

THE TAX COMPENDIUM

FEBRUARY 2019

Tom Wolf, Governor

C. Daniel Hassell, Secretary of Revenue





COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF REVENUE
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Taxpayers of Pennsylvania:

On behalf of the Pennsylvania Department of Revenue, I am pleased to present a new edition of the Pennsylvania Tax Compendium.

The Department of Revenue administers and enforces the state tax codes, while performing fiscal analysis and budget planning for the Governor. In fiscal year 2017-18, the Department collected \$34.6 billion in revenue for the General Fund, \$2.9 billion for the Motor License Fund and \$786.9 million for the Gaming Fund.

The Tax Compendium describes the basis, rate and history of Pennsylvania taxes and is intended for research and background information. It is a general guide to Pennsylvania taxes, not a tax manual. The Statistical Supplement for the Tax Compendium contains tax collections data, including historical data for comparison purposes. Both reports are available on the Department's website, www.revenue.pa.gov, under Tax Information > News and Statistics > Reports and Statistics.

I encourage you to visit the Revenue Department's website to explore the online services that the Department offers. Taxpayers can file returns and reports, make payments, register businesses, ask questions and file appeals electronically for Pennsylvania personal income and business taxes.

You can also stay on top of recent developments in the Department by visiting the website and signing up to receive the *Pennsylvania Tax Update*, a bi-monthly electronic newsletter.

Sincerely,

A handwritten signature in black ink that reads "C. Daniel Hassell".

C. Daniel Hassell
Secretary of Revenue

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General Fund

The General Fund is the major operating fund of the Commonwealth. It receives most tax revenue and other receipts not assigned by law to special funds. Special funds receive monies set aside for particular purposes. The General Fund is the primary funding source for most Commonwealth agencies.

General Fund revenues are appropriated by the General Assembly and approved by the Governor. Funding for basic and higher education, health and human services, and protection of persons and property account for the majority of General Fund expenditures.

In addition, several programs generate tax credits for businesses and individuals to apply against various General Fund taxes. In addition, several specialized zones use tax revenues that would otherwise go to the General Fund for the purpose of economic development within the zones.

Corporation Taxes

Domestic (incorporated in Pennsylvania) and foreign (incorporated outside Pennsylvania) corporations doing business in Pennsylvania are subject to corporate net income tax. In addition, for tax years 2015 and prior, Pennsylvania corporations were subject to capital stock tax, and foreign corporations were subject to foreign franchise tax. Corporations were also subject to corporate loans tax for tax years beginning prior to January 1, 2014. Special classes of domestic and foreign corporations are subject to various selective business taxes including a gross receipts tax levied on electric, telecommunications, and transportation companies; an insurance premiums tax imposed on domestic and foreign insurance companies; a public utility realty tax levied on regulated utilities; and the bank and trust company shares tax, title insurance company shares tax, or mutual thrift institutions tax levied on financial institutions.

Corporate Net Income Tax

Domestic and foreign corporations are subject to the corporate net income tax for the privilege of doing business, carrying on activities, having capital or property employed or used in Pennsylvania, or owning property in Pennsylvania. Limited liability companies and business trusts that are classified as corporations for Federal income tax purposes are also subject to tax. Building and loan associations, banks, saving institutions, trust companies, insurance and surety companies, and nonprofit corporations are exempt from the tax.

This tax is levied on federal taxable income, without the federal net operating loss deduction and special deductions, and modified by certain additions and subtractions. To arrive at Pennsylvania taxable income, all taxes imposed on or measured by net income which are expensed on the federal corporate income tax return are added back, while the foreign dividend gross-up and net interest income and gains on United States government securities are deducted. Effective for taxable years beginning in 2015, the add-back of intangible expenses to income for interest, royalties, patents, trademarks, etc., between affiliated companies is required in certain instances.

Act 43-2017 created the Qualified Manufacturing Innovation & Reinvestment Deduction, which allows a qualified business to deduct five percent of its capital investment from their taxable income if it invests at least \$100 million in the creation of new or refurbished manufacturing capacity within 3 years of a designated start date. The deduction would be available to each qualifying business for five years and cannot exceed 50 percent of the corporation's tax liability. The deduction is effective December 29, 2017.

A Pennsylvania net loss carryforward is permitted for taxable years beginning on or after January 1, 1981, according to the schedule listed below. Losses carried forward to a tax year may be deducted from taxable income in that tax year to arrive at the tax liability.

Net Loss Carryforward Schedule

Net Operating Losses Cap

Taxable Year	Loss Carry forward
1981 ¹	1 taxable year
1982 ¹	2 taxable years
1983 – 1987 ³	3 taxable years
1988 ³	2 taxable years (plus 1995)
1989 ³	1 taxable year (plus 1995 and 1996)
1990 – 1993 ³	1995 through 1997
1994 ³	1995 taxable year
1995 – 1997 ⁵	10 taxable years
1998 and thereafter ⁷	20 taxable years

Taxable Year	Net Operating Loss Cap
1982-1990	Uncapped
1991-1994 ²	Suspended
1995 ³	\$500,000
1996-1998 ⁴	\$1 million
1999-2006 ⁶	\$2 million
2007-2008 ⁸	\$3 million or 12.5% of taxable income
2009 ⁸	\$3 million or 15% of taxable income
2010-2013 ⁹	\$3 million or 20% of taxable income
2014 ¹⁰	\$4 million or 25% of taxable income
2015-2016 ¹⁰	\$5 million or 30% of taxable income
2017 ¹¹	30% of taxable income
2018 ¹¹	35% of taxable income
2019 and after ¹¹	40% of taxable income

¹ Authorized by Act 195-1979.

² Authorized by Act 22-1991.

³ Authorized by Act 48-1994.

⁴ Authorized by Act 21-1995.

⁵ Authorized by Act 45-1998.

⁶ Authorized by Act 4-1999.

⁷ Authorized by Act 89-2002.

⁸ Authorized by Act 116-2006.

⁹ Authorized by Act 48-2009.

¹⁰ Authorized by Act 52-2013.

¹¹ Authorized by Act 43-2017

Corporations are taxed on a separate company basis for Pennsylvania purposes; therefore, corporations which file a consolidated federal return must start with the taxable income which would have been shown on separate federal returns in order to arrive at the Pennsylvania base. For corporations whose entire business is not transacted within Pennsylvania, the income base may be allocated and apportioned to determine income subject to taxation in Pennsylvania. Nonbusiness income is directly allocated within or without Pennsylvania. Business income is usually apportioned on the basis of property, payroll, and sales factors within and without Pennsylvania, as follows:

Corporate Net Income Tax Apportionment Formula

Taxable Year	Sales Factor	Property Factor	Payroll Factor
1994 and prior	33%	33%	33%
1995-1998 ¹	50%	25%	25%
1999-2006 ²	60%	20%	20%
2007-2008 ³	70%	15%	15%
2009 ⁴	83%	8.5%	8.5%
2010-2012 ⁴	90%	5%	5%
2013 ⁵	100%	0%	0%

¹ Authorized by Act 21 1995.

² Authorized by Act 4-1999.

³ Authorized by Act 116-2006.

⁴ Authorized by Act 48-2009.

⁵ Authorized by Act 85-2012.

Other apportionment methods are available for special industries. The effect of this provision is to lower the apportionment formula for corporations with relatively more payroll and property than sales in Pennsylvania.

The tax is imposed at the following rates:

Year	Rate	Year	Rate
1935	6.00%	1972 ¹	11.00%
1936	10.00%	1974	9.50%
1937	7.00%	1977 ²	10.50%
1943	4.00%	1985 ³	9.50%
1951	5.00%	1987 ⁴	8.50%
1956	6.00%	1991 ⁵	12.25%
1967	7.00%	1994 ⁶	11.99%
1969	12.00%	1995 ⁷	9.99%

¹ The rate was 12 percent for the first half of 1972 and 11 percent for the second half of that year.

² Act 98–1977 temporarily raised the rate to 10.5 percent, and Act 246–1982 made this rate permanent.

³ Authorized by Act 94–1984.

⁶ Authorized by Act 48–1994.

⁴ Authorized by Act 77–1986.

⁷ Authorized by Act 21–1995.

⁵ Authorized by Act 22–1991.

The tax is paid on an estimated tax payment system. Under this system, prepayments are considered deposits as opposed to tentative liabilities. Cumulative prepayments must exceed 90 percent of reported annual liability, or 100 percent of the liability two year’s prior subject to the current rate and, after 1990, the current tax base definition. The adequacy of these payments is judged retrospectively based on the final return.

Quarterly payments are due on the 15th day of the 3rd, 6th, 9th, and 12th months of the tax year. Final reports and payments are due the 15th day of the fifth month after the close of the taxable year. Extensions are available for filing annual reports, but not for remitting payments.

The corporate net income tax originated as an emergency tax during the Civil War but later was declared unconstitutional by the Pennsylvania Supreme Court. It was enacted as an emergency tax again in 1923 and in 1935. In 1957, the tax was made permanent and was later codified into the Tax Reform Code of 1971.

The enabling legislation is Article IV of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Gross Receipts Tax

This tax is levied on pipeline, conduit, steamboat, canal, slack water navigation, and transportation companies; telephone, telegraph, and mobile telecommunications companies; electric light, water power, and hydroelectric companies; express companies; palace car and sleeping car companies; and freight and oil transportation companies.

The tax is based on gross receipts from passengers, baggage, and freight transported within Pennsylvania; telegraph and telephone messages transmitted within Pennsylvania as well as mobile telecommunications services and interstate landline calls either originating or terminating in Pennsylvania and billed to a service address in

Pennsylvania; sales of electric energy; and intrastate shipment of freight and oil. Municipally owned or operated public utilities may exclude gross receipts derived from business done inside the limits of the municipality. Companies selling electric energy for resale are entitled to exclude those gross receipts. Electric cooperative corporations are exempt from gross receipts tax on electric companies for sales within their service territory. Act 21–1995 exempted railroads from this tax, effective January 1, 1995. A credit for expenditures on maintenance and improvements of railroad rights-of-way was enacted in 1980 and repealed by Act 21–1995. Act 45–1998 repealed the motor carriers gross receipts tax, effective January 1, 1998. Act 4–1999 exempted the sale of natural gas pending passage of a law deregulating the natural gas industry. Act 21–1999, which deregulated the natural gas industry, effectively exempted the sale of natural gas from the tax beginning January 1, 2000. Act 23–2000 exempted the sale for resale of telecommunications services from the tax beginning January 1, 2000. Act 46–2003 extended the gross receipts tax to mobile and interstate telecommunications services. Act 48-2009 extended the gross receipts tax to managed care organizations. Act 84-2016 repeals the gross receipts tax on managed care organizations effective January 1, 2017.

Firms are required to file reports and remit tax payments annually by March 15th for taxable gross receipts in the prior year. Act 7–1997 changed the gross receipts tax from a tentative to an estimated prepayment system effective for tax years beginning on or after January 1, 1998. Under this system, prepayments are considered deposits as opposed to tentative liabilities. Estimated payments are due March 15th for the current taxable year and must exceed 90 percent of reported annual liability, or 100 percent of the liability two years prior, subject to the current rate. The adequacy of these payments is judged retrospectively based on the final return.

The tax on gross receipts originated in 1864. In 1889 a revised gross receipts tax was enacted and was eventually codified into the Tax Reform Code of 1971.

The tax is imposed at the following rates:

Year	Rate (mills)	Year	Rate (mills)
1889	8.00	1967 ¹	20.00
1935	14.00	1970	45.00
1936	20.00	1988	44.00
1944	14.00	1991 ²	50.00

¹ The 20 mills rate became effective July 1, 1967.

² The 50 mills rate became effective July 1, 1991 on gross receipts other than from electric utilities, which continued to be taxed at 44 mills.

Act 138–1996 provided the Revenue Neutral Reconciliation (RNR) mechanism for adjusting the base rate on sales of electric energy. The RNR was calculated at -2 mills for tax year 1999, +6 mills for tax year 2000, -1 mill for tax year 2001, and +15 mills for tax year 2002. Act 89–2002 set the permanent RNR tax rate paid by electric companies at 15 mills for tax year 2003 and thereafter; the actual GRT rate applied to the sales of electric energy is 59 mills for tax year 2003 and forward.

Beginning July 1, 1993, the revenue raised from 0.25 mill of the tax collected during the fiscal year is transferred to the Alternative Fuels Incentive Grant Fund pursuant to Act 166–1992.

Act 89–2002 created a gross receipts tax surcharge in the event refunds for PURTA appeals exceed \$5 million in any fiscal year. The surcharge is calculated based on the amount of PURTA refunds during the prior fiscal year. Act 46–2003 excludes from the surcharge gross receipts derived from providing mobile telecommunications services and telegraph or telephone messages transmitted in interstate commerce.

There has not been a GRT surcharge in every year: For tax years 2004, 2006, 2009, 2010, and 2012–2017 there was no surcharge. For tax years 2005, 2007, 2008, and 2011 the surcharge was 0.6 mills, 1.2 mills, 2.8 mills, and 1.6 mills respectively.

Prior to Act 46–2003, 0.18 percent of the gross receipts tax base for electric suppliers was transferred to the Public Transportation Assistance Fund. Act 46–2003 repealed this transfer.

Act 52-2018 excluded from the gross receipts tax the sales of telephones, telephone handsets, modems, tablets, and related accessories from both landline and mobile telecommunications receipts. The act was effective immediately and retroactively applied to gross receipts from transactions occurring on or after January 1, 2004, except claims for refund or credit for a tax paid prior to the effective date.

The enabling legislation is Article XI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Public Utility Realty Tax

An amendment to the Constitution of Pennsylvania in 1968 provided for the state taxation of public utility realty. The Public Utility Realty Tax (PURTA) is levied against certain entities furnishing utility services that are regulated by the Pennsylvania Public Utility Commission or a similar regulatory body. Public utilities furnishing sewage services and municipal authorities furnishing public utility service are exempt from tax. The Commonwealth imposes this tax on public utility realty in lieu of local real estate taxes and distributes the local realty tax equivalent to local taxing authorities.

Act 4–1999 fundamentally revised the PURTA statute. Beginning with tax year 1998, the PURTA tax base is the fair market value of utility realty, which is defined as the assessed value of the realty, as adjusted by the common level ratio of the county in which the realty is located. The previous base had been the depreciated book value of the utility realty. Exempt from the tax are easements, rights-of-way, pipe, rail or other lines, machinery or equipment not affixed to the land, and certain property subject to local taxation.

The Department will annually calculate a variable tax rate in order to raise an amount of revenue equal to the distribution of the realty tax equivalent to the local taxing authorities. An additional tax rate of 7.6 mills is applied to the tax base. Up until June 30, 2003, the 7.6 mills of revenue was transferred to the Public Transportation Assistance Fund. Act 46–2003 eliminated this transfer as of June 30, 2003. As a result, the 7.6 mills of PURTA revenue will remain in the General Fund beginning in fiscal year 2003-04.

For tax year 1999 and for each tax year thereafter, the local taxing authorities must file reports with the Department separately listing the utility realty in each jurisdiction and the realty tax equivalent by April 1st of the succeeding year.

Public utilities had until July 30, 1999 to file retroactive appeals on the assessment of their utility realty for 1998 and 1999. As of December 31, 1999, land and improvement indispensable to the generation of electricity is subject to local real estate tax and excluded from the PURTA tax base and the realty tax equivalent.

For taxable year 2000 and for each year thereafter, a tentative payment and the utility realty report are due on May 1st of the taxable year and a final payment is due on September 15th of the following year.

Act 89–2002 created a gross receipts tax surcharge in the event refunds for PURTA appeals exceed \$5 million in any fiscal year. The surcharge will be calculated based on the amount of PURTA refunds during the prior fiscal year. Act 46–2003 excludes from the surcharge gross receipts derived from providing mobile telecommunications services and telegraph or telephone messages transmitted in interstate commerce.

The enabling legislation is Article XI-A of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Insurance Premiums Tax

Domestic and foreign insurance companies, with some statutory exceptions, are subject to this tax. A retaliatory fee is also imposed on taxable companies incorporated in other states that impose a higher burden upon Pennsylvania companies doing business there.

The yearly insurance premiums received from doing business form the tax base. Insurance premiums are premiums, premium deposits, or assessments. Exclusions include canceled policies, premiums for reinsurance, annuity considerations and dividends, and earnings of participating members of mutual or stock insurance companies. Act 4–1989 exempted premiums written by automobile insurance companies for extraordinary medical benefit coverage from \$100,000 to \$1,100,000. Act 21–1995 exempted all sums paid or otherwise received by insurance companies as consideration for annuity contracts from the insurance premiums tax base effective January 1, 1996.

Tax credits are available to companies that are members of the Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) or the Pennsylvania Property and Casualty Insurance Guaranty Association (PP&CIGA) for assessments paid to the guaranty associations for the purpose of continuation of coverage for policyholders and claimants in the event of insolvency. The credits are to be taken equally over five years, beginning the year after the assessment is paid and may not exceed certain percentages of taxable premiums.

Act 52-2013 created the Innovate in PA tax credit program. Under the act, the Department of Community and Economic Development sold \$100 million in tax credits to qualified insurance companies via a bidding process. Insurance companies first claimed credits in calendar year 2017 against insurance premiums tax liabilities for taxable years beginning on or after January 1, 2016. No more than \$20 million in credits may be claimed in any fiscal year, nor may they exceed a taxpayer's insurance premiums tax liability for that year. Credits may be carried forward for any taxable year that begins prior to 2026.

The basic rate of tax is 2 percent of insurance premiums, plus any retaliatory tax. However, a 3 percent surplus lines tax rate is imposed on policies written with surplus lines insurers or other non-admitted insurers when the insured's home state is Pennsylvania. All premiums of the insured are taxed at the full rate, no matter where the risk is located.

Companies transacting marine insurance business within the Commonwealth are subject to a 5 percent tax on their underwriting profits in lieu of a tax on their premiums.

Act 7-1997 changed the insurance premiums tax from a tentative to an estimated payment system effective for tax years beginning on or after January 1, 1998. Under this system, prepayments are considered deposits as opposed to tentative liabilities. Estimated payments are due March 15th for the current taxable year and must exceed 90 percent of reported annual liability, or 100 percent of the liability two years prior, subject to the current rate. The adequacy of these payments is judged retrospectively based on the final return. Final payments and reports must be remitted together by April 15th of each year for the previous tax year.

The miscellaneous insurance taxes have the following due dates for payments and reports. The marine insurance underwriting profits tax is due by June 1st. The 3 percent surplus lines tax on premiums placed with an unlicensed insurance company is due January 31st from the surplus lines agent if such agent was involved in the placement. However, in the case of a policy placed without a surplus lines agent, the insured must remit a report and payment of tax within 30 days of the date the insurance was procured. The insurance premiums tax on life insurance entered with unauthorized insurance companies is due from the insured at the same time as each premium payment.

The enabling legislation is Article IX of the Act of March 4, 1971 (P.L. 6, No. 2), the Act of July 6, 1921 (P.L. 723), the Act of May 17, 1921 (P.L. 682), and the Act of May 13, 1927 (P.L. 998).

Financial Institutions Taxes

The various classes of financial institutions are subject to three different taxes. The bank and trust company shares tax is imposed on every bank and trust company having capital stock which is conducting business in Pennsylvania. Domestic title insurance companies are subject to the title insurance company shares tax. The mutual thrifts institutions tax is imposed on savings institutions, savings banks, savings and loan associations, and building and loan associations conducting business in Pennsylvania. Credit unions are not subject to tax.

The bank and trust company shares tax and the title insurance company shares tax are imposed annually on the book value of shares as of January 1st. Shares exempt from taxation include the taxpayer's shares of stock of national banks and the shares held by exempt holders (i.e., charitable, religious or educational institutions). Additionally, a deduction is permitted for exempt federal obligations as a proportion of all assets.

The bank and trust company shares tax base is the value of shares as of each January 1st. Prior to January 1, 2014, the value of shares was calculated by a six-year moving average of total equity capital, with a proportional exemption for United States obligations. For each year in the average, total equity capital and deductions for United States obligations were determined by averaging the values as shown in the Report of Condition for each quarter of the preceding calendar year.

As part of Act 52-2013, the value of shares is the total bank equity capital, with a proportional exemption for United States obligations, effective for tax years beginning on January 1, 2014 and thereafter. Total bank equity capital and deductions for United States obligations are determined by the most recent year-end values as shown in the Report

of Condition. Effective January 1, 2018, Act 84-2016 provides a phased-in deduction for Edge Act corporation equity.

A report and payment of 100 percent of the tax on the value of shares on the preceding January 1st are due on March 15th of each year.

The bank and trust company shares tax is imposed at the following rates:

Year	Rate	Year	Rate
1959	0.80%	1989 ¹	10.77%
1967	1.00%	1990	1.25%
1969	1.30%	2014	0.89%
1971	1.50%	2017	0.95%
1984	1.08%		

¹ The rate was retroactively changed by Act 21–1989.

Act 48–1994 established apportionment and expanded the nexus of the bank and trust company shares tax to all banks operating in the Commonwealth effective January 1, 1995. Apportionment was also established for domestic title insurance companies.

Act 55–2007 allowed for goodwill generated by a merger or acquisition to be subtracted from a bank’s book value of total equity capital when calculating its shares history. Act 52-2013 allowed for this subtraction from total bank equity capital.

Act 52-2013 changed how taxable shares are apportioned beginning January 1, 2014. Apportionment is now based solely on receipts, rather than on payroll, receipts, and deposits. The act also expanded nexus by using a more customer-based definition of an institution.

Act 84-2016 provides a phased-in deduction for Edge Act corporation equity, beginning January 1, 2018. The act also changed the source for income in the receipts definition from the federal tax return to the Consolidated Reports of Condition and clarified the deduction for goodwill generated from combination activity and the apportionment of receipts from investment and trading assets and activity.

The title insurance company shares tax base is the value of shares as of each January 1st. The value of shares is calculated by a six-year moving average using the total number of shares divided into the book values of capital stock paid in, surplus and undivided profits, with a proportional exemption for United States obligations. For each year in the average, book values and deductions for United States obligations are determined by averaging book values as shown in the Report of Condition for each quarter of the preceding calendar year.

A report and payment of 100 percent of the tax on the value of shares on the preceding January 1st are due on March 15th of each year.

The title insurance shares tax is imposed at the following rates:

Year	Rate	Year	Rate
1959	0.80%	1984	1.08%
1967	1.00%	1989 ¹	10.77%
1969	1.30%	1990	1.25%
1971	1.50%		

¹ The rate was retroactively changed by Act 21–1989.

The mutual thrift institutions tax applies to the net earnings or income received or accrued from all sources during the tax year. Income earned from United States obligations or Pennsylvania state and local obligations is excluded from the computation of net earnings on income. The deduction of the portion of interest expense associated with tax-exempt income is disallowed. Apportionment of income to Pennsylvania is permitted through payroll, receipts, and deposits factors. Mutual thrift institutions are permitted to carry forward net operating losses a maximum of three years.

