

THE TAX COMPENDIUM

APRIL 2021

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 2019-20, the Department collected \$32.3 billion in revenue for the General Fund, \$2.7 billion for the Motor License Fund and \$628.2 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 cursive script that reads "C. Daniel Hassell".

C. Daniel Hassell
Secretary of Revenue

PENNSYLVANIA TAX COMPENDIUM

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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.

General Fund revenues are comprised of four major sources:

The corporate revenues component consists of taxes levied directly on business entities, with a tax on corporate income constituting the bulk of revenues received. Taxes on utility, transportation, and communications companies, as well as financial institutions, makes up the remainder.

The consumption taxes component of the General Fund is comprised of taxes on the purchase of goods and services by the end consumer. These revenues are largely generated by the Sales and Use Taxes, with smaller amounts generated by taxes on alcohol and tobacco products.

Other taxes included in the General Fund do not fall on a specific type of activity like those in the corporate and consumption components. The personal income tax, which is assessed against eight types of income, is by far the largest source of revenue for this component. Also included are taxes assessed on real estate transfers and inheritances. All of the commonwealth's taxes on gaming are included in this component, as well as a small amount of minor taxes and residual payments on repealed taxes.

The non-tax component 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.

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

CORPORATE NET INCOME TAX

This tax is paid by all domestic and foreign corporations for the privilege of doing business, carrying on activities, or employing or owning capital or property in Pennsylvania. The tax is levied on federal taxable income with Pennsylvania modifications. If the business of the corporation is not transacted entirely within Pennsylvania, taxable income is usually determined by a single sales factor apportionment formula. Net operating loss deduction is allowed, with a current cap of 40% of taxable income.

ENTITIES SUBJECT TO THE TAX

Domestic and foreign corporations, as well as limited liability companies and business trusts that are classified as corporations for Federal income tax purposes are subject to the tax.

The following types of businesses are exempt: building and loan associations, banks, savings institutions, trust companies, insurance and surety companies, and nonprofit corporations.

Corporations are taxed on a separate company basis for Pennsylvania purposes; therefore, corporations that 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.

TAX BASE

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:

ADDITIONS

Taxes imposed on or measured by net income

Employment incentive payment credit adjustment

Current year bonus depreciation

Intangible expenses for interest, royalties, patents, trademarks, etc. between related companies (tax year 2015 forward)

Tax preference items

DEDUCTIONS

Corporate dividends received

Interest on US securities

An adjustment for bonus depreciation, that can result in both an addition to and a deduction from federal income.

Federal wages disallowed as a result of tax credits under IRC Sec 45B or IRC Sec 51.

Certain tax payers can also take the Qualified Manufacturing Innovation & Reinvestment Deduction. A qualified manufacturing business can take a deduction from their taxable income under the Corporate Net Income Tax, relative to investments in manufacturing capacity.

CORPORATE NET INCOME TAX

CONTINUED

TAX RATE

The current tax rate of 9.99% has been in effect since tax year 1995.

YEAR	RATE	LEGISLATION/NOTES
1935	6.00%	
1936	10.00%	
1937	7.00%	
1943	4.00%	
1951	5.00%	
1956	6.00%	
1967	7.00%	
1969	12.00%	
1972	11.00%	The rate was 12% for the first half of 1972 and 11% for the second half.
1974	9.50%	
1977	10.50%	Act 98-1977 temporarily raised the rate to 10.5%, and Act 246-1982 made this rate permanent
1985	9.50%	Act 94-1984
1987	8.50%	Act 77-1986
1991	12.25%	Act 22-1991
1994	11.99%	Act 48-1994
1995	9.99%	Act 21-1995

PAYMENTS

The tax is paid on an estimated tax payment system, wherein prepayments are considered deposits as opposed to tentative liabilities. Total prepayments must exceed 90% of reported annual liability, or 100% of the liability two years' prior (subject to current law).

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 thirty days after the federal report is due, or would be due if the corporation were required to file federally. Extensions are available for filing annual reports, but not for remitting payments.

