. 841, No. 119, § 6.

(f) CALCULATION FOR EDUCATION SUBSIDY FOR SCHOOL DISTRICT.-- In determining the personal income valuation of a school district, the Secretary of Revenue shall exclude any increase in the valuation as defined in section 2501(9.1) of the act of March 10, 1949 (P.L. 30, No. 14), known as the Public School Code of 1949, above the base value prior to the abatement of local taxes in a subzone, improvement subzone or expansion subzone located within the school district to the extent and during the period of time that personal income revenues attributable to the increase in the personal income valuation are not available to the school district for general school district purposes. No exemption under this section may be granted to a person or qualified business prior to designation of the real property as part of a subzone or expansion subzone.

(g) DETERMINATION OF EXEMPTION.-- For the purposes of determining an exemption under this section, a tax on or measured by any of the following shall be attributed to business activity conducted within a subzone, improvement zone or expansion zone by applying the apportionment factors under section 515(d):

- (1) Business gross receipts.
- (2) Gross or net income.
- (3) Gross or net profits.

§ 820.704. Mercantile license tax

No person or qualified business in a subzone, improvement subzone or expansion subzone shall be required to pay any fee authorized pursuant to a mercantile license tax imposed under the act of June 20, 1947 (P.L. 745, No. 320), entitled, as amended, "An act to provide revenue for school districts of the first class A by imposing a temporary mercantile license tax on persons engaging in certain occupations and businesses therein; providing for its levy and collection; for the issuance of mercantile licenses upon the payment of fees therefor; conferring and imposing powers and duties on boards of public education, receivers of school taxes and school treasurers in such districts; saving certain ordinances of council of certain cities, and providing compensation for certain officers, and employes and imposing penalties."

§ 820.705. Local sales and use tax

(a) GENERAL RULE.-- The political subdivision shall exempt sales at retail of services or tangible personal property, except motor vehicles, to a qualified business or a construction contractor pursuant to a construction contract with a qualified business, landowner or lessee for the exclusive use, consumption and utilization of the tangible personal property or service by the qualified business at the qualified business's, landowner's or lessee's facility located within a subzone, improvement subzone or expansion subzone from a city or county tax on purchase price authorized under Article XXXI-B of the act of July 28, 1953 (P.L. 723, No. 230), known as the Second Class County Code, as amended, and the act of June 5, 1991 (P.L. 9, No. 6), known as the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, as amended. No exemption may be granted for sales occurring prior to designation of the real property as part of a subzone or expansion subzone.

(b) (Reserved).

(c) DEFINITION.-- Sales at retail of tangible personal property and services shall be defined in accordance with Article II of the Tax Reform Code of 1971.

§ 820.901. Transferability

Any exemption, deduction, abatement or credit provided to any person or qualified business under Chapter 5 or 7 is nontransferable and cannot be applied, used or assigned to any other person, business or tax account.

§ 820.902. Recapture

(a) GENERAL RULE.-- If any qualified business located within a subzone, improvement subzone or expansion subzone has received an exemption, deduction, abatement or credit under this act and subsequently relocates outside of the zone within the first five years of locating in a subzone, improvement subzone or expansion subzone, that business shall refund to the State and political subdivision which granted the exemption, deduction, abatement or credit received in accordance with the following:

(1) If a qualified business relocates within three years from the date of first locating in a subzone, improvement subzone or expansion subzone, 66% of all the exemptions, deductions, abatements or credits attributed to that qualified business's participation in the subzone, improvement subzone or expansion subzone shall be refunded to the Commonwealth and the political subdivision.

(2) If a qualified business relocates within three to five years from the date of first locating in a subzone, improvement subzone or expansion subzone, 33% of all exemptions, deductions, abatements or credits attributed to that qualified business's participation in the subzone, improvement subzone or expansion subzone shall be refunded to the Commonwealth and the political subdivision.

(3) If the qualified business was located within a facility operated by a nonprofit organization to assist in the creation and development of a start-up business, no exemption, deduction, abatement or credit shall be refunded.

(b) WAIVER.-- The department, in consultation with the Department of Revenue and the political subdivision, may waive or modify recapture requirements under this section if the department determines that the business relocation was due to circumstances beyond the control of the business, including, but not limited to:

(1) natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or market.

(c) Deleted. 2000, Dec. 20, P.L. 841, No. 119, § 6, imd. effective.

§ 820.903. Delinquent or deficient State or local taxes

(a) PERSONS.-- No person may claim or receive an exemption, deduction, abatement or credit under this act unless that person is in full compliance with all State and local tax laws, ordinances and resolutions.