Mutual thrift institutions make quarterly estimated payments by applying the current tax rate to 100 percent of the tax base for the second preceding year, or by paying at least 90 percent of the reported annual liability for the current year. Final reports are due 105 days after the close of the fiscal year. Extensions are available for filing reports; however, no extensions are granted for payment of the tax.

The Commonwealth began taxing financial institutions in 1861. Since then, laws have been revised to subject building and loan associations, title insurance companies, trust companies, and other financial institutions to the taxes.

The mutual thrift institutions tax is imposed at the following rates:

Year	Rate
1969	11.50%
1987 ¹	20.00%
1991	12.50%
1992	11.50%

¹ The rate was retroactively changed by Act 106–1988, and was extended to tax years 1989 and 1990 by Act 21–1989.

The enabling legislation is found in Articles VII, VIII and XV of the Tax Reform Code of 1971 (P.L. 6, No. 2) (Bank Shares, Title Insurance and Trust Companies Shares and Mutual Thrift Institutions).

Consumption Taxes

Consumption taxes are levied on the purchase of certain types of tangible personal property and selected services. They are imposed on the ultimate consumer, but collected and remitted to the Commonwealth by others such as manufacturers, retail vendors, or licensed agents of the Commonwealth. The consumption taxes are: sales, use, and hotel occupancy; cigarette; malt beverage; other tobacco products; and liquor.

Sales, Use, and Hotel Occupancy Taxes

The sales and use tax is imposed on the retail sale, consumption, rental, or use of tangible personal property in Pennsylvania. The tax is also imposed on certain services relating to such property and on the charge for specific business services. Major items exempt from the tax include food (not ready-to-eat), candy and gum, most apparel, textbooks, computer services, prescription and non-prescription drugs, sales for resale, and residential heating fuels such as oil, electricity, gas, coal, and firewood. Purchases that are not otherwise exempt from sales and use tax are exempt when paid for with food stamps.

Exemptions are allowed for purchases or use by the United States Government, the Commonwealth and its political subdivisions, ambassadors, ministers and consular officers of foreign governments, volunteer firemen's organizations, and certain institutions of purely public charity. There are also exemptions for certain business activities: manufacturing, processing, farming, dairying, agriculture, horticulture, floriculture or aquaculture, and public utilities.

A use tax, at the same rate as sales tax, is due on taxable purchases of tangible personal property or specified services used or consumed in Pennsylvania where no sales tax is paid to a vendor. For example, the purchase may have been made out-of-state. Licensees must report and pay use tax at the time their regular sales tax return is due. Non-licensees must report and pay use tax on or before the end of the month following the month during which the tax was incurred.

The Department issued SUT Bulletin 19-01 to clarify when companies maintain a place of business in the Commonwealth in response to the Supreme Court opinion in *South Dakota v. Wayfair, Inc.* The decision upheld South Dakota's economic nexus statute, and overturned a previous decision which required a business to have a physical presence in a state in order for it to be required to collect that state's sales tax. Economic nexus applies only to those persons who, in the previous twelve months, made more than \$100,000 of gross sales into the Commonwealth.

The hotel occupancy tax, imposed at the same rate as sales tax, applies to room rental charges for periods of less than 30 days by the same person.

The sales, use, and hotel occupancy taxes are required to be collected by those engaged in making taxable sales of tangible personal property or services; leasing, renting, or using tangible personal property; or renting hotel rooms within the Commonwealth.

The tax is imposed at the following rates:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1954	1.00%	1959	4.00%
1956	3.00%	1963	5.00%
1959	3.50%	1968	6.00%

Under the Pennsylvania Intergovernmental Cooperation Authority Act for cities of the first class (Act 6–1991), Philadelphia City Council levies sales, use, and hotel occupancy taxes at the rate of 1 percent effective October 1, 1991. The provisions of Act 6 parallel those under the sales, use, and hotel occupancy tax except that it is a point-of-sale tax. In addition, Act 44 of 2009 increased the Philadelphia sales and use tax rate from 1 percent to 2 percent from October 8, 2009 to June 30, 2014. Act 52 of 2013 permanently extended the 2 percent Philadelphia local sales and use tax rate.

Under the Second Class County Code, Allegheny County is authorized (Act 77–1993) to levy sales, use, and hotel occupancy taxes at the rate of 1 percent to be administered in the same manner as provided in Act 6 of 1991 (the Philadelphia 1 percent local sales, use, and hotel occupancy tax). The implementation date for the Allegheny County tax was July 1, 1994.

Vendor licenses are renewable on a five-year cycle and may be suspended or revoked. Payments and reports are due from vendors as follows:

1. Monthly returns - Taxpayers must file monthly reports when total tax liability for the third calendar quarter equals or is greater than \$600. Payments and reports are due on the 20th day of the following month.
 - a. Sales tax licensees reporting an actual tax liability of at least \$25,000 and less than \$100,000 for the third calendar quarter of the preceding year are provided an option for their tax payment.
 - i. 50 percent of the tax liability for the same month of the previous year or
 - ii. Greater than 50 percent of the actual tax liability for the same month in the current year.
 This option will be effective for tax returns due after September 30, 2012.
 - b. Sales tax licensees reporting an actual tax liability equal to or greater than \$100,000 for the third calendar quarter of the preceding year must make a payment of 50 percent of the tax liability for the same month of the previous year.
2. Quarterly returns - When total tax liability does not exceed \$600 in the third calendar quarter the taxpayer must file quarterly (unless liability was less than \$75 in the previous calendar year). The reports are due on the 20th day of April, July, October, and January for the preceding calendar quarter.
3. Semi-annual returns - When total tax collected is \$75 a year or less, a taxpayer must file tax reports twice a year. The report for the period of January to June is due on August 20th, and the report for the period of July to December is due February 20th.

As of July 1, 2003, 0.947 percent of total sales and use tax receipts are transferred monthly to the Public Transportation Assistance Fund.

Act 44–2007 provided that 4.4 percent of sales and use tax receipts be transferred monthly to the Public Transportation Trust Fund (PTTF) effective July 1, 2007. Act 89-2013 provided for an additional transfer to PTTF from motor vehicle sales tax. The transfer is equal to the greater of the ratio of \$450 million to FY 2020-21 sales tax receipts multiplied by current year sales tax receipts, or \$450 million. This transfer is to begin in fiscal year 2022-23.

Act 85-2016 authorizes a transfer to the Commonwealth Financing Authority (CFA) restricted revenue account for such amounts as may be necessary to make payment for principal and interest obligations coming due in each fiscal year, beginning July 1, 2016 and thereafter. In FY 2017-18, \$126.2 million was transferred.

A further sales tax transfer was authorized by Act 151-2016, which provides for an annual \$700,000 transfer to the Transit Revitalization Investment District (TRID) Fund for 20 calendar years beginning June 1, 2016. Due to the timing of the passage of the legislation, the first transfer occurred in 2017.

The sales, use, and hotel occupancy taxes were enacted in 1953 and later codified into the Tax Reform Code of 1971. The enabling legislation is Article II of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Cigarette Tax

The cigarette tax is an excise tax levied on the sale or possession of cigarettes in Pennsylvania. The tax is based on a rate per cigarette. The current rate of 13 cents per cigarette has been in effect since August 1, 2016.

Act 48 of 2009 expanded the definition of cigarette to include little cigars, weighing less than four pounds per thousand.

Under Act 131–2014, the Philadelphia School District levies a cigarette tax at the rate of 10 cents per cigarette effective October 1, 2014. Act 84 of 2016 made this local cigarette tax permanent.

In addition, Act 84 of 2016 created a transfer from the General Fund to the Local Cigarette Tax Fund. The transfer will occur if prior year deposits into the Local Cigarette Tax Fund fall below \$58 million. In this case, the General Fund will transfer the difference between \$58 million and actual deposits to the Local Cigarette Tax Fund. This transfer is effective for fiscal years 2016-17, with the first transfer having occurred in fiscal year 2017-18.

Only one sale of cigarettes, whether individual cigarettes, packages, cartons, or cases, is taxable. Cigarette stamping agents, wholesalers, retailers, and vendors must be licensed. The tax is imposed on the ultimate consumer, but cigarette-stamping agents apply tax stamps to cigarette packs, which indicate payment of the tax, and are responsible for remitting payment to the Commonwealth.

Payments are due at the time of purchase of the stamps or, if the cigarette stamping agency is bonded, by the 15th of the following month. Reports are due on the 10th day after the end of the month for which they are prepared.

Beginning in fiscal year 2002-03, fixed annual amounts of \$30.73 million and \$20.485 million of cigarette tax receipts are transferred to the Children’s Health Insurance Program (CHIP) and the Agricultural Conservation Easement Purchase (ACEP) Fund, respectively. Act 84 of 2016 increased the transfer to the ACEP fund to \$25.485 million beginning in fiscal year 2016-17.

From January 2004 through October 2009, 18.52 percent of cigarette tax receipts were transferred to the Health Care Provider Retention Account.

The tax is imposed at the following rates:

<u>Year</u>	<u>Rate (per cigarette) ¹</u>	<u>Year</u>	<u>Rate (per cigarette) ¹</u>
1935	\$0.0010	1970	\$0.0090
1947	\$0.0020	1991	\$0.0155
1955	\$0.0025	2002	\$0.0500
1959	\$0.0030	2004	\$0.0675
1963	\$0.0040	2009 ²	\$0.0800
1967	\$0.0065	2016 ³	\$0.1300

¹ Combined rate for the General Fund and special funds.

² Effective November 1, 2009.

³ Effective August 1, 2016.

The tax was first enacted in 1935 as a temporary emergency tax and was made permanent in 1951. The enabling legislation is Article XII of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Other Tobacco Products Tax

The other tobacco products tax is an excise tax levied on the sale or possession of tobacco products in Pennsylvania. The tax is based on weight for tobacco products other than electronic cigarettes and is based on the purchase price charged to the retailer in the case of electronic cigarettes.

The tax rate for tobacco products other than electronic cigarettes is \$0.55 per ounce. For items sold in units that weigh less than 1.2 ounces, the tax is equal to the tax on an item that weighs 1.2 ounces. Tobacco products subject to this tax include roll-your-own tobacco, periques, granulated, plug cut, crimp cut, ready rubbed and other smoking tobacco, snuff, dry snuff, snuff flour, Cavendish, plug and twist tobacco, fine-cut and other chewing tobaccos, shorts, refuse scraps, clippings, cuttings and sweepings of tobacco and other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or ingesting or for smoking in a pipe or otherwise, or any combination of chewing, ingesting or smoking. The term does not include any item subject to the Cigarette Tax or cigars.

The tax rate for electronic cigarettes is 40% of the purchase price charged to the retailer. Items subject to this tax include electronic oral devices (composed of a heating element and battery or electronic circuit, or both) that provide a vapor of nicotine or any other substance and the use of inhalation of which simulates smoking. It also includes any liquid or substance placed in or sold for use in an electronic cigarette. Components, such as but not limited to coils, batteries, and reservoirs, if sold separately, are not subject to the tax.

In both cases, the tax is to be collected by whomever sells the product to the retailer. The tax shall be separately stated on an invoice or other sales document.

Monthly reports are due by the 20th day of the month following the sale or purchase of tobacco products. Remittances are due at the time the report is due.

Malt Beverage Tax

The malt beverage tax is levied on malt or brewed beverages manufactured and sold for use in Pennsylvania, or manufactured outside of Pennsylvania but sold for importation and use in Pennsylvania. The tax is borne by the consumer, but manufacturers, distributors, and importers remit the tax to the Commonwealth.

Manufacturers must file reports and submit payments by the 15th day of each month for the preceding month. For the purpose of verifying tax payments, every transporter for hire, bailee for hire, warehouseman, and distributor also must submit reports by the 15th of the month for the preceding month.

Certain manufacturers of malt or brewed beverages are permitted a credit for qualifying capital expenditures, defined as purchases of plant, machinery, or equipment for use in the Commonwealth. The annual credit per manufacturer is equal to the amount of qualifying capital expenditures in the reporting year or \$200,000, whichever is less. This credit applies to purchases made through December 31, 2008 or after June 30, 2017. The credit for purchases made prior to December 31, 2008 was limited to taxpayers whose annual production of malt or brewed beverages did not exceed 1.5 million barrels. The credit for purchases made after June 30, 2017 has no limit on annual production but is capped at \$5 million.

The malt beverage tax rates are as follows:

<u>Standard Fraction</u>	<u>Rate</u>	<u>Standard Fraction</u>	<u>Rate</u>	<u>Standard Fraction</u>	<u>Rate</u>
1 barrel	\$2.48	1/8 barrel	\$0.32	40 ounce	\$0.03
1/2 barrel	\$1.24	160 ounce	\$0.10	1 quart	\$0.02
50 liter	\$1.06	4 liter	\$0.09	25 ounce	\$0.02
12 gallon	\$0.96	1 gallon	\$0.08	1 pint	\$0.01
1/4 barrel	\$0.62	2 liter	\$0.05	1/2 pint	\$0.01
1/6 barrel	\$0.42				

These rates have remained unchanged since 1947. Prior to 1947, malt beverage tax rates were one-half the current rate.

The enabling legislation is Article XX of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Liquor Tax

The distribution of liquor is a state enterprise under the auspices of the Pennsylvania Liquor Control Board (LCB).

The Commonwealth assumed the liquor control responsibility following the repeal of Prohibition in 1933.

All liquors sold by the LCB are subject to this tax, which is computed on the actual price paid by the consumer including mark-up, handling charge, and federal tax. The first sale of liquor is also subject to the sales and use tax at the time of purchase.

The LCB periodically transmits reports and payments to the Department of Revenue.

The tax is imposed at the following rates:

<u>Year</u>	<u>Rate</u>
1936	10.00%
1963	15.00%
1968	18.00%

Enabling legislation is the Liquor Code, Act of June 29, 1987 (P.L. 32) 47 P.S. §§ 1-101 et seq. and the Emergency Liquor Sales Tax Act, Act of June 9, 1936 (Special Session, P.L. 13) 47 P.S. §§ 794 et seq.

Other Taxes

Other taxes consist of those General Fund taxes on individuals and transactions not elsewhere classified in this document. Other taxes include the personal income tax, realty transfer tax, inheritance and estate tax, gaming taxes, and various minor and repealed taxes.

Personal Income Tax

The personal income tax is levied against the taxable income of resident and nonresident individuals, estates and trusts, partnerships, S corporations, business trusts, and limited liability companies that are not taxed as corporations for federal purposes.

Pennsylvania taxes eight classes of income: (1) compensation; (2) net profits from the operation of a business, profession or farm; (3) net gains or income less net losses from dispositions of property; (4) net gains or income from rents, royalties, patents and copyrights; (5) dividends; (6) interest; (7) gambling and lottery winnings; and (8) net gains or income derived through estates or trusts. A loss in one class of income may not be offset against income in another class, nor may gains or losses be carried backward or forward from year to year.

Act 40–2005 changed the treatment of nonqualified deferred compensation plans. The definition of compensation now includes distributions from nonqualified plans attributable to an elective deferral of income, regardless of whether the distribution is paid during employment or retirement.

With certain exceptions, Pennsylvania's constructive receipt rules are now the same as the federal constructive receipt rules to determine when compensation is received by a cash basis taxpayer. The exceptions include contributions to retirement plans like the public employee retirement system, contributions to 401(k) plans, contributions by self-employed persons to retirement plans, and contributions to Roth IRAs and regular IRAs. This change applies to appeals which arise prior to or after the effective date of this act and applies to taxable years beginning after December 31, 2004.

Following the federal constructive receipt rule, deferrals to nonqualified deferred compensation plans are not includible in compensation. This change applies to appeals which arise prior to or after the effective date of this act and applies to taxable years beginning after December 31, 2002.

Act 67–2006 provides that if a small corporation elects to be an S corporation for federal purposes, it will be recognized as a Pennsylvania S corporation unless it opts out of Pennsylvania S status. This is a change from prior law, which required a federal S corporation affirmatively to elect Pa-S status. If a small corporation opts out of S status, then its choice will remain in effect for 5 years. The requirements to become an S corporation are consistent with the federal requirements enacted as part of the American Jobs Creation Act of 2004, which permits S corporations of up to 100 shareholders and members of the same family to be counted as one shareholder. These changes apply to taxable years beginning after December 31, 2005.

Act 84-2016 made cash prizes of the Pennsylvania Lottery subject to personal income tax, effective for tax years beginning on or after January 1, 2016. Previously, Pennsylvania Lottery prizes were not subject to the personal income tax. Pennsylvania Lottery noncash prizes remain exempt.

The Pennsylvania personal income tax does not provide for a standard deduction or personal exemption. However, individuals are able to reduce their tax liabilities through allowable exclusions, deductions, and credits.

Exclusions:

- Act 7–1997 allows taxpayers to exclude from compensation, qualified payments made under a cafeteria plan, qualifying under Section 125 of the Internal Revenue Code, for programs covering hospitalization, sickness, disability, or death.
- Effective January 1, 1998, Act 45–1998 exempts the capital gain from the sale of a principal residence for all taxpayers who satisfy ownership and use requirements. Previously, a one-time exclusion of up to \$100,000 of gain from the sale of a taxpayer's principal residence was allowed for persons 55 years of age or older who satisfied ownership and use requirements, for sales made after July 1, 1987.
- Act 45–1998 provides an exclusion for personal use of employer-provided property or services.

- Act 48–2005 provided special tax provisions for health savings accounts. Excluded from Pennsylvania personal income tax is any income from a health savings account, as well as any amount paid out or distributed from a health savings account that is used exclusively for the qualified medical expenses of the beneficiary or for the reimbursement of those expenses. The act specifies that distributions paid out that do not go toward the qualified medical expenses of the beneficiary, as well as any excess contributions, shall be taxable. These provisions apply to tax years beginning after December 31, 2004.
- Act 67–2006 provides that distributions used for qualified higher education expenses, as well as undistributed earnings in the accounts, will not be taxable. Federally qualified rollovers between accounts and beneficiary changes will also not be taxable events for Pennsylvania purposes. Distributions that are not used for qualified higher education expenses will be subject to tax. These changes apply to tax years beginning after December 31, 2005. Following the passage of federal H.R. 1 in 2017, effective beginning with tax year 2018, taxpayers may withdraw up to \$10,000 per year for qualified private primary and secondary education expenses.
- Act 17-2016 established the Achieving a Better Life Experience (ABLE) Savings Program to benefit disabled Pennsylvanians and their families. Contributions made to an ABLE account, any increase in the value of those contributions, the retention or transfer during life or as a result of death of any legal interest in an account, and payment of qualified disability expenses of eligible individuals from an account shall be exempt from all taxation by the Commonwealth and its political subdivisions.
- Act 84-2016 provides that, effective September 11, 2016, Section 1033 of the Internal Revenue Code applies to the personal income tax. Section 1033 allows a taxpayer to acquire replacement property and make an election to defer recognition of the gain following an involuntary conversion.

Deductions:

- Taxpayers may reduce taxable compensation for allowable unreimbursed expenses that are ordinary, actual, reasonable, necessary, and directly related to the taxpayer's occupation or employment.
- Act 67–2006 allows taxpayers with federally qualified Health Savings Accounts and Archer MSAs to generally follow federal rules. Under the federal rules, employer contributions are excluded from tax and employee contributions are deducted from income if they meet the criteria outlined in the Internal Revenue Code. Distributions that are not used for qualified medical expenses will be taxable as interest income. These changes apply to tax years beginning after December 31, 2005.
- Act 67–2006 allows taxpayers to deduct from taxable income contributions to a qualified tuition program as defined in section 529 of the Internal Revenue Code. The amount deducted for each designated beneficiary cannot exceed the annual limitation on gifts permitted by the Internal Revenue Code for purposes of federal estate and gift tax. The deduction cannot result in taxable income being less than zero.
- Act 52-2013 permits a pass-through entity to deduct up to \$5,000 of business start-up costs from net income for the tax year in which the active trade or business begins to the extent the pass-through entity deducts them for federal tax purposes. This change applies to tax years beginning after December 31, 2013.
- Act 52-2013 allows a taxpayer to recover intangible drilling costs (IDCs) by using either a ten-year amortization period, or elect to immediately expense up to one-third of the allowable costs and recover the remaining costs over a ten-year period beginning in the taxable year the costs are incurred. This provision applies to tax years beginning after December 31, 2013. Act 84-2016 clarifies the statutory language regarding how taxpayers may recover IDCs.
- Act 43-2017 permits a contributor to an ABLE account to deduct up to the current dollar limit under Internal Revenue Code Section 2503(b) from Pennsylvania taxable income, provided the deduction does not reduce the contributor's taxable income to less than zero. The act was effective October 30, 2017. Under the IRC, yearly total contributions from all contributors to an ABLE account are limited to the amount in IRC Section 2503(b).

Credits:

- A credit against tax is allowed for gross or net income taxes paid to other states by Pennsylvania residents.
- Enacted in 1974, a credit is available to those individuals receiving tax forgiveness under the Special Provisions (SP) for Poverty. Under current law, the eligibility income limits for 100 percent tax forgiveness are \$6,500 for

single claimants and \$13,000 for married claimants with no dependents. The eligibility income limits increase by \$9,500 for each dependent. Partial tax forgiveness is available to claimants for eligibility incomes of up to \$2,250 above the limit for 100 percent forgiveness.

The Commonwealth employs four primary methods for collecting personal income taxes:

1) estimated and final payments from individuals; 2) employer withholding; 3) withholding from nonresident partners, shareholders, partnerships, estates and trusts, or S corporations; and 4) withholding by payers of nonemployee compensation, business income, or lease payments to nonresident individuals or disregarded entities with a nonresident owner.

1. Individuals, estates, and trusts must file annual returns on or before April 15th for the previous year's income. Individuals, estates, and trusts with non-withheld income in excess of \$8,000 annually must file and remit estimated payments by the 15th day of April, June, September, and January for the preceding calendar quarter. For tax years beginning before January 1, 2000, the income threshold for estimated tax payments was \$2,500. There are special estimated tax provisions for farm income and trusts.

2. Employers withhold and remit employees' taxes on wage and salary income according to the following schedule:

a. Quarterly - If total withholding tax is expected to be under \$1,200 per calendar year, due the last day of April, July, October, and January for the preceding calendar quarter.

b. Monthly - If \$1,200 or more but less than \$4,000 of tax is expected to be withheld per calendar year, due the 15th day of the following month.

c. Semi-Monthly - If \$4,000 or more but less than \$20,000 in tax is expected to be withheld per calendar year, due within three banking days of the close of the semi-monthly period.

d. Semi-Weekly – If \$20,000 or more in tax is expected to be withheld per calendar year, due Wednesday after the payday if the payday falls on a Wednesday, Thursday, or Friday, and on the Friday after payday if the payday falls on a Saturday, Sunday, Monday, or Tuesday.