APPORTIONMENT

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 based on the basis of property, payroll, and sales factors within and without Pennsylvania, as follows:

TAX YEAR	PROPERTY	PAYROLL	SALES	LEGISLATION
1994 and prior	33.3%	33.3%	33.3%	
1995 to 1998	25.0%	25.0%	50.0%	Act 21-1995
1999 to 2006	20.0%	20.0%	60.0%	Act 4-1999
2007 and 2008	15.0%	15.0%	70.0%	Act 116-2006
2009	8.5%	8.5%	83.0%	Act 48-2009
2010 to 2012	5.0%	5.0%	90.0%	Act 48-2009
2013 and beyond	0.0%	0.0%	100.0%	Act 85-2012

Other apportionment methods are available for special industries.

Act 52 of 2013 clarified the rules for the sales apportionment factor with regard to sale of services for tax years beginning after December 31, 2013. The sale, lease, rental or other use of real property occurs at the location of the real property. The rental, lease or licensing of tangible personal property occurs at the location of first possession of the property. Sales of services occur at the point of delivery of the services.

CORPORATE NET INCOME TAX

CONTINUED

NET OPERATING LOSSES (NOL)

Corporations can carry forward a Pennsylvania net loss for taxable years beginning on or after January 1, 1981. The schedule below shows the number of years a loss may be carried forward.

TAX YEAR	CARRY FORWARD	LEGISLATION
1981	1 taxable year	Act 195-1979
1982	2 taxable years	Act 195-1979
1983 to 1987	3 taxable years	Act 48-1994
1988	2 taxable years (plus 1995)	Act 48-1994
1989	1 taxable year (plus 1995 and 1996)	Act 48-1994
1990 to 1993	1995 through 1997	Act 48-1994
1994	1995 tax year	Act 48-1994
1995 to 1997	10 taxable years	Act 45-1998
1998 and thereafter	20 taxable years	Act 89-2002

The losses carried into a given taxable year can be used to offset positive taxable income. The table below shows the limit on this reduction by tax year.

TAX YEAR	NOL CAP	LEGISLATION
1982 to 1990	Uncapped	
1991 to 1994	Suspended	Act 22-1991
1995	\$500,000	Act 48-1994
1996 to 1998	\$1 million	Act 21-1995
1999 to 2006	\$2 million	Act 4-1999
2007 and 2008	\$3 million or 12.5% of taxable income	Act 116-2006
2009	\$3 million or 15% of taxable income	Act 116-2006
2010 to 2013	\$3 million or 20% of taxable income	Act 48-2009
2014	\$4 million or 25% of taxable income	Act 52-2013
2015 and 2016	\$5 million or 30% of taxable income	Act 52-2013
2017	30% of taxable income	Act 43-2017
2018	35% of taxable income	Act 43-2017
2019 and thereafter	40% of taxable income	Act 43-2017

As noted above, Act 43 of 2017 eliminated the fixed dollar cap on net operating loss utilization. This was in response to the Pennsylvania Supreme Court's ruling in *Nextel Communications of the Mid-Atlantic, Inc., v. Commonwealth of Pennsylvania*, in which the court found that the fixed dollar cap violated the Uniformity Clause of the Pennsylvania constitution.

LEGISLATION

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.

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

Please refer to the Recent Changes in Tax Law section for additional information.

GROSS RECEIPTS TAX

This tax is levied on the gross receipts from business transacted within Pennsylvania by specified companies owned, operated or leased by corporations, associations, or individuals. Various gross receipts taxes are imposed upon private bankers; pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; telephone, telegraph and mobile communications companies; electric light, water power and hydroelectric companies; express companies; palace car and sleeping car companies; and freight and oil transportation companies.

ENTITIES SUBJECT TO THE TAX

Entities subject to the tax include private bankers; pipeline, conduit, steamboat, canal, slack water navigation and transportation companies; telephone, telegraph and mobile communications companies; electric light, water power and hydroelectric companies; express companies; palace car and sleeping car companies; and freight and oil transportation companies.

TAX BASE

The tax is levied on each dollar of the gross receipts of the corporation, company or association, limited partnership, joint-stock association, co-partnership, person or persons received from:

- Passengers, baggage, oil and freight transported wholly within this State;
- Telegraph or telephone messages transmitted wholly within the state, and telegraph or telephone messages transmitted in interstate commerce where such messages originate or terminate in this state and the charges for such messages are billed to a service address in this state;
- Mobile telecommunications services messages sourced to this commonwealth based on the place of primary use standard; and
- Sales of electric energy within this state, and certain sales of electric energy produced in Pennsylvania and made outside of the state.