(b) QUALIFIED BUSINESS.--

(1) No qualified business may claim or receive an exemption, deduction, abatement or credit under this act unless that qualified business is in full compliance with all State and local tax laws, ordinances and resolutions.

(2) No qualified business may claim or receive an exemption, deduction, abatement or credit under this act if any person or business with a 20% or greater interest in that qualified business is not in full compliance with all State and local tax laws, ordinances and resolutions.

(c) LATER COMPLIANCE AND ELIGIBILITY.-- Any person or qualified business that is not eligible to claim an exemption, deduction, abatement or credit due to noncompliance with any State or local tax law may become eligible if that person or qualified business subsequently comes into full compliance with all State and local tax laws to the satisfaction of the Department of Revenue or the political subdivision within the calendar year in which the noncompliance first occurred. If full compliance is not attained by February 5 of the calendar year following the calendar year during which noncompliance first occurred, then that person or qualified business is precluded from claiming any exemption, deduction, abatement or credit for that calendar year, whether or not full compliance is achieved subsequently.

§ 820.904. Code compliance

(a) GENERAL RULE.-- A person or qualified business shall be precluded from claiming any exemption, deduction, abatement or credit provided for in this act if that person or qualified business owns real property in a subzone, improvement subzone or expansion subzone and the real property is not in compliance with all applicable State and local zoning, building and housing laws, ordinances or codes.

(b) OPPORTUNITY TO ACHIEVE COMPLIANCE.-- The person or qualified business who is not in compliance under subsection (a) shall have until December 31 of the calendar year following designation of the real property as part of a subzone, improvement subzone or expansion subzone to be in compliance in order to claim any State exemptions, deductions,

abatements or credits for that year. If full compliance is not attained by December 31 of that calendar year, the person or qualified business is precluded from claiming any exemption, deduction or credit for that calendar year, whether or not compliance is achieved in a subsequent calendar year. The political subdivision may extend the time period in which a person or qualified business must come into compliance with a local ordinance or building code for a period not to exceed one year if the political subdivision determines that the person or qualified business has made and shall continue to make a good faith effort to come into compliance and that an extension will enable the person or qualified business to achieve full compliance. Qualified political subdivisions are required to notify the Department of Revenue in writing of all persons or qualified businesses not in compliance with this subsection within 30 days following the end of each calendar year.

§ 820.905. Appeals

A person or qualified business shall be deemed to be in compliance with any State or local tax for purposes of this section if that person or qualified business had made a timely administrative or judicial appeal for that particular tax or has entered into and is in compliance with a duly authorized deferred payment plan with the Department of Revenue or political subdivision for that particular tax.

§ 820.906. Notice requirements; state and local authorities.

(a) REQUIREMENT.-- After compliance reviews have been conducted by appropriate Commonwealth and local authorities, the department shall notify each keystone opportunity zone or keystone opportunity expansion zone applicant by regular mail each year of the department's approval or denial of the applicant's keystone opportunity zone or keystone opportunity expansion zone application. No keystone opportunity zone or keystone opportunity expansion zone applicant is entitled to any tax benefits unless it receives approval from the department.

(b) NOTICE.-- The department shall provide a one-time notification to every current subzone or expansion subzone real property owner by June 1, 2001. Failure to receive departmental notification under this section shall not extend or restrict any benefits or rights real property owners possess under this act.

(c) TRANSMITTAL.-- The department or its designated official, shall within 15 business days of receipt of a keystone opportunity zone or keystone opportunity expansion zone application made under this act, forward a copy of the application to appropriate Commonwealth and local authorities for review and processing.

§ 820.907. Application time

An applicant must file an application in a manner prescribed by the department by December 31 of each calendar year for which the applicant claims any exemption, deduction, abatement or credit under this act. No exemption, deduction, abatement or credit may be claimed or received for that calendar year until approval has been granted by the department.

§ 820.1101. Community benefits

(a) IMPLEMENTATION GRANT.-- The department may provide a one-time \$ 250,000 grant to a keystone opportunity zone or a one-time \$ 200,000 grant to a keystone opportunity expansion zone to implement the opportunity plan and to provide an annual update of real property ownership and other information to the Department of Revenue. The annual update shall describe progress on all proposals required as part of the opportunity plan and other information as required by the department. A separate application must be submitted to the department outlining a budget and implementation narrative. The grant shall be drawn down as needed over a period not to exceed the first five years of authorization as a keystone opportunity zone or keystone opportunity expansion zone. Grant funds shall be provided from the housing and redevelopment appropriations. Grant recipients shall comply with the provisions of the appropriation.