An employer reconciliation statement must be filed by January 31st following the calendar year for which taxes were withheld or within 30 days after the termination of a business.

3. Partnerships and S corporations with nonresident partners or shareholders must remit tax on income from sources within this Commonwealth, which is allocable to a nonresident. The nonresident partner or shareholder may take a credit on their annual return for the tax remitted by the partnership or S corporation.

4. Payers of nonemployee compensation or business income to nonresident individuals or disregarded entities with a nonresident owner on income sourced to Pennsylvania are required to withhold personal income tax from such payments. The United States government, the Commonwealth of Pennsylvania, their agencies, instrumentalities, and any political subdivisions of Pennsylvania are excluded from this withholding requirement. Further, lessees of Pennsylvania real estate making lease payments (as defined by Act 43-2017, which does not include residential rental payments) in the course of a trade or business to nonresident lessors are also required to withhold personal income tax on such payments.

Withholding of tax is required for payments of \$5,000 or more annually and is optional on payments less than \$5,000. Payers of nonemployee compensation, business income, or lease payments are to follow the same withholding and remittance schedule as employer withholding taxes on wages and salaries of employees. An annual reconciliation statement must be filed by payers by January 31st following the calendar year for which taxes were withheld. Payers must also file a copy of federal Form 1099-MISC with the department and provide a copy to the payee or lessor by January 31st of the following year.

The income tax was first imposed in 1971 but was declared unconstitutional because it violated the uniformity clause. The tax was modified to a flat rate tax on the eight separate classes of income described above, effective June 1, 1971.

The tax is imposed at the following rates:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1971	2.30%	1984 ¹	2.40%	1991 ³	2.60%
1974	2.00%	1985	2.35%	1992 ⁴	2.95%
1978	2.20%	1986 ²	2.16%	1993	2.80%
1983	2.45%	1987	2.10%	2004	3.07%

¹ Effective tax rate after midyear rate change. Rate was 2.45 percent for the first half of the year and 2.35 percent for the second half of the year.

² Effective tax rate after midyear rate change. The rate for the first eight months of the tax year commencing on or after January 1, 1986 was 2.2 percent and for the final four months was 2.1 percent, for an effective rate of 2.16 percent.

³ Effective tax rate after midyear rate change. Rate was 2.1 percent for first half of the year and 3.1 percent for second half of the year.

⁴ Effective tax rate after midyear rate change. Rate was 3.1 percent for first half of the year and 2.8 percent for second half of the year.

Act 42-2018 provided for multiple one-time transfers from personal income tax revenues during fiscal year 2018-19. The act provided that \$5.2 million and \$4.901 million be transferred to the Public School Employees Retirement System and the State Employees Retirement System, respectively. The act also provided that, by September 1, 2018, \$15 million be transferred to the School Safety and Security Fund.

The enabling legislation is Article III of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Realty Transfer Tax

The realty transfer tax is a documentary stamp tax imposed on the value of real property, including contracted-for improvements to the property, transferred by deed, instrument, long-term lease, or other writing. The stamps or meter impressions, indicating payment of the tax, are affixed to the document when presented for recording.

Exempt classes of transfers include wills; mortgages; deeds of trust or similar instruments given as security for debts; deeds to release such debt; land contracts where legal title passes only upon completion of payment; short-term leases; and instruments, which solely grant, vest, or confirm a public utility easement. These items are excluded from the definition of document.

The United States, the Commonwealth or their instrumentalities, agencies, or subdivisions are exempt from payment of the tax. However, the exempt status of a party does not relieve the other parties to a transaction from the entire tax due.

Other specific transactions exist which are given statutory or regulatory exemptions from payment of the tax. Some of these excluded transactions include certain transfers among family members; certain transfers to governmental units; certain transfers between religious organizations; certain transfers to shareholders or partners; certain transfers to or from a non-profit industrial development agency; certain transfers of ownership interest in a real estate company or family farm; leases for the production or extraction of coal, oil, natural gas, or minerals; certain partitions of realty held by cotenants, when the property was passed by testate or intestate succession; and deeds to burial sites.

Act 52-2013 eliminated the 89%/11% loophole, which had allowed the buyer of certain real estate to acquire 89% of the real estate company along with an option to purchase the remaining 11% after 3 years and avoid paying the RTT. Since enactment, the realty transfer tax has been imposed at the rate of 1 percent of the actual consideration or price of the property represented in the deed. When the document has no consideration stated or the transaction is not arm's-length, the tax rate is 1 percent of the property's actual monetary worth computed through use of assessed value adjusted to market value.

The tax is payable upon the presentation of any document for recording or 30 days after acceptance of the document, whichever occurs first. Both grantor and grantee are held jointly and severally liable for payment of the tax. The County Recorder of Deeds collects the tax and remits it to the Commonwealth.

Beginning July 1994, 15 percent of the state levied realty transfer tax revenues are earmarked for the Keystone Recreation, Park, and Conservation Fund as mandated by Act 50–1993.

Act 89–2002 reduced the transfer rate from 15 percent to 10 percent for January 2002 through June 2002 and to 7.5 percent for July 2002 through June 2003. The transfer percent then increased to 15 percent for July 2003 through June 2006. Act 67–2006 reduced the transfer to 2.1 percent for July 2006 through June 2007. The transfer percent is established at 15 percent for July 2007 and thereafter.

Act 58-2015 provided for a transfer from realty transfer tax funds to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund beginning in fiscal year 2015-16. The transfer amount is to be the lesser of \$25 million or 40 percent of the difference between the total dollar amount of the realty transfer tax collected in the prior fiscal year and the total dollar amount of the realty transfer tax official estimate for fiscal year 14-15 (\$447.5 million).

Act 84-2016 added three exclusions from the tax, effective September 11, 2016 for:

- Agricultural, conservation, or historic preservation easements transferred or sold to certain dedicated conservancies as well as government entities may be made without the seller paying the realty transfer tax.
- Transfers by not-for-profit veterans’ organizations that are recognized by the Internal Revenue Service as 501(c)(19) tax exempt organizations are exempt from realty transfer tax, though other parties to the transaction may still be liable.
- Transfers to or from a land bank, which can be established by government entities in the commonwealth.

Act 43-2017 broadened the category of veterans’ service organizations defined as tax-exempt for purposes of transfers of real estate under the tax effective October 30, 2017,

Act 100-2018 excluded from tax transfers of real estate located in a county of the fifth class with a population between 115,000 and 118,000 by a housing authority created under the Housing Authorities Law to a nonprofit organization which is utilizing the real estate for the purpose of Rental Assistance Demonstration administered by the U.S. Department of Housing and Urban Development. The exclusion is effective for appeals filed with the Board of Finance and Review after December 31, 2015.

The tax was enacted as a temporary tax in 1951 and was made permanent in 1961.

The enabling legislation is Article XI-C of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Inheritance and Estate Taxes

The personal representative of the decedent’s estate or the transferee pays inheritance and estate taxes using proceeds from the estate. The local Register of Wills acts as the Commonwealth’s agent in the collection of these taxes.

The inheritance tax is imposed on the value of the decedent’s estate transferred to beneficiaries by will or intestacy. Certain inter vivos transfers are also subject to inheritance tax. A fractional portion of property held by the decedent and one or more other persons jointly with the right of survivorship is taxable in the decedent’s estate. Specified deductions may be taken in determining taxable estate value.

Inheritance tax is not levied on transfers of assets to certain types of entities. Transfers to governmental entities are exempt. Also exempt are transfers of property to charitable and fraternal organizations when the property is used exclusively for religious, charitable, scientific, literary, or educational purposes. Transfers to qualified veteran organizations are not subject to inheritance tax.

The tax rates levied against estates are based on to whom property is bequeathed. Inheritance tax on the transfer of non-jointly held property to spouses is levied at 0 percent. The transfer of property from children 21 years of age or younger to their parent (either natural, step, or adoptive) is taxed at a rate of 0 percent. All other transfers to lineal heirs are taxed at the rate of 4.5 percent. Transfers to siblings (defined as those having at least one parent in

common with the decedent, related by blood or adoption) are subject to a tax rate of 12 percent. Transfers to all other persons are taxed at a rate of 15 percent.

The estate tax was a pick-up tax imposed to absorb the maximum amount of credit allowed by federal estate tax law toward state death taxes. For residents, the estate tax represented the difference between the Pennsylvania inheritance tax plus death taxes paid to other states and the maximum federal credit for state taxes allowed by federal estate tax law. For nonresidents who owned or had an interest in property located in this Commonwealth, the estate tax was the difference between the Pennsylvania inheritance tax and a proportionate share of the federal credit in the same ratio that the property located in this Commonwealth subject to federal estate tax bore to the decedent's gross federal estate. The federal credit upon which the Pennsylvania estate tax is based was phased out between 2002 and 2005. Once the credit was completely phased out, the Pennsylvania estate tax was eliminated. As a result of the American Taxpayer Relief Act of 2012, the federal credit mentioned above is not scheduled to return.

Inheritance and estate tax payments are due upon the death of the decedent and become delinquent nine months after the individual's death. If inheritance taxes are paid within three months of the decedent's death, a 5 percent discount is allowed. No discount is permitted for estate tax paid within three months of the death of the decedent.

The enabling legislation is Article XXI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended, and Chapter 17 of Title 72 (Taxation and Fiscal Affairs), as amended.

Table Game Taxes

Act 1-2010 established a 12 percent table game tax imposed on gross table game revenue; however, for 2 years following commencement of table game operations at the facility, the rate is 14 percent. Act 84-2016 established an additional 2 percent table game tax on gross table game revenue for the period August 1, 2016 through June 30, 2019. Fully automated electronic gaming tables are subject to a 34 percent tax, in addition to the percentages above. Gross table game revenue is defined as total cash or cash equivalents received in the playing of table games, contest or tournament fees or payments, and total amount of rakes collected minus cash or cash equivalents paid out, paid to purchase annuities to fund prizes, and paid for personal property distributed to patrons as a result of playing a table game. The revenue from these taxes is deposited to the General Fund until such time as, on the last day of the fiscal year, the balance in the Budget Stabilization Reserve Fund is certified by the Secretary of the Budget to exceed \$750,000,000. Thereafter, the funds from these taxes are deposited to the Property Tax Relief Fund.

Enabling legislation is Act 1 of January 7, 2010 (P.L. 1, No. 1).

Fantasy Contest Tax

Act 42-2017 established a 15 percent fantasy contest tax on monthly fantasy contest adjusted revenue of licensed operators. Fantasy contest adjusted revenue is defined as, for each fantasy contest, the total amount of all entry fees collected from all participants entering the fantasy contest minus prizes or awards paid to participants in the fantasy contest, multiplied by the in-state percentage. The in-state percentage is, for each fantasy contest, the percentage of entry fees collected from all in-state participants divided by the total entry fees collected from all participants in the fantasy contest. The tax is remitted monthly.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Interactive Gaming Tax

Act 42-2017 established a 14 percent interactive gaming tax on daily gross interactive gaming revenue from peer-to-peer games and non-peer-to-peer games that simulate table games operated by interactive gaming certificate holders. The 52% tax on non-peer-to-peer games that simulate slots is deposited in the State Gaming Fund. Gross interactive gaming revenue is defined as the total of all cash or cash equivalent wagers paid by registered players to an interactive gaming certificate holder, including cash received as entry fees for contests or tournaments, minus the total of cash or cash equivalents paid out to registered players as winnings and the actual cost paid by the certificate holder for any personal property distributed to a player. The tax is payable on a weekly basis based upon the revenue generated during the previous week.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Multi-use Gaming Device Tax

Act 42-2017 established a 14 percent interactive gaming tax on daily gross interactive airport gaming revenue from peer-to-peer games and non-peer-to-peer games that simulate table games. A tax rate of 52 percent is imposed on the daily gross interactive gaming revenue from non-peer-to-peer games simulating slot machines. These games can be operated by interactive gaming certificate holders authorized to conduct interactive games at qualified airports. Gross interactive airport gaming revenue is defined as the total of all cash or cash equivalent wagers paid by an eligible passenger through the use of multi-use computing devices. This includes cash received as entry fees for contests or tournaments, minus the total of cash or cash equivalents paid out to an eligible passenger as winnings and the actual cost paid by the interactive gaming certificate holder for personal property distributed to a player. The tax is payable on a weekly basis based upon the revenue generated during the previous week.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Sports Wagering Tax

Act 42-2017 established standards and procedures to govern sports wagering and established a 34 percent tax on daily gross sports wagering revenue of certificate holders in the event sports wagering was authorized under federal law. In May 2018, the Supreme Court allowed for sports wagering in the Commonwealth by striking down the federal law that banned sports wagering in most states. Daily gross sports wagering revenue is defined as the total of cash or cash equivalents received from sports wagering minus the total of cash or cash equivalents paid to players, paid to purchase annuities to fund prizes, and paid for personal property distributed to players as a result of sports wagering. The tax is remitted weekly.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Video Gaming Terminal Tax

Act 42-2017 established a 42 percent video gaming terminal tax on gross terminal revenue from all video gaming terminals operated by a terminal operator licensee within this Commonwealth. Gross terminal revenue is defined as the total of cash or cash equivalents received by a video gaming terminal minus the total of cash or cash equivalents paid out to players as a result of playing a video gaming terminal. The tax is remitted bimonthly and is deposited in the Video Gaming Fund. The tax is transferred to the General Fund at the end of each fiscal year, less an annual transfer to the Compulsive and Problem Gambling Treatment Fund.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Tavern Games Taxes

Act 90-2013 provides for the conduct of tavern games by tavern games licensees and imposes a tavern games tax of 60 percent and a host municipality tavern games tax of 5 percent on the net revenue from tavern games. For games required to be purchased from a licensed distributor, net revenue is the difference between the face value, as indicated by the manufacturer, collectible by a licensee, and the maximum amount of prizes, as indicated by the manufacturer, payable by a licensee from a tavern game. For tavern games not required to be purchased from a licensed distributor, net revenue is the difference between the actual gross revenue collected by a licensee from a tavern game and the actual amount of prizes paid by a licensee plus the cost to purchase tavern games.

These taxes are collected and remitted by the licensed distributor or by the tavern games licensee in instances where the tavern game is not required to be purchased from a licensed distributor. Licensed distributors must file tavern games tax returns and remit tax by the 20th day of each month for the preceding month. Tavern games licensees must file returns and remit tax on a quarterly basis. Returns and tax for each calendar quarter are due on the 20th of the month following the close of each calendar quarter.

Revenue from the tavern games tax is deposited into the General Fund. Revenue from the host municipality tavern games tax is deposited into the Host Municipality Tavern Games Local Share Account, a restricted receipts account established within the General Fund. Enabling legislation is Act 90 of November 27, 2013 (P.L. 1045 No. 90).

Minor and Repealed Taxes

Minor taxes produce comparatively small annual yields and primarily consist of the tax on legal documents, excess vehicle rental tax, wine excise tax, and other selective business taxes. Payments received as Electronic Funds

Transfers (EFT) that cannot be immediately attributed to a specific tax category are placed in a temporary clearing account within this category.

The vehicle rental tax is a 2 percent tax imposed on the rental of private passenger cars, trucks, and trailers used in the transportation of non-commercial property for periods of less than 30 days. The tax was originally named the passenger car rental tax when it was created by Act 48–1994, as it was levied only on the rental of private passenger vehicles for periods of less than thirty days. However, Act 7–1997 expanded the tax to include the rental of trucks, trailers, and semi-trailers used in the transportation of non-commercial property. Revenues from the vehicle rental tax are used to refund the cost of licensing and title fees to vehicle rental companies. Any excess funds are transferred to the General Fund.

Enabling legislation of the vehicle rental tax is Article XVI-A of the Tax Reform Code of 1971 (P.L. 6, No. 2).

Transfers of state tax revenue to the Neighborhood Improvement Zone and the City Revitalization and Improvement Zones are made from Minor and Repealed Taxes.

Other selective business taxes include the cooperative agricultural association and electric cooperative corporation taxes. Imposition of these taxes is in lieu of other corporation taxes and certain excise taxes. Electric cooperatives are exempt from gross receipts tax on electric companies for sales within their service territory.

The enabling legislation is the Act of June 22, 1935 (P.L. 414) and the Act of July 15, 1919 (P.L. 954), as amended.

Act 71 of 2013 repealed the corporate loans tax for tax years beginning after December 31, 2013.

Any outstanding remittances of Capital Stock and Foreign Franchise Taxes are reported here as well. These taxes are imposed on corporations with capital stock, joint-stock associations, limited liability companies, business trusts, and other companies doing business within Pennsylvania. Nonprofit and family farm corporations are exempt. Domestic corporations are subject to the capital stock tax while foreign corporations are subject to the foreign franchise tax on capital stock apportioned to Pennsylvania. Effective for tax years 2016 and after, the Capital Stock and Foreign Franchise tax has been eliminated. Please see past versions of the Tax Compendium for a more extensive discussion of this tax.

Non-Tax Revenue

This category of General Fund revenue includes items such as licenses, fines, penalties, interest income, miscellaneous revenues, escheated accounts, profits from the operation of Pennsylvania liquor stores, and transfers from special funds.

The profits of Pennsylvania liquor stores are transferred by the Liquor Control Board (LCB) to the General Fund. The amount is annually determined by the LCB, subject to the approval of the Governor. Enabling legislation is the Liquor Code, Act of June 29, 1987 (P.L. 32) 47 P.S. §§ 8-802 et seq.

Tax Credit Programs

The Neighborhood Assistance Program

Any business firm or private company or pass-through entity that engages in certain assistance programs in impoverished areas or makes qualified investments in designated enterprise zones may claim the Neighborhood Assistance Tax Credit. The amount of credit that may be awarded to a taxpayer is 55 percent of the amount contributed by a business firm, or 75 percent of the amount contributed to special program priorities defined by the Department of Community and Economic Development in regulations. For private companies, the amount is 25 percent of the amount of qualified investment, or 35 percent of the amount invested in special program priorities. Also, a credit equal to 75 percent of the contributions made by a business firm during a taxable year for comprehensive service projects with a five-year commitment may be awarded. A credit equal to 80 percent of the contributions made by a business firm during a taxable year for comprehensive service projects with a six-year commitment may be awarded. The amount of the credits awarded annually cannot exceed \$500,000 for contributions or investments for single projects or \$1,250,000 for contributions or investments for four projects.

If the tax credit is not used in the period the investment was made, it may be carried over for five succeeding calendar or fiscal years. Act 55-2007 allowed for the sale of unused tax credits, subject to a one-year holding period. Purchased tax credits must be used in the taxable year in which they were purchased and may not be carried back, carried forward, refunded or sold.

The total amount of Neighborhood Assistance tax credits awarded to taxpayers cannot exceed \$18 million in a fiscal year, with \$2 million allocated exclusively to pass-through entities. However, if the pass-through entities do not claim the \$2 million, the unused portion is available for other taxpayers.

Act 48-2009 reduced the amount of tax credit that could be awarded in fiscal year 2009-10 and fiscal year 2010-11 by 50 percent and 55 percent respectively. For fiscal year 2011-12 and forward, the total amount of credit that can be awarded returned to \$18 million.

Act 85-2012 provided direction to the Department of Community and Economic Development to credit applications involving charitable food programs.

Act 84-2016 included new definitions for affordable housing, domestic violence or veterans' housing assistance. By inclusion of these amendments, tax credits may be awarded equivalent to 75 percent of the total amount contributed by business firms participating in the program.

Act 100-2018 increased the total amount of credit that can awarded in a fiscal year from \$18 million to \$36 million beginning in fiscal year 2019-20.

Tax Credit for New Jobs

Prior to Act 84-2016, this tax credit was known as the Job Creation Tax Credit. Act 84-2016 changed the name of the tax credit to the Tax Credit for New Jobs.

Any employer creating at least 25 new full-time equivalent jobs or increasing their workforce by 10 percent or more within three years from a given start date may receive a tax credit of \$1,000 for each job created. If the newly created job is filled by an individual who has been unemployed for at least 60 days, the maximum credit per job created is increased to \$2,500. Act 84-2016 added a provision for a maximum credit per job of \$2,500 for every veteran hired. To qualify as a new full-time job, the employee must earn at least 150 percent of the federal minimum hourly wage rate, excluding benefits. Twenty-five percent of the tax credits are allocated to companies with fewer than 100 employees. Act 26-2011 permanently reduced the total credits that can be awarded to \$10.1 million beginning in fiscal year 2011-12. To be eligible for the credit, an employer must enter into an agreement with the Department of Community and Economic Development.

Special Tax Provisions for Poverty Credits

Personal income tax - A credit against personal income tax liability is available for individuals who meet eligibility income limits. The most recent legislative change increased the dependent allowance from \$9,000 to \$9,500 per dependent. More detail is available in the Personal Income Tax section.

Research and Development Tax Credits

A research and development tax credit is available for qualified research performed in Pennsylvania. Prior to Act 46–2003, the credit had an annual cap of \$15 million, with \$3 million earmarked exclusively for small businesses. Act 46–2003 raised the annual cap to \$30 million and the amount of credit available to small businesses to \$6 million. Act 116–2006 raised the annual cap to \$40 million and the amount of credit available to small businesses to \$8 million. Before the passage of Act 116, the credit for all businesses was equal to 10 percent of the increase in research activities in Pennsylvania over a base period. Act 116 increased the small business credit from 10 percent to 20 percent of research activities.

Act 48-2009 reduced the amount of tax credit that could be awarded in fiscal year 2009-10 and fiscal year 2010-11 to \$20 million and \$18 million respectively. Act 26-2011 increased the total amount of credit that can be awarded to \$55 million and the amount of credit available to small businesses to \$11 million beginning in fiscal year 2011-12. Act 85-2012 reestablished these limits and removed the sunset date of the tax credit.

The credit may be applied against the corporate net income tax, capital stock and franchise tax, personal income tax, or any combination thereof, but may not exceed 50 percent of such qualified tax liability for tax years 2004 and earlier. Act 46–2003 eliminated the 50 percent limitation for tax years 2005 and forward. Unused credits may be carried forward fifteen taxable years.

With the passage of Act 46–2003, taxpayers could apply to the Department of Community and Economic Development to sell or assign an unused credit after one year from the date that the department approved the credit. The purchaser or assignee must use the credit in the taxable year in which the purchase or assignment is made and the credit cannot exceed 75 percent of the tax liability for the taxable year. The purchaser may not carry credits forward or back or obtain a refund of any unused credit. This change applied to credits awarded in December 2003 and after. The Department of Revenue is required to report to the General Assembly the names of all taxpayers using the credit for credits awarded in December 2004 and after.