Certain telegraph or telephone and mobile telecommunications gross receipts are excludable, including:

- Sales of access to the Internet;
- Sales for resale of telecommunications services; and
- The sales of telephones, telephone handsets, modems, tablets and related accessories, including cases, chargers, holsters, clips, hands-free devices, screen protectors and batteries.

Additionally, telegraph or telephone companies or providers of mobile telecommunications services that pay a gross receipts tax to another state on messages or services which are taxable in Pennsylvania are entitled to a credit against the tax due.

Exemptions apply for electric light, waterpower, and hydro-electric companies as well, including:

- Sales for resale;
- Certain gross receipts received in connection with a nuclear generating facility which has experienced a major accident or natural disaster;
- Municipally owned or operated public utilities may exclude gross receipts derived from business done inside the limits of the municipality; and
- Electric cooperative corporations are exempt from gross receipts tax on electric companies for sales within their service territory.

TAX RATE

Act 138–1996 provided the Revenue Neutral Reconciliation (RNR) mechanism for adjusting the base rate on sales of electric energy. Act 89–2002 set the permanent RNR tax rate paid by electric companies at 15 mills for tax year 2003 and thereafter.

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.

GROSS RECEIPTS TAX

CONTINUED

TAX RATE (continued)

Tax rates by sector are as follows:

TAX YEAR	ELECTRIC				INTRASTATE TELECOM AND OTHER		
	BASE	RNR	SURCHARGE	TOTAL	BASE	SURCHARGE	TOTAL
1999	44.0	-2.0	-	42.0	50.0	-	50.0
2000	44.0	6.0	-	50.0	50.0	-	50.0
2001	44.0	-1.0	-	43.0	50.0	-	50.0
2002	44.0	15.0	-	59.0	50.0	-	50.0
2003	44.0	15.0	-	59.0	50.0	-	50.0
2004	44.0	15.0	0.0	59.0	50.0	0.0	50.0
2005	44.0	15.0	0.6	59.6	50.0	0.6	50.6
2006	44.0	15.0	0.0	59.0	50.0	0.0	50.0
2007	44.0	15.0	1.2	60.2	50.0	1.2	51.2
2008	44.0	15.0	2.8	61.8	50.0	2.8	52.8
2009	44.0	15.0	0.0	59.0	50.0	0.0	50.0
2010	44.0	15.0	0.0	59.0	50.0	0.0	50.0
2011	44.0	15.0	1.6	60.6	50.0	1.6	51.6
2012 - PRESENT	44.0	15.0	0.0	59.0	50.0	0.0	50.0

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.

PAYMENTS

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.

OTHER EXEMPTIONS

Various acts have made broad exemptions upon entities previously subject to the gross receipts tax:

Exemption	Effective Date	Legislation
Railroads	January 1, 1995	Act 21-1995
Motor Carriers	January 1, 1998	Act 45-1998
Natural Gas	January 1, 2000	Act 4-1999 & Act 21-1999
Sale for Resale of Telecommunications Services	January 1, 2000	Act 23-2000
Managed Care Organizations	January 1, 2017	Act 84-2016

LEGISLATION

The tax on gross receipts originated in 1864. In 1889 a revised gross receipts tax was enacted, and eventually codified. The enabling legislation of the current Gross Receipts Tax is Article XI of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended.

Please refer to the Recent Changes in Tax Law section for additional information.

PUBLIC UTILITY REALTY TAX

The Public Utility Realty Tax (PURTA) provides for the state taxation of public utility realty. 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. 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. An amendment to the Constitution of Pennsylvania in 1968 provided for the state taxation of public utility realty.

ENTITIES SUBJECT TO THE TAX

This tax 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.

TAX BASE

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.

Prior to Act 4-1999, the 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.

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.

TAX RATE

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, 7.6 mills of revenue was transferred to the Public Transportation Assistance Fund. Act 46–2003 eliminated this transfer as of June 30, 2003.