(b) REDUCED INTEREST.-- Projects in keystone opportunity zones or keystone opportunity expansion zones that are approved for Pennsylvania Industrial Development Authority (PIDA) or Small Business First financing shall receive the lowest interest rate extended to borrowers.

(c) PRIORITY CONSIDERATION.-- Projects in keystone opportunity zones or keystone opportunity expansion zones shall receive priority consideration for State assistance under State economic, community and economic development programs and community building initiatives.

(d) **MARKETING.**-- The department shall develop and implement a consolidated marketing strategy for the keystone opportunity zones or keystone opportunity expansion zones for use in job retention and attraction activities.

(e) **EDUCATION.**-- The Department of Education shall provide technical assistance to school districts located in or school districts having parts of their districts located in subzones or expansion subzones.

(f) **LOCAL GOVERNMENTS.**-- The Center for Local Government Services in the department shall provide technical assistance to political subdivisions relating to taxation, implementation of the opportunity plan, establishing annual benchmarks and annual reporting requirements to the departments. Additionally, the Center for Local Government Services shall provide political subdivisions with property designated a subzone or expansion subzone with technical assistance to encourage the implementation of best practices in achieving efficient and effective local government administration and shall coordinate activities with other departments and agencies providing various assistance to communities.

(g) **COMMUNITY-BASED ORGANIZATIONS.**-- The department shall provide technical assistance for capacity building of existing community-based organizations dealing with socioeconomic needs, housing assistance and job training in the keystone opportunity zone or keystone opportunity expansion zone.

§ 820.1102. Reporting

The department shall report to the General Assembly on the economic effects of this act in each keystone opportunity zone or keystone opportunity expansion zone every four years.

§ 820.1103. Other Commonwealth tax credits

A person or qualified business that is entitled to claim an exemption, deduction, abatement or credit in accordance with the provisions of this act shall not be entitled to claim or accumulate any of the following exemptions, deductions, abatements or credits that it may otherwise have qualified for due to activity within a subzone, improvement subzone or expansion subzone:

(1) Tax Reform Code of 1971:

(i) Article XVII relating to economic revitalization tax credits;

(iii) Article XVII-B relating to research and development tax credits; or

(iv) Article XIX-A relating to neighborhood assistance and enterprise zone tax credits;

(2) tax credits under section 109 of the act of December 19, 1996 (P.L. 1478, No. 190), known as the Waste Tire Recycling Act;

(3) homeowners mortgage credits;

(4) insurance premiums tax credits; and

(5) job creation tax credit under the act of June 29, 1996 (P.L. 434, No. 67), known as the Job Improvement Act.

The person or qualified business may apply the exemptions, deductions, abatements or credits to income realized from activity or transactions outside the subzone, improvement subzone or expansion subzone, but only for the taxable year to which the exemptions, deductions, abatements or credits apply. The provisions of this section shall apply only to the taxes set forth in Chapters 5 and 7.

§ 820.1301. Illegal activity

Any funds or other forms of consideration received by a person or business conducting any type of illegal activity shall not be eligible for any of the exemptions, deductions, abatements and credits or any other benefits that are created under this act.

§ 820.1302. Rules and regulations

The Department of Revenue may promulgate regulations necessary to effectuate the provisions of this act. The department may promulgate regulations necessary to effectuate the provisions of this act.

§ 820.1303. Compliance

Any person or qualified business eligible for an exemption, deduction or credit under this act shall comply with all reporting, filing and compliance requirements pursuant to the Tax Reform Code of 1971 unless otherwise provided for in this act.

§ 820.1304. Penalties

(a) CIVIL PENALTY.--

(1) In addition to any penalties authorized by the Tax Reform Code of 1971 for violations of that act, the Department of Revenue may impose an additional administrative penalty not to exceed \$ 10,000 for any act or violation of this act relating to State and local taxes, including the filing of any false statement, return or document.

(2) The department may impose a civil penalty not to exceed \$ 10,000 for a violation of this act, including the filing of any false statement, return or document.

(b) CRIMINAL PENALTY.-- In addition to any criminal penalty under the Tax Reform Code of 1971, any person or business who knowingly violates any of the provisions of this act commits a misdemeanor of the third degree.

§ 820.1305. Construction

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

§ 820.1306. Applicability

The provisions of this act shall be applied prospectively. No person or business may claim any exemption, deduction, abatement or credit until that person or business becomes qualified under this act and, in the case of a business, receives certification from the department that the business is qualified.

§ 820.1307. Severability

The provisions of this act are severable. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application.

§ 820.1308. Repeals

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

§ 820.1309. Expiration

This act and all benefits associated with this act shall terminate December 31, 2018.