Prior to Act 84–2016, the research and development tax credit was to sunset on December 31, 2015. However, Act 84-2016 repealed this provision.

Keystone Opportunity Zone

The Keystone Opportunity Zone (KOZ) program was established in 1999 to spur the development of underutilized or deteriorated properties across the Commonwealth. In defined, parcel-specific areas, the program allows businesses and residents to receive tax relief from various local and state taxes. By waiving these taxes for a series of years, the program hopes to stimulate development of the selected sites. The Department of Community and Economic Development administers the program for the Commonwealth.

Among the state taxes waived by the program are corporate net income, capital stock and foreign franchise, personal income, bank shares, and mutual thrift institutions taxes. Insurance companies and certain regulated transportation companies may earn tax credits based on the number of jobs created in a zone. Businesses operating in a zone are exempted from paying sales and use taxes on items purchased for consumption in a zone. At the local level, property, earned income, and various other taxes are waived for zone businesses and residents.

Twelve Keystone Opportunity Zones, each containing as many as twenty sub-zones, have been designated throughout the Commonwealth. The program was enlarged in scope and length by the creation of Keystone Opportunity Expansion Zones (KOEZ). Act 217–2002 allowed for the enhancement of KOZ or KOEZ subzones. As amended, each zone may contain no more than 6,500 acres and expire no later than January 1, 2014. Act 217 also created Keystone Opportunity Improvement Zones (KOIZ).

Act 51–2003 permitted KOZ and KOEZ subzones to enhance their size up to previously legislated limits and extended the application period for KOIZ subzones until June 1, 2004. Benefits in the additional KOZ and KOEZ acreage began January 1, 2004 and were set to expire with the rest of the subzone, either December 31, 2010 or December 31, 2013. Approved KOIZ subzones were set to expire December 31, 2018. Act 51-2003 also changed the relocation provisions governing businesses moving into a subzone.

Act 79–2008 granted KOZs that were set to expire within the next five to ten years the option of extending their associated benefits for seven to ten years. Act 79-2008 also allowed the Department of Community and Economic Development to designate up to 15 additional KOEZs beginning in January 1, 2010. Under this legislation,

contractors, pursuant to a contract with a qualified business, landowner or lessee, may purchase, exempt from sales and use tax, any tangible personal property or services for use in the zone by the qualified business.

Furthermore, under Act 79-2008, the formula for calculating the taxable income of a corporation in a zone is now based only on the payroll and property factors. The sales factor was eliminated from the calculation.

Act 16-2012 granted KOZs located in unoccupied parcels the option of extending their associated benefits for seven to ten years. Additionally, the Department of Community and Economic Development is allowed to designate up to 19 additional KOEZs. Act 16-2012 also permits the expansion of an existing KOZ and KOEZ zone if the expansion is expected to increase job creation or capital investment. Benefits for expanded parcels are limited to 15 acres for a period of 10 years.

Act 84-2016 included a provision to allow for the designation of 12 new Keystone Opportunity Expansion Zones consisting of 375 acres each for a period of up to 10 years effective for January 1, 2017 to December 31, 2026. In addition, existing parcels can be extended up to 10 years for state tax benefits, if the applicant can meet the job creation and capital investment requirements in the enabling legislation.

Educational Tax Credits

Act 194-2014 created the Educational Tax Credits (ETC) program by consolidating both the Educational Improvement Tax Credit (EITC) and the Educational Opportunity Scholarship Tax Credit (EOSTC) in Article XVII-F of the Tax Reform Code. Act 194-2014 repealed Article XVII-G.1 of the Tax Reform Code containing the EOSTC.

Act 84-2016 repealed Article XVII-F of the Tax Reform Code, which contained the ETC program. Act 86-2016 moved the ETC program back to the Public School Code.

Credits caps by fiscal year are as follows (millions):

Fiscal Year	EITC	EOSTC	Total
2001-02	\$30	NA	\$30
2003-04	\$40	NA	\$40
2004-05	\$45	NA	\$45
2005-06	\$49	NA	\$49
2006-07	\$59	NA	\$59
2007-08	\$75	NA	\$75
2009-10	\$60	NA	\$60
2011-12	\$75	NA	\$75
2012-13	\$100	\$50	\$150
2016-17	\$125	\$50	\$175
2017-18	\$135	\$50	\$185
2018-19	\$160	\$50	\$210

Act 194-2014 made numerous administrative changes to the ETC programs in order to make the program more flexible in awarding the tax credits and how they may be utilized.

The tax credits awarded under the ETC program may be applied to the personal income tax, corporate net income tax, capital stock & foreign franchise tax, bank shares tax, title insurance company shares tax, insurance premiums tax, mutual thrift institutions tax, and malt beverage tax.

Educational Improvement Tax Credit

The EITC is granted to business firms providing proof of a contribution to a scholarship organization, an educational improvement organization, or a pre-kindergarten scholarship organization. The actual credit is equal to 75 percent of the total amount contributed during the taxable year. The tax credit shall not exceed the tax liability of a business for any given taxable year.

The annual limit for contributions by a business to a scholarship organization or an educational improvement organization is \$750,000. The annual limit for contributions by a business to a pre-kindergarten scholarship organization is \$200,000.

Fiscal year limits by organization type are as follows (millions):

Fiscal Year	Scholarship	Educational Improvement	Pre-Kindergarten
2001-02	\$20.0	\$10.0	NA
2003-04	\$26.7	\$13.3	NA
2004-05	\$26.7	\$13.3	\$5.0
2005-06	\$29.3	\$14.7	\$5.0
2006-07	\$36.0	\$18.0	\$5.0
2007-08	\$44.7	\$22.3	\$8.0
2009-10	\$35.7	\$17.9	\$6.4
2010-11	\$40.2	\$13.4	\$6.4
2011-12	\$44.7	\$22.3	\$8.0
2012-13	\$60.0	\$30.0	\$10.0
2016-17	\$75.0	\$37.5	\$12.5
2017-18	\$85.0	\$37.5	\$12.5
2018-19	\$110.0	\$37.5	\$12.5

Educational Opportunity Scholarship Tax Credit

The EOSTC is available to eligible businesses contributing to an Opportunity Scholarship Organization. Business contributions are then used by Opportunity Scholarship Organizations to provide tuition assistance in the form of scholarships to eligible students residing within the boundaries of a low-achieving school to attend another public school outside of their district or nonpublic school.

The EOS tax credit is equal to 75 percent of contributions to an approved scholarship organization, up to a maximum of \$750,000 per taxable year. The total amount of credits that can be granted in any fiscal year cannot exceed \$50 million.

The total amount of EOSTC tax credits that can be granted in any fiscal year cannot exceed \$50 million.

Keystone Innovation Zone

Act 12–2004 created the Keystone Innovation Zone (KIZ) program to foster growth in targeted industry segments, namely research and development and other high technology businesses. The zones are defined parcels and are operated by a partnership of business groups and institutions of higher education. Qualified businesses operating in a zone are entitled to priority consideration for assistance under a number of State programs, as well as a tax credit. A KIZ company may apply to the Department of Community and Economic Development for a tax credit equal to 50 percent of the increase in its gross revenues from the previous year attributable to its activities in a zone. A KIZ company may not claim in excess of \$100,000 in tax credit per year.

Originally, no more than \$25 million in tax credits could be awarded in any taxable year. Act 84–2016 lowered the program cap to \$15 million per taxable year, effective July 2016. Act 84-2016 also amends the previous authorizing statute for the KIZ program, moving the authorizing statute to the Tax Reform Code.

KIZ companies may apply KIZ tax credits against personal income tax, corporate net income tax, or capital stock and franchise tax liabilities. KIZ companies may apply for KIZ tax credits beginning September 15, 2006 based on expenses from the prior taxable year. The Department of Community and Economic Development began awarding credits during fiscal year 2006-07.

Act 16-2012 permits the expansion of an existing KIZ zone if the expansion is expected to increase job creation or capital investment. Benefits for expanded parcels are limited to 15 acres for a period of 10 years.

Entertainment Production Tax Credits

Film Production Tax Credit

The current Film Production Tax Credit was established by Act 55–2007. A prior program was created under Act 95-2004, then replaced with a grant program in fiscal year 2006-07. The current credit was first available in fiscal year 2007-08, and has been amended several times since. The Department of Community and Economic Development (DCED) administers the award of the credits by the date that the applications are received and issues tax credit certificates upon review and approval of an audit, economic impact report, and any other information requested by the Pennsylvania Film Office. Provided the information supplied to the Film Office meets the program’s financial reporting requirements, a tax credit certificate is to be issued within 45 days. DCED may, at its discretion, award in advance 30 percent of the dollar amount of tax credits available to be awarded in the next succeeding fiscal year, 20 percent in the second successive fiscal year, and 10 percent in the third successive fiscal year.

The credit is available for certain production expenses of the producers of feature films and certain television commercials or shows intended for a national audience. Production expenses include compensation paid to individuals or payments made to entities representing individuals for their services, the costs of construction, operations, editing, photography, sound synchronization, lighting, wardrobe and accessories, the cost of transportation, the cost of insurance coverage, the costs of food and lodging, the purchase of music or story rights, and the cost of rental of facilities and equipment. Production expenses do not include certain items such as deferred compensation or profit sharing, development costs, marketing or advertising expenses or expenses related to the selling of the credit.

A tax credit equal to 25 percent of qualified film production expenses may be claimed against personal income tax, corporate net income tax, capital stock/franchise tax, bank shares tax, title insurance company shares tax, mutual thrift institutions tax and insurance premiums tax liabilities. An additional tax credit of 5 percent is available if the taxpayer films a feature film, television film, or television series intended for a national audience in a qualified production facility that meets all minimum stage requirements.

Qualified film production expenses are Pennsylvania production expenses if at least 60 percent of the total production expenses are incurred in Pennsylvania except that compensation paid to individuals or payments made to entities representing individuals for services provided in the film cannot exceed \$15 million. DCED may waive the 60 percent requirement in certain circumstances.

Credits granted may be carried forward, but may not be carried back or refunded. Credits may be sold or assigned with the approval of DCED and the Department of Revenue pursuant to regulations jointly promulgated. There are procedures for the transfer of unused credits by pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member, or partner. Films receiving a film production grant are not eligible for this credit for the same film. Act 52-2013 made clarifications and technical changes to the program, including clarifying the term “start date”, and providing that credits purchased or assigned in 2013 or 2014 could be carried forward to 2014 and 2015, respectively.

Act 43-2017 amended the program to authorize the creation of not more than two Film Tax Credit Production Districts. The districts must meet certain location, size, technical, and investment requirements, and the designation will expire after 15 years. Tax credits for these districts are in addition to the existing Film Production Tax Credit and may be approved beginning in fiscal year 2019-20.

The program cap has changed several times since the credit was enacted:

Fiscal Year	Cap
2007-08	\$75 million
2009-10	\$42 million
2010-11	\$60 million
2017-18	\$65 million

Entertainment Economic Enhancement Program

Act 84-2016 created the Concert Rehearsal and Tour Tax Credit. The credit may be claimed by qualified concert tour promotion companies, concert tour management companies, or other concert management companies, excluding contractors or subcontractors of such companies. The tax credit may be applied against corporate net income, personal income (excluding taxes withheld by an employer from an employee), or capital stock/foreign franchise taxes. The amount of credit awarded per taxpayer may not exceed certain percentages of qualified rehearsal and tour costs, based on the types of venues and number of performances at which the performer(s) will appear. Credits granted may be carried forward; however, they may not be carried back or refunded. Credits may be sold or assigned, and there are procedures for the transfer of unused credits by pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner.

Under the original authorizing legislation, up to \$4 million in tax credits could be awarded in any fiscal year. The credit could first be claimed beginning on July 1, 2017. Act 7-2017, which repealed the credit in the Tax Reform Code and relocated its authorizing language to Title 12, Chapter 33’s Entertainment Economic Enhancement Program, restructured the program cap to allow the award of tax credits to up to five tours per year at a maximum award of \$800,000 per tour. Act 43-2017 subsequently moved the renamed Entertainment Economic Enhancement Program back to the Tax Reform Code as Subarticle E of the Entertainment Production Tax Credits. Act 42-2018 amended the program to permit that, for fiscal year 2018-19 only, credits may be awarded to up to 10 tours; the maximum credit per tour remains \$800,000.

Video Game Production Tax Credit

Act 84-2016 created the Video Game Production Tax Credit. The credit may be claimed by qualified video game production companies, excluding contractors or subcontractors of such companies, for qualified Pennsylvania production expenses. The tax credit may be applied against corporate net income, personal income (excluding taxes withheld by an employer from an employee), capital stock/franchise, bank shares, title insurance company shares, insurance premiums, or mutual thrift institutions taxes.

The amount of credit awarded per taxpayer may not exceed 25 percent of the qualified production expenses incurred in the first four years of such expense and may not exceed 10 percent in years thereafter.

Credits granted may be carried forward; however, they may not be carried back or refunded. Credits may be sold or assigned, and there are procedures for the transfer of unused credits by pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner.

Up to \$1 million in tax credits can be awarded in any fiscal year. The credit may be claimed beginning on July 1, 2017.

Organ Bone Marrow Donor Tax Credit

Act 193-2014 reestablished the Organ and Bone Marrow Donor Tax Credit as an Article in the Tax Reform Code for tax year 2011 and forward. The Organ and Bone Marrow Donor Tax Credit provides a tax credit for expenses incurred when a business firm grants to any of its employees a paid leave of absence for the purpose of donating an organ or bone marrow. Credits can be used against personal income tax, corporate net income tax, capital stock and franchise tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, or mutual thrift institutions tax.

Alternative Energy Production Tax Credit

Act 1 of the Special Section of 2008 created the Alternative Energy Production Tax Credit. Taxpayers that develop or construct energy production projects located within the Commonwealth, which have a useful life of at least four years, may apply to the Department of Environmental Protection for a tax credit beginning in September 2009. The amount of the tax credit may be up to 15 percent of the amount paid for the development and construction of alternative energy production project but may not exceed \$1 million per taxpayer. Unused portions of the tax credit may be carried forward for up to five taxable years from the year in which the credit is awarded. Credits may not be carried back. Additionally, taxpayers may sell or assign unused portions of the tax credit upon approval by the Department of Revenue and the Department of Environmental Protection. The total amount of tax credit that can be awarded is anywhere from \$2 million to \$10 million per fiscal year depending on the fiscal year. Act 48-2009 prohibits that any amount of tax credit can be awarded in fiscal year 2009-10 and fiscal year 2010-11. Beginning in fiscal year 2011-12, the total amount of tax credits that can be awarded is \$5 million.

Strategic Development Areas

The Strategic Development Areas (SDA) program was established in 2006 to provide incentives for economic development in designated areas. Act 151 of 2006 created the program to provide tax relief and tax credits to qualified companies within the SDA. The designation is in effect for fifteen years and must be approved by the political subdivision in which the SDA is located.

Businesses located within the SDA are eligible to receive tax relief from various local and state taxes, including the corporate net income tax, the capital stock and foreign franchise tax, and the personal income tax. In addition, businesses operating within the SDA are exempt from paying sales and use tax on purchases for consumption within the SDA. Insurance companies and certain regulated transportation companies may earn tax credits based on the number of jobs created in a zone. At the local level, property taxes, earned income and net profit taxes, mercantile license tax, and the local sales and use tax are waived for area businesses. By waiving these taxes and creating tax credits for a series of years, the program hopes to foster growth within the SDA.

The program is administered by the Department of Community and Economic Development. Tax benefits may not extend beyond December 31, 2022.

Resource Enhancement and Protection Tax Credit

The Resource Enhancement and Protection (REAP) Tax Credit was created as part of Act 55-2007. The REAP tax credit is available to business entities or individuals that engage in certain agricultural programs that manage nutrients and sediment and protect surface water and groundwater. An eligible applicant applies to the State Conservation Commission of the Department of Agriculture for authorization that a project is eligible for a tax credit under this program. Tax credits will be awarded by the order of the date that the application was received. Once the Commission has authorized a credit, the Commission shall provide notice to the Department of the credit. The credit may be carried forward for 16 years.

The REAP tax credit may be used against personal income tax, corporate net income tax, capital stock and franchise tax, bank shares tax, title insurance company premiums tax, insurance premiums tax and mutual thrift institutions tax. These credits can be awarded to eligible projects, applicants, or sponsors of eligible projects. Dependent on the type of project, a tax credit in the amount of 75 percent of the eligible project or 50 percent of the project costs may be awarded up to a maximum amount of \$150,000 for each eligible applicant or project. There is no limitation on the amount of credit that can be awarded to a sponsor of the project.

There are procedures for the sale and assignment of the credit as well as for pass-through entities to transfer tax credits to their shareholders, partners or members. The total amount of credits that can be awarded in one fiscal year is \$10 million. If the Commission determines that a best management practice is not maintained, then the amount of the tax credit originally awarded shall be returned to the Department of Revenue. The credit took effect in fiscal year 2007-08 except that credits for legacy sediment could not be issued prior to July 1, 2008.

Act 48-2009 reduced the amount of tax credit that could be awarded in fiscal year 2009-10 and 2010-11 by 50 percent and 55 percent respectively. For fiscal year 2011-12 and forward, the total amount of credit that can be awarded returns to \$10 million.

Keystone Special Development Zones Tax Credit

The Keystone Special Development Zones (KSDZ) Tax Credit was created as part of Act 26–2011. The KSDZ tax credit is available to taxpayers with operations located on parcels of real property certified as Brownfields pursuant to the Land Recycling and Environmental Remediation Standards Act. The tax credit is equal to \$2,100 for each full-time equivalent employee working in the zone beginning in tax year 2012. Prior to Act 84-2016, the tax credit was available for ten consecutive tax years during the fifteen-year period the tax credit was to be in existence, ending June 30, 2026. Act 84-2016 extended the ending date to June 30, 2035.

The KSDZ tax credit may be used against personal income tax, corporate net income tax, capital stock and franchise tax, bank shares tax, title insurance tax, insurance premiums tax, and gross receipts tax. The tax credit may not exceed the qualified tax liability and may be carried forward for up to ten years. Jobs used to claim this tax credit may not be used to claim the Keystone Opportunity Zone Tax Credit or the Job Creation Tax Credit.

Unused KSDZ credits may be sold or assigned to reduce a taxpayer's liability up to 75 percent. The purchaser or assignee of an unused KSDZ credit must use it in the year it was purchased or assigned; there is no carry forward, carry back or refund of a KSDZ credit.

Neighborhood Improvement Zone Program

Act 50-2009 created the Neighborhood Improvement Zone (NIZ) program designating a 130-acre area in a city of the third class with a population between 106,000 and 107,000 as eligible to receive state money for economic improvement. The only city that currently qualifies is Allentown. General Fund and local tax revenues attributable to business in the zone may be used for the purpose of improvement and development within the zone and to construct a facility or facility complex within the zone. State taxes related to ownership and operation of any business located within the zone are used to repay bonds issued to fund various economic development projects within the zone, including a sports arena.

Act 26-2011 opened a new window for the decertification of a Keystone Opportunity Zone, limited the debt issuance to a maximum term of 30 years, and clarified that excess moneys shall first be returned to the General Fund and then to the local taxing authorities who collect the local taxes.

Act 84-2016 made administrative and local-level changes to the program. The act provides for new and expanded penalty provisions, changes to the acceptance of late reports within the program reconciliation, and an annual program audit by an independent auditing firm. The act also provides for changes to the collection and distribution of local hotel taxes within the zone.

Further, the act prohibited the assessment of real estate taxes on any property owned by the contracting authority in a zone, and prohibits certain property valuations for property within the zone for use by the county.

Act 43-2017 allowed the contracting authority to transfer parcels out of the zone and replace them with parcels not to exceed the acreage transferred out. The Department of Revenue and municipality must certify that there is no activity in the parcels being transferred that generates tax receipts or other revenue. The amendment was effective one year after passage. Act 42-2018 added a definition for "entertainment business financial management firm" to enable the contracting authority to identify the responsible party required to fulfill reporting compliance on behalf of a qualified business for concerts or other performances in a facility in the zone, effective immediately.

Pennsylvania Resource Manufacturing Tax Credit

The Pennsylvania Resource Manufacturing (PRM) Tax Credit was created as part of Act 85–2012. The PRM tax credit is available to business entities purchasing ethane for use in manufacturing ethylene at a facility in the Commonwealth that has made a capital investment of at least \$1 billion and created at least 2,500 full-time equivalent jobs during the construction phase.

The PRM tax credit is equal to \$0.05 per gallon of ethane purchased (\$2.10/barrel) for the period from January 1, 2017 to December 31, 2042. The credit may be used to offset 20 percent of a taxpayer's liabilities for personal income tax, corporate net income tax, capital stock and foreign franchise tax, bank shares tax, title insurance company shares tax, insurance premiums tax, and mutual thrift institutions tax.

Within one year after the PRM credit is approved, a taxpayer can apply to DCED for approval to assign or sell eligible credits to another taxpayer. The eligible buyer of the credit may use the purchased credits to offset up to 50

percent of its Pennsylvania tax liabilities. The PRM tax credit may not be carried back, carried forward, or refunded.

Historic Preservation Incentive Tax Credit

The Historic Preservation Incentive (HPI) Tax Credit was created as part of Act 85–2012. Beginning July 1, 2013, a HPI tax credit is available to qualified taxpayers owning a PA commercial building that qualifies as a certified historical structure according to the Internal Revenue Code (IRC). The HPI tax credit is equal to 25 percent of the costs and expenses associated with a rehabilitation of a historic structure approved by the Pennsylvania Historical and Museum Commission or costs and expenses defined as qualified rehabilitation expenditures under the IRC. The HPI tax credit may be applied to the personal income tax, corporate net income tax, capital stock & foreign franchise tax, bank shares tax, title insurance company shares tax, insurance premiums tax, gross receipts tax, and mutual thrift institutions tax.

A taxpayer without a qualified tax liability may assign or sell credits to another taxpayer. Purchasers and assignees of a tax credit must immediately claim the credit in the taxable year in which the purchase or assignment is made. The HPI tax credit may not be carried back or used to obtain a refund, but it may be carried forward for up to seven taxable years following the first taxable year for which the taxpayer was entitled to claim the credit.

The maximum amount of HPI tax credits awarded is \$3 million and \$500,000 per taxpayer annually. No HPI credits may be awarded after June 30, 2020.

Community-Based Services Tax Credit

The Community-Based Services (CBS) Tax Credit was created as part of Act 85–2012. Beginning July 1, 2013, a CBS tax credit is available for contributions made by business firms to providers of community-based services for individuals with intellectual disabilities, mental illness, or drug and alcohol addiction. The CBS tax credit is equal to 50 percent of contributions made to a provider. This amount may be increased to 75 percent for business firms that contribute to a provider in two or more successive years.

The CBS tax credit may be applied to the personal income tax, corporate net income tax, capital stock/foreign franchise tax, bank shares tax, title insurance company shares tax, insurance premiums tax, and mutual thrift institutions tax. Tax credits may not be carried forward, carried back, and are not refundable or transferable.

The maximum amount of CBS tax credits awarded is \$3 million and \$100,000 per taxpayer annually. No CBS credits may be awarded after June 30, 2020.

City Revitalization and Improvement Zones Program

The City Revitalization and Improvement Zones (CRIZ) program was created by Act 52-2013, which permitted cities of the third class with a population of at least 30,000 to designate an area of up to 130 acres as a CRIZ. Additionally, one pilot zone may be established within a township or borough with a population of at least 7,000. General Fund and local tax revenues above a baseline amount attributable to economic activity with the zones may be used for the purpose of improvement and development within the zones. These state and local tax revenues are deposited into a separate fund to be dispersed to a contracting authority to repay bonds issued to fund various economic development projects within the zones. Two zones were approved in 2013, and a pilot zone was designated in 2014. Two more zones per year may be approved beginning in 2016.

Act 194-2014 amended the definition of contracting authority in order to allow a township to establish an authority, and thus, a CRIZ or pilot zone. The original language only allowed for cities to establish contracting authorities, which had prevented the establishment of a pilot zone.

Act 84-2016 made numerous changes to the CRIZ program. The act expanded eligibility to cities of the second class, third class cities with populations over 20,000, and otherwise eligible third class cities that have had a receiver. The act allowed pilot zones to include multiple municipalities.

The act also expanded the definition of eligible tax types within the zone to include hotel occupancy tax and personal income tax paid by members or partners of Subchapter S corporations, limited liability companies, partnerships or sole proprietors on income. Recalculation of the baselines for existing zones to include hotel occupancy tax was prohibited.

The act significantly amended the calculation of the annual certification amount. Baseline tax amounts and revenue above the baseline are calculated by individual entity, rather than by the entire zone. If an entity's taxes fall below its baseline, the amount is no longer included in that year's revenue change from the baseline, eliminating the impact of entities that have year over year decreases in tax revenue on the entire zone. The act also lowered the maximum amount that a zone may borrow per year from \$10 million to \$7.5 million, effective immediately.

Further, the act provided for additional powers and responsibilities for CRIZ authorities and authorizes additional uses of CRIZ funds by CRIZ authorities.

Act 43-2017 allows an inactive parcel to be transferred out of the zone and replaced with a parcel of equal or lesser acreage. Such a transfer of parcels in and out of the zone does not need to occur simultaneously. The act also provides that excess money transferred to a CRIZ fund for utilization in a pilot zone is not required to be returned to the Commonwealth by the pilot zone's contracting authority and must be used in accordance with the current utilization provisions in the article. The changes were effective October 30, 2017.

Waterfront Development Tax Credit

Act 84-2016 created the Waterfront Development Tax Credit. The credit is available to business firms donating cash or property to a waterfront development organization to fund a waterfront development project.

The credit may be claimed by qualified business firms subject to personal income, corporate net income, capital stock/foreign franchise, title insurance company shares, insurance premiums (including surplus lines), or mutual thrift institutions taxes that have made a contribution to a waterfront development organization to fund a waterfront development project. The tax credit may not exceed 75 percent of the total contribution made by the business firm during the taxable year.

Credits granted may be carried forward; however, they may not be carried back or refunded. Credits may be sold or assigned, and there are procedures for the transfer of unused credits by pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner. Particularly, a pass-through entity and a shareholder, member or partner of a pass-through entity may not claim a credit under this article for the same waterfront development project.

Credits are available on a first come, first served basis. Total credits awarded in a fiscal year shall not exceed \$1.5 million; the credit may be claimed beginning in fiscal year 2017-18

Mixed-Use Development Tax Credit

Act 84-2016 created the Mixed-Use Development Tax Credit. The credit encourages increased funding of affordable housing and commercial corridor development opportunities in the commonwealth through the Pennsylvania Housing Finance Authority's Mixed-Use Development Program.

The Pennsylvania Housing Finance Authority may allocate up to \$2 million per fiscal year in tax credits to be purchased by qualified purchasers. Tax credit certificates are schedule to be issued to credit purchasers beginning on July 1, 2017.

The credits may be claimed by tax credit purchasers against personal income (excluding employer withholding), corporate net income, capital stock/foreign franchise, title insurance company shares, insurance premiums, gross receipts, or mutual thrift institutions taxes.

Credits granted may be carried forward for up to seven taxable years; however, they may not be carried back or refunded. Credits may be sold or assigned, and there are procedures for the transfer of unused credits by pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner.

Coal Refuse Energy and Reclamation Tax Credit

Act 84-2016 created the Coal Refuse Energy and Reclamation Tax Credit. The credit is designed to incentivize eligible facilities that generate electricity in the commonwealth to use coal refuse for power generation, control acid gasses for emission control, and use ash produced by the facility to reclaim mining-affected sites.

Credits may be awarded at a rate of \$4 per 2,000 pounds of qualified coal refuse capped at 22.2 percent of the available budget allocation per fiscal year. The allocation is \$7.5 million for fiscal year 2016-17 and \$10 million each fiscal year thereafter. Credits are awarded by the Department of Community and Economic Development.

The Coal Refuse Energy and Reclamation Tax Credit may be used against personal income tax, corporate net income tax, capital stock and franchise tax, bank shares tax, title insurance company premiums tax, insurance premiums tax and mutual thrift institutions tax.

The tax credit can be carried forward for 15 years, but may not be carried back or refunded. Credits can be transferred to pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member, or partner.

An unused tax credit may be sold or assigned. A sold or assigned tax credit must be used by the purchaser or assignee in the tax year in which it was sold or assigned. The credit cannot be carried back, carried forward or refunded. A sold or assigned tax credit may only reduce a taxpayer's qualified liability by 75% in a given tax year.

Manufacturing and Investment Tax Credit

Act 84-2016 created the Manufacturing and Investment Tax Credit. The credit is designed to support job creation in the Commonwealth.

Eligible taxpayers, capable of increasing their annual taxable payroll by a minimum of \$1 million through the creation of new full-time jobs can earn a tax credit equal to up to 5 percent of the taxpayer's increase in annual taxable payroll. Jobs must be maintained for at least five years. The budget allocation is \$4 million a year beginning in fiscal year 2017-18. Credits are awarded by the Department of Community and Economic Development.

The Manufacturing and Investment Tax Credit may be used against personal income tax, corporate net income tax, capital stock and franchise tax, bank shares tax, title insurance company premiums tax, insurance premiums tax and mutual thrift institutions tax.

The tax credit can be carried forward for 3 years, but may not be carried back or refunded. Credits can be transferred to pass-through entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner.

An unused tax credit may be sold or assigned. A sold or assigned tax credit must be used by the purchaser or assignee in the tax year in which it was sold or assigned. The credit cannot be carried back, carried forward or refunded. A sold or assigned tax credit may only reduce a taxpayer's qualified liability by 50% in a given tax year.

Rural Jobs and Investment Tax Credit

Act 84-2016 created the Rural Jobs and Investment Tax Credit. The credit is designed to stimulate growth and job creation in rural areas by providing access to capital to rural businesses from businesses supporting Rural Growth Funds.

The Rural Jobs and Investment Tax Credit is based on contributions made by a business firm to Rural Growth Fund. Eligible business firms may be approved for up to a 90 percent equivalent tax credit per contributed dollar. The budget allocation is \$1 million a year beginning in the fiscal year 2017-18, and is not to exceed \$4 million for the duration of the program. The credits are awarded by the Department of Community and Economic Development.

The Rural Jobs and Investment Tax Credit may be used against the bank shares tax, title insurance company premiums tax, insurance premiums tax and mutual thrift institutions tax.

The tax credit can be carried forward for 5 years, but may not be carried back or refunded. Credits can only be sold to affiliated companies. An awarded or assigned tax credit may reduce a taxpayer's qualified liability by 100% in a given tax year.

Computer Data Center Equipment Incentive Program

Act 84-2016 created the Computer Data Center Equipment Incentive Program. The program is designed to attract new investment from businesses that operate within facilities containing equipment such as servers or data storage equipment necessary to operate a computer data center.

The program is to be administered by the Department of Revenue. The budget allocation is \$5 million a year beginning in fiscal year 2017-18. The \$5 million annual cap applies to qualified requested refunds of Sale and Use Tax paid on certain computer data center equipment.

Innovate in PA Tax Credit

Act 52-2013 created the Innovate in PA tax credit program in which credits may be purchased by qualified insurance companies and used against insurance premiums tax liabilities beginning in calendar year 2017. More detail is available in the Insurance Premiums Tax section.

Mobile Telecommunications Broadband Investment Tax Credit

Act 52-2013 created the Mobile Telecommunications Broadband Investment Tax Credit. Taxpayers that are a provider of mobile communications services shall be allowed a tax credit against their Corporate Net Income tax for investment in qualified broadband equipment placed into service in Pennsylvania.

The amount of the tax credit is 5% of the purchase price of qualified broadband equipment put into service during the taxable year. The maximum amount of approved tax credits shall not exceed \$5 million in any fiscal year, nor may they exceed 50% of a taxpayer's Corporate Net Income tax liability. Any credit claimed and not used in the taxable year may be carried forward for no more than five consecutive tax years. Affiliated shareholders, members, or partners of pass-through entities that receive unused credits from the pass-through entity are required to use the tax credit immediately. They are not allowed to carry forward, carry back, obtain a refund, or sell the tax credit.

The credit was first awarded for tax year 2014.

Motor License Fund

The Motor License Fund receives monies from liquid fuels taxes, motor vehicle licenses and fees, aviation revenues, federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects, fines, and other miscellaneous highway revenues.

The fund provides revenues for highway and bridge improvement, design and maintenance, purchase of rights-of-way, aviation activities, administration costs, and the Department of Transportation licensing and safety activities. It also finances State Police highway patrol operations, pays subsidies to local subdivisions for the construction and maintenance of roads, and funds other operations.

Liquid Fuels Taxes

There are four taxes pertaining to the use or purchase of motor fuel in the Commonwealth that comprise the liquid fuels taxes: oil company franchise tax, the motor carriers road tax / IFTA, the alternative fuels tax, and the liquid fuels and fuels tax.

Liquid fuels, which is comprised primarily of gasoline, specifically excludes kerosene, fuel oil, gas oil, diesel fuels, and tractor fuel. Fuels includes diesel fuel and all other special fuels except dyed diesel fuel, liquid fuels, and alternative fuels.

Oil Company Franchise Tax

Prior to October 1, 1997, all oil companies conducting business in Pennsylvania were subject to an excise tax for the privilege of exercising their corporate franchise, doing business, employing capital, owning or leasing property, maintaining an office, or having employees in the Commonwealth. Effective October 1, 1997, Act 3–1997 imposed an oil company franchise tax on all taxable liquid fuels and fuels. The tax is imposed on a cents-per-gallon equivalent basis and is remitted by distributors of liquid fuels and fuels.

Prior to October 1, 1997, the tax rate was 153.5 mills on the revenue received from the first sale of petroleum products in Pennsylvania used to fuel motor vehicles for public highway use. Petroleum revenue was derived by multiplying total gallons of petroleum products by the average wholesale price as established monthly by the Department of Revenue. Minimum and maximum average wholesale prices were statutorily set at \$0.90 and \$1.25 per gallon, respectively.

Act 3-1997 imposed a tax of 153.5 mills on liquid fuels and 208.5 mills on fuels on a cents-per-gallon equivalent basis beginning October 1, 1997. Act 89-2013 added an additional 64 mills beginning January 1, 2014, 49 mills in 2015, 48 mills in 2016, 41 mills in 2017, and 39 mills in 2018 and each calendar year thereafter. These additional mills are levied on both liquid fuels and fuels purchases. Act 89-2013 also set the average wholesale price at \$1.87 per gallon in 2014, \$2.49 in 2015 and 2016, and uncapped the average wholesale price in 2017 and each year thereafter. A statutory average wholesale price floor is set at \$2.99 per gallon in 2017 and thereafter.

Receipts from 57 mills of the oil company franchise tax on liquid fuels and fuels are deposited as unrestricted Motor License Fund revenue, along with 95.83% of the mills added by Act 89-2013. The remaining 4.17% of the mills added by Act 89-2013 are transferred to the Liquid Fuels Tax Fund. The balance of the tax rate represents revenues restricted to certain highway activities. Beginning January 1, 1999, under the provisions of Act 151–1998, a bus company may apply for reimbursement of 55 mills of the levy on fuels.

The tax is imposed upon sales by distributors, who collect and remit the tax to the Commonwealth; however, the tax is ultimately borne by the consumer. Payments and reports are due from distributors on or before the 20th day of the month for liquid fuels and fuels sales in the preceding month.

Exempt from the tax are fuels sold and delivered to the United States Government, the Commonwealth and any of its political subdivisions, volunteer fire companies, ambulance services and rescue squads, second class county port authorities, and nonpublic nonprofit schools. In addition to these exemptions, reimbursements are made for certain agricultural purposes.

Enabling legislation is Chapter 95 of Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

Oil Company Franchise Tax Rates ¹

	<u>Cents Per Gallon</u>	
	Liquid Fuels	Fuels
1/1/2014	40.7	51.0
1/1/2015	50.5	64.2
1/1/2016	50.3	64.0
1/1/2017	58.2	74.7
1/1/2018	57.6	74.1
1/1/2019	57.6	74.1

¹ Tax rates are shown for calendar year 2014 and forward, the effective date of Act 89-2013 which reformed motor fuel taxation.

Motor Carriers Road Tax / IFTA

Under the provisions of Act 75 of 1995, Pennsylvania joined the International Fuel Tax Agreement (IFTA) effective January 1, 1996. This agreement provides for base state reporting of fuel taxes for operators of qualified motor vehicles used in interstate operations. Qualified motor vehicles include those used, designed, or maintained for the transportation of persons or property which: (1) have two axles and a registered or gross weight greater than 26,000 pounds, or (2) have three or more axles regardless of weight, or (3) are operated as a vehicle combination exceeding 26,000 pounds. Qualified motor vehicles operated in Pennsylvania intrastate activities only are subject to fuel taxation under the motor carriers road tax.

The motor carriers road tax/IFTA is imposed on fuel consumed by qualified motor vehicle operators within Pennsylvania. Credit is granted for tax paid at the pump or directly remitted. Credit is also granted for fuel purchased in Pennsylvania but consumed elsewhere.

The tax rate is equivalent to the rate per gallon currently in effect on liquid fuels, fuels, or alternative fuels. Annual decal fees indicating vehicle registration in Pennsylvania are also included in these taxes. The cost is \$5 per calendar year, and the decals must be displayed on each qualified vehicle operated in Pennsylvania. Through September 30, 1997, the motor carriers road tax/IFTA accounts served as the reporting mechanism for an additional 6 cents per gallon surtax on fuel used by qualified motor vehicles. Surtax revenue funded, in part, the restricted highway bridge improvement account and was not considered to be part of motor carriers road tax/IFTA collections. Act 3–1997 repealed the surtax effective October 1, 1997.

The motorbus road tax, imposed on the motor fuel used by bus companies in their operations on highways within Pennsylvania, was repealed effective January 1, 1996 under the provisions of Act 75 of 1995. If a bus meets the definition of a qualified motor vehicle, its fuel consumption is subject to taxation under motor carrier road tax/IFTA.

IFTA payments and reports are due on or before the last day of April, July, October, and January for the quarter ending the last day of the preceding month. Motor carriers road tax reports are filed annually.

The enabling legislation is Chapter 21 and Chapter 96 of Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

Alternative Fuels Tax

Under the provisions of Act 3–1997, alternative fuels used to propel vehicles on the public highways are subject to the alternative fuels tax effective October 1, 1997. Alternative fuels include natural gas, compressed natural gas, liquid propane gas and liquefied petroleum gas, alcohols, gasoline-alcohol mixtures containing at least 85 percent alcohol by volume, hydrogen, hythane, electricity, and any other fuel not taxable as liquid fuels or fuels.

The tax rates are calculated from the current oil company franchise tax rate on gasoline indexed to the energy content of the alternative fuel.

Alternative fuels dealer-users are required to remit this tax. Reports and payments are due on or before the 20th day of each month for fuel sold or used in the preceding month. The Department of Revenue may permit dealer-users to

report the tax due for reporting periods greater than one month, up to an annual basis, provided the tax is prepaid on an estimated basis.

Enabling legislation is Chapter 90 of Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

Liquid Fuels and Fuels Tax

Under the provisions of Act 3–1997, a permanent trust fund tax of 12 cents per gallon or fractional part was imposed on all liquid fuels and fuels used or sold and delivered by distributors in the Commonwealth beginning October 1, 1997. Prior to this date, liquid fuels were taxed under the provisions of the Act of May 21, 1931 (P.L. 149, No. 105), as amended, known as the Liquid Fuels Tax Act and fuels were taxed under the Act of January 14, 1952 (P.L. 1965, No. 550), as amended, known as the Fuels Use Tax Act. Both of these acts were repealed effective October 1, 1997. Act 89-2013 repealed the 12 cents per gallon tax on liquid fuels and fuels effective January 1, 2014.

Aviation gasoline and jet fuel are taxed under the liquid fuels and fuels tax. Separate tax rates are set for these fuels (please refer to the tables below).

Entities exempt from the oil company franchise tax are also exempt from the liquid fuels and fuels tax. Payments and reports are due from distributors on or before the 20th day of the month following the month of tax collection.

The enabling legislation is Chapter 90 of Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

Tax rate histories of aviation gasoline and jet fuel as well as those for the repealed Liquid Fuels Tax Act and Fuels Use Tax Act are shown on the tables below:

Aviation Gasoline Rates ¹					
<u>Cents Per Gallon</u>					
7/1/1935	4.0	1/1/1992	3.6	1/1/2006	5.3
6/1/1949	5.0	1/1/1994	3.5	1/1/2009	5.8
9/13/1955	6.0	1/1/1997	3.7	1/1/2010	5.4
6/1/1956	1.5	1/1/1998	3.5	1/1/2011	5.5
11/1/1984	3.0	1/1/1999	3.3	1/1/2012	5.9
1/1/1988	3.3	1/1/2000	3.7	1/1/2016	5.5
1/1/1989	3.2	1/1/2001	4.3	1/1/2018	5.7
1/1/1990	3.3	1/1/2002	4.1	1/1/2019	6.0
1/1/1991	3.8	1/1/2005	4.7		

¹ Adjusted annually each January 1st beginning in 1985 based on the change in the producer price index for jet fuel. Minimum and maximum rates are 3.0 and 6.0 cents per gallon respectively.

Jet Fuel Tax Rates ¹

<u>Cents Per Gallon</u>					
6/1/1956	1.5	1/1/1991	2.0	1/1/2002	1.8
6/1/1960	1.0	1/1/1992	1.8	1/1/2005	2.0
11/1/1984	1.1	1/1/1994	1.7	1/1/2010	1.6
1/1/1985	1.3	1/1/1997	1.9	1/1/2011	1.7
7/1/1985	1.5	1/1/1998	1.7	1/1/2012	2.0
1/1/1988	1.8	1/1/1999	1.5	1/1/2016	1.6
1/1/1989	1.7	1/1/2000	1.9	1/1/2018	1.8
1/1/1990	1.8	1/1/2001	2.0	1/1/2019	2.0

¹ Adjusted annually each January 1st beginning in 1986 based on the change in producer price index for jet fuel. Minimum and maximum rates are 1.5 and 2.0 cents per gallon respectively.

Liquid Fuels Tax Act Rates

<u>Cents Per Gallon</u>					
6/1/1931	3.0	6/1/1957	5.0	7/4/1979	11.0
7/1/1935	4.0	4/1/1961	7.0	8/8/1983	12.0
6/1/1949	5.0	4/1/1970	8.0	10/1/1997	NA ¹
9/13/1955	6.0	9/1/1974	9.0	1/1/2014	NA ²

¹ Act 3-1997 combined these taxes into the liquid fuels and fuels tax, which has a rate of 12.0 cents per gallon.

² Act 89-2013 repealed the 12.0 cents per gallon tax on liquid fuels and fuels.

Fuel Use Tax Act Rates

<u>Cents Per Gallon</u>					
9/1/1947	4.0	6/1/1957	5.0	7/4/1979	11.0
6/1/1949	5.0	4/1/1961	7.0	8/8/1983	12.0
2/1/1952	5.0	4/1/1970	8.0	10/1/1997	NA ¹
9/13/1955	6.0	9/1/1974	9.0	1/1/2014	NA ²

¹ Act 3- 1997 combined these taxes into the liquid fuels and fuels tax which has a rate of 12.0 cents per gallon.

² Act 89-2013 repealed the 12 cents per gallon tax on liquid fuels and fuels.

Motor Vehicle Licenses and Fees

The Commonwealth receives revenue from fees levied on the registration of motor vehicles, from the issuance of learner's permits, operator's licenses, transfers of registration, special hauling permits, and from other states for Pennsylvania's share of registration fees based on proportionate travel on Pennsylvania highways (IRP).

Other Revenue

Other Motor License Fund revenues are primarily derived from three sources:

Fines - This category consists of fines collected under the various fuel tax laws and certain Vehicle Code fines. Act 64-1987 established a restricted receipt account known as the Judicial Computer System Augmentation Account.

Beginning July 1, 1987, the total of certain fines, fees, and costs collected by any division of the unified judicial system which are in excess of the amount collected from such sources in fiscal year 1986-87 are to be deposited into this account. This transfer was to continue until a statutory cap of \$80 million was transferred but subsequent legislation eliminated this cap. Fines, fees, or costs that are allocated by law to counties and municipalities are not affected by this Act.

Miscellaneous revenue - The Commonwealth receives revenue from interest on deposits of Motor License Fund monies; investments and securities; and the sale and rental of properties, maps, and plans.

Beginning in fiscal year 2007-08, in accordance with Act 44-2007 the Department of Transportation was to deposit a portion of the scheduled annual payments from the Pennsylvania Turnpike Commission into the Motor License Fund. For fiscal year 2007-08, \$450 million was deposited. For fiscal year 2008-09 and fiscal year 2009-10 the amount deposited was \$500 million. For fiscal year 2010-11 through fiscal year 2013-14, the amount deposited was \$200 million. Act 89-2013 ended the transfer of payments from the Pennsylvania Turnpike Commission to the Motor License Fund in fiscal year 2014-15 and each fiscal year thereafter.

Public Transportation Assistance Fund

Act 26–1991 established a special fund known as the Public Transportation Assistance (PTA) Fund effective October 1, 1991. The Act imposed fees and taxes to be deposited into that fund and dedicated for funding mass transportation. Act 44–2007 created the transfer of a portion of PTA Fund money to the Public Transportation Trust Fund.

Generally, the provisions of Article II (Sales and Use Tax) of the Tax Reform Code of 1971 apply to PTA Fund taxes and fees. The taxes and fees are in addition to the sales and use tax (SUT) and require any person making sales, rentals, or leases subject to taxes or fees to obtain a Public Transportation Assistance Tax License from the Department of Revenue. The rules and procedures for filing returns are the same as for SUT.

If a transaction is taxable and the purchaser does not pay the tax to the vendor for any reason, then the purchaser must pay the tax directly to the Department of Revenue. Specific entities receive exemption for specified purchases.

Newly Purchased Tire Fee

A \$1.00 per tire fee is imposed on the sale of new tires for highway use in Pennsylvania. Tires placed on vehicles or equipment licensed for highway use are deemed to be for highway use regardless of the actual usage. The purchase of new tires in conjunction with the purchase of other property, for example a motor vehicle, is subject to the fee. The sale of used tires or tires which are for other than highway use are not subject to the fee.

Motor Vehicle Lease Tax

The motor vehicle lease tax, imposed at 3 percent of the total lease price, applies to leases taxable under Article II (Sales and Use Tax) of the Tax Reform Code. The term lease means a contract for the use of a motor vehicle for a period of 30 days or more. The 6 percent sales tax and the 3 percent lease tax are not included in the lease price used to calculate the other tax.

Motor Vehicle Rental Fee

The motor vehicle rental fee is imposed on the rental of any motor vehicle, taxable under Article II (Sales and Use Tax) of the Tax Reform Code, at the rate of \$2.00 for each day or part of a day for which a vehicle is rented. The term rental means a contract for the use of a motor vehicle for a period of less than 30 days.

Sales and Use Tax

Effective for revenues collected on or after July 1, 1992, Act 40–1991 requires 0.44 percent of SUT to be transferred to the PTA Fund within 30 days of the close of each calendar month. This transfer represents the amount of tax collected pursuant to the imposition of the tax on periodicals under Act 26–1991. Effective for revenues collected on or after April 1, 1995, Act 48–1994 requires an additional transfer of 0.09 percent of SUT revenues from the General Fund to the PTA Fund for the exemption of vehicles class 4 and above from the lease tax. Effective for transfers after June 30, 2003, Act 46–2003 requires an additional amount of 0.417 percent of SUT to be transferred each month from the General Fund to the PTA Fund. As a result, the current monthly transfer totals 0.947 percent.

Public Utility Realty Additional Tax

Effective January 1, 1998, Act 4–1999 requires that every entity liable for the public utility realty tax (PURTA) imposed under Article XI-A of the Tax Reform Code pay an additional tax of 7.6 mills on each dollar of state taxable value of its utility realty. Act 46–2003 repealed the transfer of 7.6 mills of PURTA revenue from the General Fund to the PTA Fund effective for transfers after June 30, 2003. Beginning in fiscal year 2003-04, revenues associated with the 7.6 mills of PURTA will remain in the General Fund.

Utility Gross Receipts Tax

Act 138–1996 provided that beginning June 15, 1999, and each year thereafter, 0.18 percent of the gross receipts tax base for electric suppliers is deposited into the Public Transportation Assistance Fund. Act 46–2003 repealed this transfer effective for fiscal year 2003-04 and forward.

Public Transportation Trust Fund

The Public Transportation Trust Fund was created by Act 44-2007 to provide dedicated funding to public transportation agencies for operating costs, capital and asset improvements, and programs of statewide significance. Beginning July 1, 2007, 4.4 percent of SUT collected is deposited into the Public Transportation Trust Fund. Act 89-2013 increased revenue sources for the fund, adding 77% of the revenue generated by miscellaneous transportation fees including inspection sticker fees, certificates of title, certified copies of records, and photo ids. Act 89-2013 also directed \$420 million to be transferred from the Pennsylvania Turnpike Commission beginning in fiscal year 2014-15. That transfer will be reduced to \$50 million after fiscal year 2021-22. Beginning in fiscal year 2022-23, an additional transfer will be made from the motor vehicle Sales and Use Tax (SUT) receipts in the General Fund. The transfer will be \$450 million or the total amount of SUT collected in the previous fiscal year multiplied by the ratio of \$450 million to the total amount of SUT collected in fiscal year 2020-21, whichever is greater. Of that transfer, \$30 million will be transferred to the Multimodal Transportation Fund. This fund replaced the Supplemental Public Transportation Assistance Fund.

Multimodal Transportation Fund

The Multimodal Transportation Fund was created by Act 89-2013 to provide funding for public transportation systems in the Commonwealth including ports, rail freight, bicycle, and pedestrian infrastructure. The fund receives 23% of the revenue generated by miscellaneous transportation fees including inspection sticker fees, certificates of title, certified copies of records, and photo ids. Amounts totaling \$35 million annually from the Oil Company Franchise Tax deposited in the Motor License Fund are transferred to the fund. The fund also receives a \$30 million annual transfer from the Pennsylvania Turnpike Commission. That transfer will cease after fiscal year 2021-22. Beginning in fiscal year 2022-23, the fund will receive a \$30 million transfer from the Public Transportation Trust Fund.

Lottery Fund

The Lottery Fund is a special fund comprised of monies received from the sale of lottery tickets and from fees. It provides funds for payment of prizes to lottery winners and for various programs benefiting older Pennsylvanians and others.

In 1971, legislation was enacted creating a state lottery with a General Assembly mandate that net proceeds were to fund senior citizen benefit programs. Lottery sales originated on March 7, 1972 when the first 50-cent ticket went on sale. In November 1972, the first \$1 game was introduced, establishing a product mix of different games. The product mix has undergone numerous revisions culminating in the current game structure of various computer terminal games and instant ticket games. Act 201-2014 added definitions for Internet Instant Game and Keno, while prohibiting the Secretary of Revenue from authorizing these games unless authorized by an act of law. The Act also allocates no less than 27% of total revenues from the sale of lottery tickets or shares to property tax relief and free or reduced fare transit service for the elderly in fiscal years beginning before July 1, 2014. For fiscal years beginning after June 30, 2014, that percentage drops to 25%. Act 42-2017 authorized iLottery games and repealed the language prohibiting the Secretary of Revenue from authorizing Internet Games and Keno unless authorized by an act of law.

Sale proceeds from the various games, less retailer-paid prizes, retailer commissions, and funding for the retail incentive program created by Act 42-2017 are deposited in the Lottery Fund. This fund is used to pay prizes and authorized programs. Benefit programs currently offered include:

1. Property Tax or Rent Rebate (PTRR) – Households with claimants or spouses 65 years of age or older, widows or widowers 50 years of age or older, and the permanently disabled 18 years of age or older meeting income eligibility requirements may qualify for this program. Rebates of paid property tax or rent, up to a maximum of \$650 per year, are available. Act 30-1999 expanded the PTRR program by excluding 50 percent of Social Security payments and 50 percent of Railroad Retirement benefit payments from eligibility income. The Taxpayer Relief Act (Act 1-2006) expanded the PTRR program for homeowners by increasing the income limit from \$15,000 to \$35,000 and the maximum rebate from \$500 to \$650. The income limit for renters remained at \$15,000; however, the maximum rebate for renters increased from \$500 to \$650. In addition, the Act created an automatic supplemental property tax rebate for seniors living in Philadelphia, Pittsburgh, and Scranton, as well as a supplemental rebate for homeowners with incomes of \$30,000 or less and a property tax bill that exceeds 15 percent of that income. PTRR program costs beyond those paid in fiscal year 2006-07 are funded by transfers from the Gaming Fund. Act 156-2014 allowed that claimants who were eligible as of December 31, 2012, would remain eligible if the eligibility income limit was exceeded only due to a Social Security cost-of-living increase. This provision expired for claim years beginning after December 31, 2016. Act 117-2016 amended the definition of income to exclude all federal veterans' disability payments and state veterans' benefits from PTRR eligibility income, effective beginning with claim year 2017. Act 42-2018 provides that, effective for claim year 2018 and thereafter, retired federal civil service employees receiving benefit payments from the Civil Service Retirement System (CSRS) who did not have to contribute to Social Security for that equivalent period of employment will be able to exclude 50% of the average annual Social Security benefit amount from their PTRR eligibility income.

2. Pharmaceutical Assistance (PACE and PACENET) – The PACE program administered by the Pennsylvania Department of Aging was expanded by Act 134-1996 which increased income eligibility requirements and established the PACE Needs Enhancement Tier (PACENET). Those qualifying for these programs must be at least 65 years of age and meet income eligibility requirements. Currently, individuals and married couples with annual incomes not exceeding \$14,500 and \$17,700 respectively qualify for PACE. The PACE co-payment is \$6 for generic drugs and \$9 for brand-name prescriptions. Additionally, individuals with an annual income greater than \$14,500 but not exceeding \$27,500 and married couples with annual incomes greater than \$17,700 but not exceeding \$35,500 qualify for benefits under PACENET. The program pays for the entire cost of prescription drugs and insulin supplies, subject to co-payments. Effective January 1, 2019, PACENET cardholders not enrolled in a Part D Plan will pay a \$37.03 premium at the pharmacy each month. The PACENET co-payment is \$8 for generic drugs and \$15 for brand-name prescriptions. Effective for 2014, Social Security Medicare Part B premiums are now excluded from income. This change has the same effect as raising the income limits by that amount. For most Medicare beneficiaries, this amount is \$1,258.80 per person for a year. For married couples, the excluded amount would be \$2,517.60 for a year.

3. Transportation Programs - Under the Free Transit Program older Pennsylvanians are eligible for free rides on fixed route services at all regular operating times on weekdays, weekends, and holidays. This program also applies to commuter rail lines. The Shared Ride Program for Older Pennsylvanians, as amended by Act 36–1991, permits citizens aged 65 or older to shared-ride services at a cost of only 15 percent of the fare. The State Lottery Fund reimburses shared-ride transit operators the remaining 85 percent of the shared-ride fare.

4. PennCARE – The State Lottery Fund provides funding to 52 Area Agencies on Aging serving all 67 counties. These Area Agencies on Aging provide aging services at the local level. Lottery funded services include, for example, in-home care, senior center activities, and home delivered meals for people unable to prepare adequate meals for themselves (meals-on-wheels).

Enabling legislation is the State Lottery Law of 1971 (P.L. 351, No. 91), as amended.

Gaming Fund

Act 71–2004 established the State Gaming Fund and authorized slots gaming at 14 locations throughout Pennsylvania. Act 1-2010 authorized table games and increased the number of slot machine licenses by one. Act 42-2017 eliminated the additional license and created a new Category 4 license type, authorizing up to 10 Category 4 licensed facilities. Under current law, a total of 24 slot machine licenses with four categories have been established.

A slot machine tax and local share assessments are deposited into the Gaming Fund. The local share assessments are deposited into a restricted receipt account within the Gaming Fund. Until June 30, 2013, slot machine license fees were deposited to the General Fund in accordance with applicable Fiscal Code budget implementation provisions and, finally, Act 25 of 2016. In addition, the escrow accounts established by each licensed gaming entity and used to pay the Commonwealth's administrative expenses related to the Act, are also deposited in the Fund. Each Category 1 and 2 slot machine licensee must provide and maintain a deposit of \$1,500,000. Each Category 3 licensee must provide and maintain a deposit of \$1,000,000.

Several transfers are made from the Gaming Fund, including:

- \$2 million, or 0.2 percent of gross terminal revenue of all active and operating Category 1,2, and 3 licensed gaming entities, whichever is greater, annually, to the Compulsive and Problem Gambling Treatment Fund.
- \$3 million, annually, to the Department of Health for drug and alcohol addiction treatment services.
- \$2 million, annually, to the Pennsylvania Gaming Control Board (PGCB) for law enforcement grants. Except that beginning July 1, 2017, the \$2 million is transferred to the Casino Marketing and Capital Development Account, until the earlier of 10 years or when the gross terminal revenue for each Category 1 and 2 gaming entity exceeds \$200 million and each Category 3 gaming entity exceeds \$50 million for the previous fiscal year.
- \$25 million to the General Fund for the Volunteer Fire Company Grant Program.
- Payments in lieu taxes to counties, school districts, and townships for tax-exempt land owned by the Department of Community and Economic Development, Pennsylvania Game Commission, and Pennsylvania Fish and Boat Commission related to preservation and conservation.
- Repayments to the Lottery Fund for property tax relief enacted under Act 1-2006. Of the Special Session on Property Tax Relief.

All remaining revenue is transferred to the Property Tax Relief Fund and used for general property tax relief as provided in the statute.

Act 42-2017 also authorized fantasy sports contest, interactive gaming, interactive gaming at qualified airports through the use of multi-use computing devices, sports wagering, and video gaming devices at licensed truck stops. With the exception of video gaming devices at licensed trucks stops and fantasy sports contests, each of these types of gaming is assessed a local share assessment which is deposited into a restricted receipt account within the Gaming Fund. The exact distribution of the assessment is prescribed in the act. This funding supports various services and public interest projects in the Commonwealth and in counties and municipalities hosting a licenses gaming entity.

Slot Machine Tax and Assessment

A 34 percent state tax is imposed on the gross terminal revenue of each Category 1, 2, and 3 slot machine licensee and a 50 percent tax is imposed on gross terminal revenue of each Category 4 licensee. For purposes of this calculation, Gross terminal revenue is defined as total cash or cash equivalents received by a slot machine or received as entry fees for slot machine contests or tournaments less cash or cash equivalents paid out, cash or cash equivalents paid to purchase annuities to fund prizes, and personal property distributed to patrons as a result of playing a slot machine. The tax collected is deposited in the Gaming Fund. However, the tax collected from Category 4 slot machine licenses is then distributed as follows: 65 percent to the Property Tax Relief Fund; 10 percent is added to a restricted receipt account within the State Treasurer for distribution to host counties as prescribed by the act; 10 percent to a restricted receipt account within the Commonwealth Financing Authority for grants for public interest projects within the Commonwealth; and 12 percent to the Pennsylvania Gaming Economic Development Fund.

In addition, a 2 percent local share assessment is imposed on the gross terminal revenue of each Category 1 and 2 slot machine licensee, other than a slot machine licensee whose facility is located in a county of the first class. A 4 percent local share assessment is imposed on the gross terminal revenue of each Category 3 and 4 slot machine licensee. The local share assessment on each slot machine licensee, other than a Category 4 licensee, is deposited into the Gaming Fund and, quarterly, is distributed to local jurisdictions hosting a licensed gaming entity. The exact distribution and uses are prescribed by the legislation and are based upon the classification of the county and municipality in which the facility resides. This funding supports various services and projects at the county and municipal level. The local share assessment remitted by Category 4 licensees is distributed quarterly, as follows: 50 percent to a receipt account within the Commonwealth Financing Authority for grants for projects in the public interest with the hosting county and 50 percent to the host municipality, subject to budgetary limitations prescribed in the Act.

Enabling legislation is the Pennsylvania Race Horse Development and Gaming Act of July 5, 2004 (P.L. 572, No. 71).

Slot Machine Operation Fee

Act 42-2017 established a slot machine operation fee, effective January 1, 2017, imposed on each Category 1 and 2 licensed gaming entity in amount equal to 20 percent of the slot machine license fee paid at the time of issuance. The fee is deposited in the Gaming Fund and, quarterly, is distributed to local jurisdictions hosting a licensed gaming entity. The exact distribution and uses are prescribed by the legislation and are based upon the classification of the county in which the facility resides. This funding supports various services and projects at the county and municipal level.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Table Game Assessment

A 2 percent local share assessment is imposed on gross table game revenue. Gross table game revenue is defined as total cash or cash equivalents received in the playing of table games, contest or tournament fees or payments, and total amount of rakes collected minus cash or cash equivalents paid out, paid to purchase annuities to fund prizes, and paid for personal property distributed to patrons as a result of playing a table game.

The local share assessment is deposited into the Gaming Fund and, quarterly, is distributed to local jurisdictions hosting a licensed gaming entity. The exact distribution and uses are prescribed by the legislation and are based upon the classification of the county and municipality in which the facility resides. This funding supports various services and projects at the county and municipal level. The local share assessment on each Category 4 licensee is distributed quarterly as follows: 50 percent to a receipt account within the Commonwealth Financing Authority to be used exclusively for grants for public interest projects within the hosting county and 50 percent to the municipality hosting the facility, subject to budgetary limitations.

Enabling legislation is Act 1 of January 7, 2010 (P.L. 1, No. 1).

Interactive Gaming Tax and Assessment

Act 42-2017 established a 52 percent tax on the daily gross interactive gaming revenue of non-peer-to-peer games simulating slot machines. The tax is initially deposited in the State Gaming Fund and is then distributed as follows: 65 percent to the Property Tax Relief Fund, 10 percent to a restricted receipt account within the State Treasury to be distributed to host counties, and 25 percent to a restricted receipt account to be established in the Commonwealth Financing Authority to be used exclusively for projects in the public interest.

Act 42-2017 established a 2 percent local share assessment imposed on daily gross interactive gaming revenue of peer-to-peer and non-peer-to-peer interactive games that simulate table games and of peer-to-peer games simulating slot machines. Fifty (50) percent of the assessment is deposited into the Gaming Fund and is distributed quarterly to local jurisdictions hosting a licensed gaming entity. The exact distribution and uses are prescribed by the legislation and are based upon the classification of the county and municipality in which the facility resides. This funding supports various services and projects at the county and municipal level. The other 50 percent is deposited into a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the Commonwealth.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Multi-Use Gaming Device Assessment

Act 42-2017 established a 2 percent local share assessment imposed on daily gross interactive airport gaming revenue. The assessment is deposited into the Gaming Fund and, quarterly, is distributed as follows: Fifty (50) percent to a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the county hosting the qualified airport; except, for an international airport located partially in a county of the first class and partially in a contiguous county, 50 percent to be divided between a school district of the first class and a restricted receipt account within the Commonwealth Financing Authority for grants for public interest projects in the contiguous host county. The other 50 percent is deposited into a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the Commonwealth.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Sports Wagering Assessment

Act 42-2017 established a 2 percent local share assessment imposed on a sports wagering certificate holder's daily gross sports wagering revenue and directed its deposit into a restricted receipt account in the Gaming Fund. On a quarterly basis, the assessment is deposited into a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the Commonwealth.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Licenses and Fees

Some license and fee revenue related to slots gaming is deposited into the Gaming Fund. These fees include licenses and annual renewals for manufacturers and suppliers of slots gaming equipment, and a multitude of other gaming related permits issued by the PGCB. Prior to fiscal year 2013-14, the one-time slot machine license fee paid by licensed gaming entities (\$50 million for a category 1 or 2 license and \$5 million for category 3 license) was deposited to the Gaming Fund. After June 30, 2013, any slot machine license fee received by the Board is deposited to the General Fund in accordance with applicable Fiscal Code budget implementation provisions and, finally, Act 25 of 2016. Act 42-2017 expanded gaming and implemented various fees, including several related to slots gaming. These fees are deposited to the General Fund.

Video Gaming Fund

Act 42–2017 established the Video Gaming Fund and authorized placement and operation of video gaming terminals at licensed truck stop establishments within the Commonwealth by licensed terminal operators. A video gaming terminal tax and local share assessment are deposited into the Video Gaming Fund. On a quarterly basis, the local share assessment is deposited into a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the Commonwealth. On the last day of each fiscal year, an amount equal to 0.002 multiplied by the total gross terminal revenue of all licensed terminal operators is transferred to the Compulsive and Problem Gambling Treatment Fund. On the last day of each fiscal year, the remaining balance in the Video Gaming Fund that is not transferred to the Compulsive and Problem Gambling Treatment Fund is transferred to the General Fund. In addition, a regulatory assessment imposed on each licensed terminal operator to cover the costs and expenses incurred by the Commonwealth to administer video gaming is deposited into accounts established for each terminal operator within the Video Gaming Fund until the funds are appropriated by the General Assembly.

Video Gaming Terminal Tax and Assessment

Act 42-2017 established a 42 percent video gaming terminal tax and a 10 percent local share assessment on gross terminal revenue from all video gaming terminals operated by a terminal operator licensee within this Commonwealth. Gross terminal revenue is defined as the total of cash or cash equivalents received by a video gaming terminal minus the total of cash or cash equivalents paid out to players as a result of playing a video gaming terminal. The tax is remitted bimonthly and is deposited in the Video Gaming Fund, but transferred to the General Fund at the end of each fiscal year. The local share assessment is deposited in the Video Gaming Fund. On a quarterly basis, the local share assessment is deposited into a restricted receipt account established in the Commonwealth Financing Authority for grants for public interest projects in the Commonwealth.

Enabling legislation is Act 42 of October 30, 2017 (P.L. 419, No. 42).

Recent Changes in Tax Law

Significant pieces of legislation affecting revenues for the General Fund, Motor License Fund and certain special funds are outlined below.

ACT #131 of October 24, 2018 made the following changes:

To the Corporate Net Income Tax:

- Allows “qualified air freight forwarding companies” to utilize special income apportionment based on revenue miles, for tax years starting after December 31, 2016. This is in addition to railroad, truck, bus, and airline companies currently using this apportionment.
- Qualified companies are those engaged in the air freight forwarding business and primarily use an airline with which it has common ownership and control. Such companies shall use the revenue miles of the airline.

ACT #109 of October 24, 2018 made the following changes:

To the Hotel Occupancy Tax:

- Provides that booking agents that act as intermediaries in facilitating the short-term booking of an occupancy are required to collect and remit hotel occupancy tax on the room as well as any additional amounts charged, including service and accommodation fees, effective January 22, 2019.
- Directs that the tax collected on accommodation fees will be deposited into the Tourism Promotion Fund and disbursed for the purpose of promoting tourism within the Commonwealth.

ACT #100 of October 24, 2018 made the following changes:

To the Neighborhood Assistance Program Tax Credit:

- Increases the cap of the Neighborhood Assistance Program Tax Credit from \$18 million to \$36 million, effective July 1, 2019.

To the Realty Transfer Tax:

- Exempts from tax transfers of real estate by a housing authority created under the Housing Authorities Law to a nonprofit organization, which is utilizing the real estate for the purpose of Rental Assistance Demonstration administered by the U.S. Department of Housing and Urban Development. This applies to a county of the fifth class with a population between 115,000 and 118,000 that filed an appeal with the Board of Finance and Revenue after December 31, 2015.

ACT #72 of June 28, 2018 made the following changes:

To the Corporate Net Income Tax:

- For property placed in service after September 27, 2017, companies can take an additional deduction under Internal Revenue Code §167 and §168 on their Pennsylvania return, which generally would be depreciation under modified acceleration cost recovery system or other accounting methods. The act is effective immediately for tax years beginning on or after January 1, 2017.

ACT #52 of June 28, 2018 made the following changes:

To the Gross Receipts Tax:

- Excludes from Gross Receipts Tax the sales of telephones, telephone handsets, modems, tablets, and related accessories, including cases, chargers, holsters, clips, hands-free devices, screen protectors and batteries from both landline receipts and mobile telecommunications receipts. The act is effective immediately and retroactively applies to gross receipts from transactions occurring on or after January 1, 2004, except claims for refund or credit for a tax paid prior to the effective date.

ACT #42 of June 22, 2018 made the following changes:

To the Property Tax/Rent Rebate (PTRR) Program:

- Effective for claim year 2018 and thereafter, retired federal civil service employees receiving benefit payments from the Civil Service Retirement System (CSRS) who did not have to contribute to Social Security for that equivalent period of employment will be able to exclude 50% of the average annual Social Security benefit amount from their PTRR income on claim forms reporting their eligibility income for Property Tax and Rent Rebate purposes.

To the Neighborhood Improvement Zone:

- Effective immediately, adds the definition of “entertainment business financial management firm” to enable the contracting authority to identify the responsible party required to fulfill reporting compliance on behalf of a qualified business, for concerts or other performances in a facility in the zone.

To the Entertainment Economic Enhancement Program:

- For fiscal year 2018-19 only, increases the number of tours that may be awarded concert rehearsal and tour tax credits from five to 10 tours. The Department of Community and Economic Development in consultation with the Department of Revenue may advance the award of tax credits for qualified rehearsal and tour expenses incurred or to be incurred to a maximum of two additional tours in fiscal year 2018-19.

To the Enhanced Revenue Collections Account:

- Provides that the Enhanced Revenue Collection Account (ERCA) in the Department of Revenue will continue through FY 2019-20. For fiscal years from 2018-19 and 2019-20, up to \$30 million is appropriated to the department to fund the costs associated with the increased tax collection enforcement and reduction of tax refund errors.

To Transfers and Payments:

- Provides that \$5.2 million and \$4.901 million shall be transferred to the Public School Employees Retirement System and the State Employees Retirement System, respectively, from Personal Income Tax revenues.
- Provides that, by September 1, 2018, \$15 million shall be transferred to the School Safety and Security Fund from Personal Income Tax Revenues.
- Provides that if the Secretary of the Budget certifies that there is a surplus in the General Fund for fiscal year 2017-18, 50 percent of the surplus shall be deposited by the end of the next succeeding fiscal quarter into the Budget Stabilization Reserve Fund.

ACT #39 of June 22, 2018 made the following changes:

To the Public School Code:

- Educational Tax Credits: Increases funding from \$135 million to \$160 million for the aggregate amount of all tax credits approved for contributions from business firms to scholarship organizations, educational improvement organizations and pre-kindergarten scholarship organizations.

ACT #55 of November 7, 2017 made the following changes:

To The Public School Code:

- Educational Tax Credits: Increases funding from \$125 million to \$135 million for the aggregate amount of all tax credits approved for contributions from business firms to scholarship organizations, educational improvement organizations and pre-kindergarten scholarship organizations.

ACT #48 of October 30, 2017 made the following changes:

To Tax Credit Programs:

- Provides that the Independent Fiscal Office (IFO) will review all tax credit programs and that every tax credit program is reviewed at least once during a five-year period. The director of the IFO and the Secretary of the Budget are to develop a schedule for review of all tax credits within 30 days of the legislation's effective date.

ACT #44 of October 30, 2017 made the following changes:

To Transfers and Payments:

- Provides that during fiscal year 2017-18, \$300 million shall be transferred from amounts available in special funds and restricted accounts to the General Fund.
- Provides for \$200 million to be transferred from the Pennsylvania Professional Liability Joint Underwriting Association on or before December 1, 2017.

To the Enhanced Revenue Collections Account:

- Provides that the Enhanced Revenue Collection Account (ERCA) in the Department of Revenue will continue through FY 2019-20. For fiscal years from 2017-18 through 2019-20, up to \$30 million is appropriated to the department to fund the costs associated with the increased tax collection enforcement and reduction of tax refund errors.
- Specifies that the balance of the money in the account shall be returned proportionately to the General Fund revenue or refund accounts that were the source of the money no later than the 28th day of each month of the fiscal year.

ACT #43 of October 30, 2017 made the following changes:

To the Sales and Use Tax:

- Effective October 30, 2017, help desk or call center support for canned software is exempt from sales and use tax when separately invoiced.
- Effective October 30, 2017, kegs used to contain malt or brewed beverages are exempt from sales and use tax as part of wrapping and packaging supplies.

- Makes provisions for marketplace sales:
 - Sellers of products on the internet not maintaining a place of business in the Commonwealth and not collecting Pennsylvania sales tax, making sales of at least \$10,000 into Pennsylvania in the previous calendar year, must file an election by March 1, 2018, opting either to begin to collect sales and use tax by April 1, or commit to sending use tax notices with each sale. Additionally, sellers sending notices must also send an annual summary of purchases both to the customer and to the Department of Revenue.
 - Defines affected entities to include: marketplace facilitators, persons who list or advertise property for sale in any forum and who either directly or indirectly collect the payment from the purchaser and transmit the payment to the person selling the property; remote sellers, persons that do not maintain a place of business in the Commonwealth and sell at retail into the Commonwealth; and referrers, persons who provide a forum for interaction between buyers and sellers but do not directly participate in the sale. Marketplace facilitators and referrers are required to file an election on behalf of all the sellers participating in their system. If the election is made to collect sales tax, then the marketplace facilitator or referrer is required to collect and remit sales tax on all of its taxable marketplace sales.
 - Provides that, for entities opting to collect sales tax, the new provisions require collection to begin by April 1, 2018, for tangible personal property. The effective date is delayed until April 1, 2019, for digital goods such as electronic copies of books, canned software, music and similar items.

To the Personal Income Tax:

- Effective October 30, 2017, a contributor to an Achieving a Better Life Experience (ABLE) account may deduct up to the current dollar limit under Internal Revenue Code Section 2503(b) from Pennsylvania taxable income, provided the deduction does not reduce the contributor's taxable income to less than zero. Note that under the IRC, yearly total contributions from all contributors to an ABLE account are limited to the amount in IRC Section 2503(b).
- Further clarifies that ABLE accounts, undistributed earnings, and distributions for qualified disability expenses of the account beneficiary are exempt from tax.
- Effective October 30, 2017, repeals the expired Korea/Vietnam Memorial National Education Center refund donation checkoff, and repeals the expiration of the refund donation checkoffs for the Wild Resource Conservation Fund, Organ and Tissue Donation Awareness Trust Fund, Military Family Relief Assistance Program, Pennsylvania Children's Trust Fund and American Red Cross.
- Effective January 1, 2018, requires payers of nonemployee compensation and business income to non-resident individuals (or disregarded entities with a non-resident owner) to withhold income tax from such payments. The United States government, the Commonwealth of Pennsylvania, their agencies, instrumentalities, and any political subdivisions of Pennsylvania are excluded from this withholding requirement. Further, lessees of Pennsylvania real estate making "lease payments" to non-resident lessors are also required to withhold personal income tax on such payments. Residential rental payments are exempt from the withholding requirement. Withholding of tax is required for payments of \$5,000 or more annually and is optional on payments less than \$5,000.

To the Corporate Net Income Tax:

- Provides that if any part of the net operating loss (NOL) deduction is declared to be unconstitutional by the Pennsylvania Supreme Court, the Department of Revenue is required to publish a notice of the decision in the Pennsylvania Bulletin.
- Effective upon publication of the notice, the \$5 million cap on NOL deductions is removed, and the deduction is capped at 35% of taxable income for tax year 2018 and capped at 40% of taxable income for tax year 2019 and after.
- Creates the Qualified Manufacturing Innovation & Reinvestment Deduction, which allows a qualified business to deduct five percent of its capital investment from their corporate net income tax liability if it invests at least \$100

million in the creation of new or refurbished manufacturing capacity within 3 years of a designated start date. The deduction would be available to each qualifying business for five years and cannot exceed 50 percent of the corporation's tax liability. The deduction is effective December 29, 2017.

To the Realty Transfer Tax:

- Effective October 30, 2017, broadens the category of veterans' service organizations defined as tax-exempt for the purposes of transfers.

To the Inheritance Tax:

- Clarifies existing requirements regarding the filing of returns for the inheritance tax exemption on transfers of certain family owned farms and family owned businesses. Any inheritance tax return filed after July 1, 2012, under Section 2136 (returns) that reports transfers of property which are exempt from inheritance tax under Section 2111 (transfers not subject to tax) will be considered timely if filed within one year of the tax return due date, including an extended due date.

To the Public Transportation Assistance Fund:

- Effective October 30, 2017, provides for a prorated fee for partial day car sharing services as a clarification of the current vehicle rental fee. Rentals of less than two hours will be subject to a \$0.25 fee. Rentals of two to three hours will be subject to a fee of \$0.50. Rentals of more than three but less than four hours will be subject to a \$1.25 fee. Rentals of four or more hours will be subject to a fee of \$2.00.

To the Fireworks Tax:

- Incorporates the existing Fireworks Law into the Tax Reform Code and modernizes and expands the definition of legal consumer fireworks. The Department of Agriculture will continue to administer the Fireworks Law.
- Effective October 30, 2017, imposes a 12 percent tax on the sale price of consumer fireworks suitable for use by the public. The fireworks tax will be in addition to the sales and use tax already imposed on such sales.

To Tax Credit and Economic Development Programs:

- Provides that before a tax credit can be awarded, the Department of Revenue may make a finding that the taxpayer has filed all required state tax reports and returns and paid any balance due, unless the tax due is currently under appeal.
- Amends the existing Film Production Tax Credit to authorize the creation of not more than two film production tax credit districts. The districts must meet certain location, size, technical, and investment requirements, and the designation will expire after 15 years. Tax credits for these districts are in addition to the existing Film Production Tax Credit and may be approved beginning in fiscal year 2019-20.
- Moves the authorizing language for the Entertainment Economic Enhancement Program from Title 12, Chapter 33 to the Tax Reform as Subarticle E of the Entertainment Production Tax Credits. The program's Concert Rehearsal and Tour Tax Credit remains available to up to five tours per year at a maximum credit of \$800,000 per tour.
- Effective October 30, 2017, amends the City Revitalization and Improvement Zone (CRIZ) program to allow an inactive parcel to be transferred out of the zone and replaced with a parcel of equal or lesser acreage. Such a transfer of parcels in and out of the zone does not need to occur simultaneously. Provides that excess money transferred to a CRIZ fund for utilization in a pilot zone is not required to be returned to the Commonwealth by the pilot zone's contracting authority and must be used in accordance with the current utilization provisions in the article.
- Effective in one year, amends the Neighborhood Improvement Zone (NIZ) program to allow the contracting authority to transfer parcels out of the zone and replace with parcels not to exceed the acreage transferred out.

The Department of Revenue and municipality must certify that there is no activity in the parcels being transferred that generates tax receipts or other revenue.

- Extends the application deadline for additional Keystone Opportunity Zones from October 2016 to October 2018 and extends the date for DCED action on applications for additional KOZs from December 2016 to December 2018.

To Petitions for Reassessment:

- For petitions for refunds, petitions for reassessments, and petitions for redeterminations filed with the Department on or after December 29, 2017, reduces the period of time for a taxpayer to file a petition for reassessment, review or adjustment with the Board of Appeals (BOA) from 90 days to 60 days after the mailing date of the notice of assessment, and additionally reduces the time period for appeal to the Board of Finance and Revenue (BF&R) by a taxpayer from 90 days to 60 days.

To the Tobacco Master Settlement:

- Authorizes the Commonwealth Financing Authority (CFA) to enter into a sales agreement or issue bonds utilizing a portion of the annual payments from the Tobacco Master Settlement Agreement. Any agreement or issuance of bonds shall raise net proceeds of \$1.5 billion to be deposited into the General Fund. The term of the sales agreement shall not exceed 10 years and the term of the bonds shall not exceed 30 years.

ACT #42 of October 30, 2017 made the following changes:

To Title 4 Amusements (Gaming):

- Provides for the implementation of interactive gaming operated by slot machine licensees and qualified gaming entities and the taxes and fees associated therewith.
- Provides for an interactive gaming certificate holder to conduct interactive gaming at a qualified airport through the use of multi-use computing devices.
- Accelerates repayment of loans provided under Section 1901 to be deposited to the General Fund instead of the State Gaming Fund.
- Provides for ten Category 4 slot machine licenses, along with the taxes and fees associated with the slots and tables operated therein.
- Provides for Category 3 facilities to add up to 250 additional slots and 15 additional tables for an additional fee.
- Provides for the removal of Category 3 license conditions, defining which individuals may enter a gaming area, for a one-time fee to be deposited in the General Fund.
- Provides for video gaming at licensed truck stop establishments and establishes the Video Gaming Fund in which the taxes on gross terminal revenue are to be initially deposited.
- Provides for the conduct of fantasy contests by licensed operators and the taxes and fees associated therewith.
- Eliminates the higher tax rate of 14 percent of daily gross table game revenue applicable for a period of two years following commencement of table games operations at a licensed facility.
- Provides for the conduct of sports wagering by sports wagering certificate holders and the taxes and fees associated therewith.

ACT #39 of October 30, 2017 made the following changes:

To the Personal Income Tax:

- Creates a new personal income tax refund donation checkoff option for donations to pediatric cancer research, beginning with tax year 2018 returns.

ACT #7 of June 22, 2017 made the following changes:

To the Concert Rehearsal and Tour Tax Credit/Entertainment Economic Enhancement Program:

- Moves the authorizing language from the Tax Reform Code to the Entertainment Economic Enhancement Program under Title 12, Chapter 33 of the Pennsylvania Consolidated Statutes.
- Changes the structure of the program cap from \$4 million per year to permitting awards to up to five tours per year with a maximum award of up to \$800,000 per tour.

ACT #175 of November 21, 2016 made the following changes:

To the Realty Transfer Tax:

- Clarifies timelines for the applicability of definition changes for the terms “conservancy” and “veterans’ organization”.

ACT #151 of November 4, 2016 made the following changes:

To the Sales and Use Tax:

- Provides for an annual \$700,000 transfer to the Transit Revitalization Investment District (TRID) Fund for 20 calendar years beginning June 1, 2016.

ACT #117 of November 2, 2016 made the following changes:

To the Property Tax or Rent Rebate (PTRR) Program:

- Amended the definition of income to exclude federal veterans’ disability payments and state veterans’ benefits. The changes are effective within 60 days and will first impact claim year 2017 rebates.

ACT #93 of July 20, 2016 made the following changes:

To the Personal Income Tax:

- Effective within 180 days, provides that in the case of any taxpayer due to receive a personal income tax refund, the Department of Revenue shall deduct the amount of any court-ordered obligations arising from criminal prosecution or proceeding and pay the amount to the clerk of courts for the county in which the order was entered.

ACT #86 of July 13, 2016 made the following changes:

To the Public School Code:

- Educational Tax Credits: Funding has increased from \$100 million to \$125 million for the aggregate amount of all tax credits approved for contributions from business firms to scholarship organizations, educational improvement organizations and pre-kindergarten scholarship organizations. Additionally, a new procedural change effective for the 2016-17 fiscal year requires the Department of Community and Economic Development to notify applicants of the status of the application in writing within 90 days of submitting the application to the Department.
- The Educational Tax Credit statute was moved back to the Public School Code from the Tax Reform Code by Act 86 of 2016 as well.

ACT #85 of July 13, 2016 made the following changes:

To the Fiscal Code:

- Under the Cigarette and the Sales and Use taxes, starting August 1, 2016, the mandatory cost of doing business (selling cigarettes) increases from 6.0 percent to 7.0 percent, resulting in a minimum price increase of \$0.06.
- In fiscal year 2016-17, \$350.2 million in payments will be made from the Tobacco Settlement Fund to fund health related programs.
- In fiscal year 2016-17, the following transfers, totaling \$265.5 million, will be made to the General Fund:
 - \$5.0 million from the Alternative Fuels Incentive Fund;
 - \$2.0 million from the Local Law Enforcement Block Grants;
 - \$9.0 million from the Recycling Fund;
 - \$28.5 million from the Tobacco Settlement Fund;
 - \$9.0 million from the Volunteer Companies Loan Fund;
 - \$200.0 million from the unappropriated surplus of the Pennsylvania Professional Liability Joint Underwriting Association; and
 - \$12.0 million from the CFA Building Pennsylvania program account.
- For any slot machine issued in fiscal year 2016-17, the Pennsylvania Gaming Control Board shall require the slot machine license fee (\$50.0 million) and the table games authorization fee (\$24.75 million) to be paid in full to the General Fund no later than June 30, 2017.
- Authorized a transfer to the Commonwealth Financing Authority (CFA) restricted revenue account from sales and use tax for such amounts as may be necessary to make payment for principal and interest obligations coming due in each fiscal year, beginning July 1, 2016 and thereafter.

ACT #84 of July 13, 2016 made the following changes:

To the Sales and Use Tax:

- Starting August 1, 2016, the sales and use tax specifically extends to items delivered to a customer electronically or digitally or by streaming. This includes music or any other audio, video - such as movies and streaming services - e-books and any otherwise taxable printed matter. Also now taxable are items such as apps and in-app purchases, ringtones, online games, canned software - frequently referred to as off-the-shelf software - and any updates, maintenance or support of these items. Items that are exempt in physical form are not subject to tax.
- For sales tax returns for periods ending after August 1, 2016, the sales tax vendor discount is capped at the lesser of one percent of the amount of sales tax collected or \$25 on a monthly return, \$75 on a quarterly return or \$150

on a semi-annual return.

- Effective immediately, the possession, sale or distribution of zappers or sales suppression software with the intent to evade taxes is deemed an offense and individuals could be fined up to \$10,000 and one year in prison.
- Effective immediately, returnable corrugated boxes used to deliver snack food products when purchased by a manufacturer are exempt from the sales and use tax.
- Effective September 11, 2016, the sale at retail or use of services related to the setup, teardown, or maintenance of tangible personal property rented by an authority to exhibitors at the Pennsylvania Convention Center and the David L. Lawrence Convention Center is exempt from sales and use tax.
- Effective July 1, 2017, property and services directly and predominately used in timbering operations are exempt from sales and use tax when purchased by a company primarily engaged in the business of harvesting trees. Timbering does not include the harvesting of trees for clearing land for access roads.

To the Cigarette and Tobacco Products Taxes:

- Starting August 1, 2016, the state tax on cigarettes is \$2.60 per pack, a \$1.00 per pack increase. In Philadelphia the tax will be \$4.60 per pack.
- Effective October 1, 2016, pipe tobacco, chewing tobacco, snuff, and any other tobacco products for chewing, ingesting or smoking, except cigars, will be subject to a \$0.55 per ounce tax, with a minimum tax per package of \$0.66. Electronic cigarettes including both the liquid product and the delivery device will be subject to a 40 percent tax on the wholesale price.
- The tax on roll-your-own tobacco at \$0.55 per ounce will be effective 60 days after the Attorney General publishes a notice in the Pennsylvania Bulletin that the tax is permitted under the Master Settlement Agreement with the tobacco companies.
- A transfer of monies from the General Fund to the Local Cigarette Tax Fund is established to occur if the amount of monies deposited in the Local Cigarette Tax Fund in fiscal year 2016-17 and thereafter falls below the amount deposited in fiscal year 2015-16. The transfer amount shall be equal to the difference between the amount deposited in the Local Cigarette Tax Fund in the given fiscal year and \$58 million. The transfer, if it is necessary, will occur annually by July 15th.
- The expiration date of the Local Cigarette Tax of June 30, 2019 is eliminated.

To the Corporate Net Income Tax:

- For tax years beginning after December 31, 2015, corporate net income tax reports (RCT-101) are due 30 days after the federal report is due, or would be due if that corporation were required to file federally.
- Beginning with amended reports filed after December 31, 2016, the Act provides procedures for corporations filing amended corporate tax reports (RTC-101). Taxpayers will have three years from the due date of the original report to file an amended report. The department will have one year from the date the amended report is filed to notify the taxpayer if the changes are accepted. If the taxpayer is not notified within one year, the report is deemed accepted.

To the Bank Shares Tax:

- Effective January 1, 2107, the bank shares tax rate changes from 0.89 percent to 0.95 percent.
- Effective January 1, 2018 a phased-in deduction is allowed for Edge Act corporation equity.
- The source for income in the receipts definition is changed from the federal tax return to the Consolidated Reports of Condition.

- The deduction for goodwill generated from combination activity and for the apportionment of receipts from investment and trading assets and activities has been clarified.

To the Personal Income Tax:

- Retroactive to January 1, 2016, the Pennsylvania personal income tax applies to cash prizes from the Pennsylvania Lottery.
- Starting in the 2016 tax year, taxpayers receiving a personal income tax refund will have the option of designating all or a portion of the refund as a contribution to a Tuition Account Program (TAP) directly from their personal income tax return.
- The Act clarifies the language specifying the treatment of intangible drilling costs in the personal income tax.
- Effective September 11, 2016, Section 1033 of the Internal Revenue Code shall be applicable to the personal income tax. This federal provision allows a taxpayer to acquire replacement property and make an election to defer recognition of gain following an involuntary conversion, for example when the original property is destroyed by fire or natural disaster.

To the Realty Transfer Tax:

- Agricultural, conservation, or historic preservation easements transferred or sold to certain dedicated conservancies as well as government entities may be made without the seller paying the realty transfer tax.
- Transfers by not-for-profit veterans' organizations that are recognized by the Internal Revenue Service as 501(c)(19) tax-exempt organizations are exempt from realty transfer tax, though other parties to the transaction may still be liable.
- Transfers to or from a land bank, which can be established by government entities in the commonwealth, are excluded from tax under the Realty Transfer Tax.
- All three provisions take effect September 11, 2016.

To the Inheritance Tax:

- The exemption for family farms and family businesses are amended, allowing for farms and businesses that are transferred "to or for the benefit of" a member of the same family to be exempt from the taxable estate. This language extends the family farm and business exclusions to transfers of trusts for the benefit of members of the same family. This amendment also added relatives of a decedent's spouse to the definition of "members of the same family." The farm provision is effective retroactive to dates of death after December 31, 2012, while the business provision is retroactive to dates of death after June 30, 2013.

To the Table Game Taxes:

- The 12 percent tax on casinos' gross table games revenue is increased to 14 percent effective August 1, 2016. This additional 2 percent tax is set to expire on June 30, 2019.

To the Tax Amnesty Program:

- The Act provides for a tax amnesty program to be implemented by the Department of Revenue. The Governor will establish the 60-day period that must end by June 30, 2017. During amnesty, the department will waive 100 percent of penalties and half of the interest due on taxes delinquent as of December 31, 2015. The department is required to publish guidelines for the program within 60 days of the effective date of Act 84, including an explanation of the program, the amnesty period dates, a sample tax return, and estimates for amnesty revenue.

To the Tax Credits and Economic Development Programs

- The sunset provision of December 31, 2015, for the Research and Development (R&D) tax credit has been removed from the law.
- The Film Production Tax Credit is renamed the Entertainment Production Tax Credit. There are three subsections: An expanded Film Production Tax Credit, and two new tax credits, the Concert Rehearsal and Tour Tax Credit and the Video Game Production Tax Credit.
 - Film Production Tax Credit: The scope for eligible production expenses used to quantify the tax credit and permitted uses of the credit against tax liability has been expanded. Additionally, the budget allocation has also been increased from \$60 million to \$65 million per year beginning in the 2017-18 fiscal year. Additionally, the Department of Community and Economic Development may now reissue unused Film Production Tax Credits from prior fiscal years, beginning in the 2017-18 fiscal year.
 - Concert Rehearsal and Tour Tax Credit: This new tax credit is designed to attract investment in the commonwealth by awarding tax credits to tour operators representing musicians for rehearsals and live musical performances within the state. Credits may be awarded for up to 40 percent of eligible expenses up to \$800,000 per taxpayer per fiscal year. The budget allocation is \$4 million a year beginning in the 2017-18 fiscal year.
 - Video Game Production Tax Credit: This new tax credit is designed to attract investment in the commonwealth by awarding tax credits for production expenses incurred by video game production companies. Credits may be awarded for up to 25 percent of qualified expenses in the first four years of production and 10 percent for each year thereafter per taxpayer per fiscal year. The budget allocation is \$1 million a year beginning in the 2017-18 fiscal year.
- Coal Refuse Energy and Reclamation Tax Credit: This new tax credit is designed to incentivize eligible facilities that generate electricity in the commonwealth to use coal refuse for power generation, control acid gasses for emission control and use ash produced by the facility to reclaim mining-affected sites. Credits may be awarded at a rate of \$4 per 2,000 pounds of qualified refuse capped at 22.2 percent of the available budget allocation per fiscal year. The allocation is \$7.5 million for the 2016-17 fiscal year and \$10 million each fiscal year thereafter.
- Waterfront Development Tax Credit: This new tax credit is designed to generate funding for waterfront development projects that provide or improve public access to waterfront sites within the commonwealth. Contributions in the form of cash or personal property may be donated to an approved waterfront organization for up to a 75 percent equivalent tax credit per contributed dollar. The budget allocation is \$1.5 million a year beginning in the 2017-18 fiscal year.
- Repealed Article XVII-F of the Tax Reform Code containing the provisions of the Educational Tax Credit Program.
- Tax Credit for New Jobs: Formerly referred to as the Job Creation Tax Credit program, this tax credit has been amended to include an incentive for businesses to hire veterans for a job tax credit equivalent to \$2,500 per veteran hired. The amendment is effective immediately.
- The City Revitalization and Improvement Zone (CRIZ) Program is amended to include broadened definitions regarding the scope and administration of the program. Amendments include: changes to program eligibility for qualifying cities and municipalities, new CRIZ eligible tax types, and expanded powers or duties of the contracting authority. Other notable changes include an amended formula for the calculation of the annual certification, a lowered cap on annual borrowing by zones, and permitted uses of CRIZ funds by the contracting authority. The amendment is effective immediately.
- Manufacturing and Investment Tax Credit: This new tax credit is designed to support job creation. Eligible taxpayers, capable of increasing annual taxable payroll by a minimum of \$1 million through the creation of new full-time jobs can earn a tax credit up to 5 percent of the taxpayer's increase in annual taxable payroll. Jobs must be maintained for at least five years. The budget allocation is \$4 million a year beginning in the 2017-18 fiscal year.

- Rural Jobs and Investment Tax Credit: This new tax credit is designed to stimulate growth and job creation in rural areas by providing access to capital to rural businesses from businesses supporting rural growth funds. Credit for eligible contributions made by a business firm may be approved for up to a 90 percent equivalent tax credit per contributed dollar. The budget allocation is \$1 million a year beginning in the 2017-18 fiscal year, and is not to exceed \$4 million for the duration of the program.
- The Neighborhood Assistance Tax Credit program is amended with new definitions for affordable housing, domestic violence or veterans' housing assistance. By inclusion of these amendments, tax credits may be awarded equivalent to 75 percent of the total amount contributed by business firms participating in the program. The amendment is effective immediately.
- Neighborhood Improvement Zone (NIZ) Program: The NIZ program has been amended to include broadened definitions regarding the scope and administration of the program for the state and contracting authority. Amendments include new penalty provisions, acceptance of late reports within the program reconciliation and an annual program audit by an independent auditing firm. Other notable changes include the prohibition of assessing real estate taxes on any property owned by the contracting authority in a zone, collection and distribution changes to local hotel taxes within the zone, and property valuation prohibitions for property within the zone for use by the county.
- The sunset date for the Keystone Special Development Zone (KSDZ) Tax Credit program has been changed from 2026 to 2035. The amendment is effective immediately.
- The Keystone Opportunity Zone (KOZ) program has been expanded to include the designation of 12 new Keystone Opportunity Expansion Zones consisting of 375 acres each for a period of up to 10 years effective January 1, 2017 to December 31, 2026. In addition, existing parcels can be extended up to 10 years for state tax benefits, if the applicant can meet the job creation and capital investment requirements in the enabling legislation.
- Mixed-Use Development Tax Credit: This new tax credit is designed to help communities address affordable housing shortages and support business growth. The program allows developers to access funds for construction or rehabilitation projects that enable affordable housing and business in the same structure. Tax credit availability is based on the sale of the credits from the Pennsylvania Housing Finance Agency. The budget allocation is \$2 million a year beginning in the 2017-18 fiscal year.
- The budget allocation for the Keystone Innovation Zone (KIZ) tax credits is reduced to \$15 million per fiscal year from \$25 million per fiscal year effective immediately.
- The Malt Beverage Tax Credit tax credit will be reinstated in the 2017-18 fiscal year with a \$5 million a year budget allocation. The credit was formerly effective from January 1, 1974, to December 31, 2008.
- Computer Data Center Equipment Incentive Program: This new program is designed to attract new investment from businesses that operate within facilities containing equipment such as servers or data storage equipment necessary to operate a computer data center. Applicants must meet capital investment and annual compensation requirements for employees working within the data center. The budget allocation is \$5 million a year beginning in the 2017-18 fiscal year.
- Effective December 1, 2016, the Promoting Employment Across Pennsylvania (PEP) tax credit is repealed.

ACT #39 of June 8, 2016 made the following changes:

To the Liquor Code:

- Allows restaurants and hotels to purchase an expanded wine permit to sell up to 3,000 mL of wine (4 bottles) for off-premise consumption.

- The initial permit fee is \$2,000 and the renewal fee is equal to 2.0 percent of the cost of wine purchased from the board for off-premise consumption.
- Allows the LCB to sell PA Lottery tickets through instant ticket vending machines, player activated terminals and technologies for the self-service sale of PA Lottery tickets and provides that the licensee commission be deposited in the General Fund.
- Authorizes the LCB to issue licenses to casinos for a fee of \$1 million to sell alcohol 24 hours a day, 7 days a week. The renewal fee will be \$1 million for the next four years and will be set at \$250,000 per year thereafter.
- Allows a restaurant license that ceased to exist under law to be auctioned by the LCB once a year to the highest bidder with the minimum bid set at \$25,000.
- Allows for the conversion of an eating place license to a restaurant license for a fee of \$30,000.
- Provides for up to \$1 million annually for the awarding of grants for the purpose of increasing production of malt and brewed beverages made in PA. Provides for up to \$1 million annually for the awarding of grants for the purpose of increasing production of wines made in PA.
- Effective 60 days after enactment.

ACT #25 of April 25, 2016 made the following changes:

To the Fiscal Code:

- Reduces the statutory annual transfer from the Oil and Gas Lease Fund to the Marcellus Legacy Fund for transfer to the Environmental Stewardship Fund for FY 2015-16 to \$20,000,000 to align with amounts available and modifies the distribution to agencies from that transfer to ensure that mandatory debt service continues to be paid and to preserve the funding for the Agricultural Conservation Easement Program.
- The legislation provides language necessary to allow a business which participates in the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs during FY 2015-16 to utilize the credit in either the tax year in which the application or the contribution is made.
- The legislation directs that any payment of a slot machine license fee received by the Pennsylvania Gaming Control Board after June 30, 2014, is to be deposited in and credited to the General Fund. The transfer is estimated to generate a deposit of \$50 million by June 30, 2016.
- The Enhanced Revenue Collection Account (ERCA) in the Department of Revenue will continue through FY 2019-20. Revenues collected will be deposited into the account. Of the funds in the account, for each of the fiscal years from FY 2015-16 through FY 2019-20, up to \$25,000,000 is appropriated to the department to fund the costs associated with the increased tax collection enforcement and reduction of tax refund errors. The balance in account on June 15, 2014 and each June 15 thereafter shall be deposited into the General Fund. The department will generate a report to the governor and General Assembly including a detailed breakdown of administrative costs, the amount of revenue collected and the amount of refunds avoided.
- By June 1, 2016, \$4,500,000 shall be transferred from the Dormitory Sprinkler System fund to the General Fund.

ACT #16 of April 18, 2016 made the following changes:

Created the stand alone Medical Marijuana Act:

- Establishes a program for the use of medical marijuana (MM) to be administered by the Pennsylvania Department of Health (DOH). This legislation is effective in 30 days after enactment.

- An excise tax of 5.0 percent is imposed on the gross receipts from the sale of MM by a grower/processor to a dispensary. The tax shall be paid by the grower/processor and shall not be paid by dispensary or the patient or caregiver. The proceeds of the tax are to be deposited in the Medical Marijuana Program Fund. This fund is established in the State Treasury. The sale of MM to a patient or caregiver is exempt from sales tax.
- DOH and the Department of Revenue shall monitor the price of medical marijuana sold by a grower/processor and by a dispensary, including the per-dose price. If both DOH and the Department of Revenue determine that prices are unreasonable or excessive, a cap may be placed on the price of medical marijuana for a period of six months.

ACT #17 of April 18, 2016 made the following changes:

Created the Pennsylvania ABLE Act:

- Created the Pennsylvania ABLE (Achieving a Better Life Experience) Act and provides that contributions made to an ABLE account, any increase in the value of those contributions, the retention or transfer during life or as a result of death of any legal interest in an account and payment of qualified disability expenses of eligible individuals from an account shall be exempt from all taxation by the Commonwealth and its political subdivisions.
- An amount that is distributed from an account which is not described as being exempt from taxation under this act shall be subject to tax under the Pennsylvania personal income tax.

ACT #7 of February 23, 2016 made the following changes:

To the Administrative Code:

- Repealed the Race Horse Industry Reform Act (P.L. 534, No. 135) and Article XV1-B of the Tax Reform Code of 1971, related to Nonlicensed Corporation Pari-Mutuel Wagering Tax, and added Article XXVIII-D, Race Horse Industry Reform, providing for the regulatory oversight of horse and harness racing.
- Maintained the existing Pari-Mutuel Tax rate, which is deposited to the State Racing Fund, but eliminated the Admissions Tax. The established Pennsylvania Sire Stakes Fund and Pennsylvania Breeding Fund and established distributions are maintained in the bill.
- Imposed the Pari-Mutuel Tax on Secondary Pari-Mutuel Organizations, which were previously subject to the Nonlicensed Corporation Pari-Mutuel Wagering Tax, which was deposited into the Advanced Deposit Wagering Collections Account, a restricted account within the General Fund. From those funds, up to \$5 million was appropriated to the State Racing Commission in the Department of Agriculture for general government operations.
- Provided that 37.5 percent of the breakage retained by licensed racing entities conducting horse race meetings (currently 25 percent by licensed entities conducting thoroughbred race meetings) shall be paid to the Department of Revenue for credit to the State Racing Fund. Breakage is defined as "the odd cents of redistributions to be made on contributions to pari-mutuel pools exceeding a sum equal to the next lowest multiple of ten."
- Provided, beginning July 1, 2016, and annually thereafter, that one percent of the previous fiscal year deposits to the Pennsylvania Race Horse Development Fund shall be transferred to the State Racing Fund for the promotion of horse racing.
- Established the Pennsylvania Race Horse Testing Program, providing all cost for medication testing and research be paid out of the Pennsylvania Race Horse Development Fund, in 52 equal, weekly payments to the State Racing Fund. This transfer expires on June 30, 2020.

- Provided for various licenses for horse racing, which are deposited to the State Racing Fund, including a new annual license fee to conduct electronic wagering, at an initial fee of \$500,000, with a \$100,000 annual renewal. However, if an applicant that is also a Category 1 slot machine licensee paid the license fee under 4 Pa.C.S. § 1209 (relating to slot machine license fee), this fee shall be deemed paid and the amount of the fee shall be transferred to the State Racing Fund upon certification of the Secretary of the Budget.

ACT #58 of November 4, 2015 made the following changes:

To the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund:

- Provides for a transfer of realty transfer tax funds to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund, beginning in fiscal year 2015-16.
- Specifies that the annual transfer is to be the lesser of \$25 million or 40 percent of the difference between (a) the total dollar amount of the realty transfer tax collected in the prior fiscal year and (b) the total dollar amount of the realty transfer tax official estimate for the fiscal year 2014-15 (\$447.5 million).

ACT #203 of October 31, 2014 made the following changes:

To Procedure and Tax Administration for Out-of-State Entities during a Declared Emergency:

- Provides that out-of-state businesses responding to a disaster emergency declared by the Governor of Pennsylvania or President would not be subject to: state or local business licensing or registration; PUC or regulatory requirements; state and local taxes/fees, such as unemployment insurance, sales and use tax, property tax on equipment brought in on a temporary basis, used or consumed in the Commonwealth during the disaster emergency, and subsequently removed from the Commonwealth, state or local occupational licensing fees or local service taxes; and state or local tax on or measured by, in whole or in part, net or gross income or receipts.
- An out-of-state employee shall not be considered to have established residency that would require the individual or the employer to do the following: file and pay income taxes; be subjected to income tax withholding; or file and pay any other state or local tax or fee for disaster emergency-related work performed during the period designated.
- These exemptions apply to an out-of-state business who performs work for a period of not more than ten days before and not more than 60 days after the end of a declared disaster emergency period and the business must be in compliance with all applicable regulatory and licensing requirements in its state of domicile. The exemption period may be extended by the Governor for a period of not more than 30 days for each declared disaster emergency.

ACT #201 of October 31, 2014 made the following changes:

To the State Lottery Fund:

- Added definitions for Internet Instant Game and Keno, while prohibiting the Secretary of Revenue from authorizing these games unless authorized by an act of law.
- Allocates no less than 27.0 percent of total revenues from the sale of lottery tickets or shares to property tax relief and free or reduced fare transit service for the elderly in fiscal years beginning before July 1, 2014. For fiscal years beginning after June 30, 2014, that percentage drops to 25.0 percent.

ACT #194 of October 31, 2014 made the following changes:

To the Educational Improvement Tax Credit (EITC) and Educational Opportunity Scholarship Tax Credit (EOSTC):

- Repeals the EITC and EOSTC as stand-alone Articles in the Tax Reform Code (TRC).
- Consolidates both the EITC and EOSTC programs into Article XVII-F of the TRC under the title of the Educational Tax Credits (ETC) Program.

- Adds the Malt Beverage Tax to the list of taxes against which the ETC can be applied.
- Includes numerous administrative changes regarding how the ETC operates.

To the City Revitalization and Improvement Zones (CRIZ):

- Effectively allows a borough or township to create an authority to apply for a pilot zone. Previous law did not include this language, so no pilot zones were able to be awarded.

ACT #193 of October 31, 2014 made the following changes:

To the Organ and Bone Marrow Donor Tax Credit:

- Repeals Act 65-2006, the Organ and Bone Marrow Donor Act, which contained the original creation of the Organ and Bone Marrow Tax Credit.
- Adds Article XVIII to the Tax Reform Code (TRC), containing the reestablished Organ and Bone Marrow Tax Credit, which had expired in 2010.
- The Organ and Bone Marrow Donor Tax Credit is for expenses incurred when a business firm grants to any of its employees a paid leave of absence for the purpose of donating an organ or bone marrow. Credits can be used against the taxes imposed under Articles III, IV, VI, VII, VIII or XV of the TRC. The credit is retroactively available for tax years beginning on or after January 1, 2011. (Effective immediately)

ACT # 156 of October 22, 2014 made the following changes:

To the Property Tax or Rent Rebate (PTRR) Program:

- Allowed that PTRR claimants who are eligible as of December 31, 2012 would remain eligible if the household income limit is exceeded only due to a Social Security cost-of-living increase. This provision expires on December 31, 2016.

ACT #131 of September 24, 2014 made the following changes:

To the Cigarette Tax:

- Authorizes Philadelphia School District to levy a cigarette tax at the rate of 10 cents per cigarette. Effective October 1, 2014 to June 30, 2019.

Tax Summary

<u>Tax</u>	<u>Rate</u>	<u>Payment Remitted By</u>	<u>Report Due Date</u>
Alternative Fuels	The oil franchise tax is applied to each gasoline gallon equivalent.	Dealer-users of fuel	20th day of each month
Aviation Gasoline	5.5 cents per gallon	Licensed distributors	20 th day of each month
Bank and Trust Company Shares	0.89% for tax year 2016; 0.95% for tax years 2017 and after	All bank and trust companies doing business in Pennsylvania	March 15th of each year
Cigarette	13.00 cents per cigarette	Cigarette Stamping Agents	Payment is due by the 15th day of each month. Report is due by the 10th day after the month for which they are prepared
Consumer Fireworks Tax	12% of the sales price of consumer fireworks after sales tax is applied	Licensed sellers of consumer fireworks	20 th day of April, July, Oct and January
Corporate Net Income	9.99%	Corporations doing business in Pennsylvania	Due 30 days after the Federal report is due or would be due if required to file federally
Fantasy Contest Tax	15% of fantasy contest adjusted revenue	Licensed operators	Monthly
Insurance Premiums	2% of gross premiums, with certain exceptions	Domestic and foreign insurance companies	April 15th of each year
Inheritance and Estate	Rate determined by relationship to decedent: Spouses – 0% Parents of decedent 21 years of age or younger – 0% Other lineal heirs – 4.5% Siblings – 12% All other heirs – 15%	Local Registers of Wills	Monthly

Tax Summary

<u>Tax</u>	<u>Rate</u>	<u>Payment Remitted By</u>	<u>Report Due Date</u>
Interactive Gaming Tax	14% of gross interactive gaming revenue from peer-to-peer and non-peer-to-peer games simulating table games; 52% on non-peer-to-peer games simulating slot machines.	Interactive gaming certificate holders	Weekly
Jet Fuel	1.6 cents per gallon	Licensed distributors	20th day of each month
Liquor	18%	Liquor Control Board (LCB)	LCB functions on a monthly accounting cycle. Reports are due on the last day of the calendar month.
Malt Beverage	\$2.48 per barrel	Manufacturers, distributors and importers of malt beverages	15th day of each month
Motor Carriers Road/IFTA	The same rate as the oil company franchise tax	Motor carriers with vehicles in excess of 26,000 pounds	IFTA reports are due on the last day of April, July, October, and January while MCRT reports are filed annually
Motor Vehicle Lease	3%	Any entity making taxable leases of motor vehicles	20th day of each month
Motor Vehicle Rental Fee	\$2 per day	Any entity making taxable rentals of motor vehicles	20th day of each month
Multi-use Gaming Device Tax	14% of gross interactive airport gaming revenue from peer-to-peer and non-peer-to-peer games simulating table games; 52% on non-peer-to-peer games simulating slot machines.	Interactive gaming certificate holders authorized to conduct games at qualified airports	Weekly
Mutual Thrift	11.5%	Savings institutions, savings banks, savings and loan associations, and building and loan associations doing business in Pennsylvania	15th day of the 4th month after the close of a tax year

Tax Summary

<u>Tax</u>	<u>Rate</u>	<u>Payment Remitted By</u>	<u>Report Due Date</u>
New Tire Fee	\$1 per tire	Any entity selling new tires intended for highway use	20th day of each month
Oil Company Franchise	201.5 mills on liquid fuels and 256.5 mills on fuels (changes through 2018 – see text)	Registered liquid fuels and fuels distributors	20th day of each month
Other Tobacco Products	55.00 cents per ounce on certain tobacco products; 40% of wholesale price for electronic cigarettes	Any entity making sales to retailers	20th day of each month
Personal Income	3.07%	Pennsylvania employers and residents, estates and trusts, nonresidents with income from sources within Pennsylvania and businesses with nonresident owners which receive income from sources within Pennsylvania	April 15th of each year
Private Bankers	1%	Private bankers authorized to do business in Pennsylvania	February 15th of each year
Public Utility Realty	Variable	Public utilities furnishing services and regulated by the Pennsylvania Public Utility Commission or a regulatory body of another state of the United States	May 1st of each year
Realty Transfer	1%	County Recorders of Deeds	Upon the presentation of any document for recording or the transfer of certain interests in real estate
Sales, Use and Hotel Occupancy	6%	Any entity making taxable sales or anyone who incurs use tax	20th day of each month

Tax Summary

<u>Tax</u>	<u>Rate</u>	<u>Payment Remitted By</u>	<u>Report Due Date</u>
Sales, Use and Hotel Occupancy (Local)	1% (Allegheny) 2% (Philadelphia)	Any entity making taxable sales or anyone who incurs use tax in the City of Philadelphia or Allegheny County (see text for special situs provisions)	20th day of each month
Slot Machine Tax	34% of gross terminal revenue for each Category 1, 2 and 3 slot machine licensee; 50% of gross terminal revenue for each Category 4	Slot machine licensees	Weekly
Sports Wagering Tax	34% of gross sports wagering	Sports wagering certificate holders	Weekly
Table Game Taxes	14% of gross table game revenue for the period 8/1/2016 through 6/30/2019. 12% thereafter. 34% of gross table game revenue from table games played on fully automated electronic gaming tables	Table game operation certificate holders	Weekly
Tavern Games Taxes	60% of net revenue on tavern games (tavern games tax) and 5% of net revenue on tavern games (host municipality tavern games tax)	Licensed distributors and tavern games licensees	20 th day of each month by licensed distributors and 20 th of the month following the close of each calendar quarter by tavern games licensees
Title Insurance Company Shares	1.25%	Pennsylvania title insurance companies (foreign title insurance companies are subjected to the gross premiums tax)	March 15th of each year
Vehicle Rental	2%	Entities renting taxable vehicles	Quarterly reports due 20th day of January, April, July and October. Reconciliation due February 15th

Tax Summary

<u>Tax</u>	<u>Rate</u>	<u>Payment Remitted By</u>	<u>Report Due Date</u>
Video Gaming Terminal Tax	42% of gross terminal revenue from video gaming terminals operated within this Commonwealth	Licensed terminal operators	Bimonthly