PAYMENTS

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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

INSURANCE PREMIUMS TAX

The Insurance Premiums Tax is paid by domestic and foreign insurance companies for the privilege of doing business in the commonwealth. The tax is levied on premiums, premium deposits, or assessments received in the course of doing business in the commonwealth.

ENTITIES SUBJECT TO THE 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.

TAX BASE

The tax base is yearly insurance premiums received from doing business. 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 RATE

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.

PAYMENTS

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.

INSURANCE PREMIUMS TAX

CONTINUED

ASSOCIATED CREDITS

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.

LEGISLATION

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).

Please refer to the Recent Changes in Tax Law section for additional information.

FINANCIAL INSTITUTIONS TAX

The various classes of financial institutions are subject to three different taxes. The Bank and Trust Company Shares Tax (BST) and the Title Insurance Companies Shares tax (TICT) are levied on the value of shares as of each January 1st. The Mutual Thrift Institutions Tax (MTIT) is levied on the net earnings or income received or accrued from all sources during the tax year.

ENTITIES SUBJECT TO THE TAX

The various classes of financial institutions are subject to three different taxes:

BST is imposed on every bank and trust company having capital stock which is conducting business in Pennsylvania.

TICT is imposed on domestic title insurance companies.

MTIT 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.

TAX BASE

Shares exempt from BST and TICT 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 BST 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.

The TICT 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.

The MTIT 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.

FINANCIAL INSTITUTIONS TAX

CONTINUED

TAX RATE

BST			TICT		
YEAR	RATE	LEGISLATION	YEAR	RATE	LEGISLATION
1959	0.80%		1959	0.80%	
1967	1.00%		1967	1.00%	
1969	1.30%		1969	1.30%	
1971	1.50%		1971	1.50%	
1984	1.075%	Act 66-1983	1984	1.075%	Act 66-1983
1989	10.77%	Act 21-1989	1989	10.77%	Act 21-1989
1990	1.25%	Act 21-1989	1990	1.25%	Act 21-1989
2014	0.89%	Act 52-2013			
2017	0.95%	Act 84-2016			

MTIT		
YEAR	RATE	LEGISLATION
1969	11.5%	
1987	20.0%	Act 106-1988
1991	12.5%	Act 21-1989
1992	11.5%	Act 21-1989

PAYMENTS

BST and TICT reports 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.

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.

APPORTIONMENT, ADJUSTMENTS, AND NEXUS

Act 48–1994 established apportionment and expanded the nexus of BST 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 relative to BST. Act 52-2013 allowed for this subtraction from total bank equity capital.

Act 52-2013 revised BST, changing 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 revised BST, providing 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.

LEGISLATION

The enabling legislation is found in Articles VII, VIII and XV of the Tax Reform Code of 1971 (P.L. 6, No. 2)

Please refer to the Recent Changes in Tax Law section for additional information.

SALES, USE, AND HOTEL OCCUPANCY TAX

The tax is levied on the sale at retail, including rental, of tangible personal property and certain services, or upon the use within Pennsylvania of tangible personal property, or taxable services purchased at retail if the tax was not paid at time of purchase. A tax on the occupancy of hotel rooms is imposed as part of the sales and use tax law.

ENTITIES SUBJECT TO THE TAX

Sales, Use, and Hotel Occupancy Taxes 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.

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.

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. Act 13-2009 essentially codified the Department's bulletin, beginning July 1, 2019.

TAX BASE

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), most apparel, prescription and non-prescription drugs, and residential utilities. There are also exemptions for certain business activities: manufacturing, processing, agriculture, 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.

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.

TAX RATE

The current tax rate of 6% has been in effect since tax year 1968.

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

SALES, USE, AND HOTEL OCCUPANCY TAX

CONTINUED

LOCAL TAX RATES

Philadelphia and Allegheny Counties are authorized to impose local sales, use, and hotel occupancy taxes under the Pennsylvania Intergovernmental Cooperation Authority Act for cities of the first class and the Second Class County Code, respectively. The provisions parallel those under the state Sales, Use, and Hotel Occupancy Tax except the local levies are point-of-sale taxes.

COUNTY	CURRENT RATE	AUTHORIZING LEGISLATION	NOTABLE CHANGES
Philadelphia	2%	Act 6-1991	Act 44-2009: increased rate from 1% to 2%; Act 52-2013: permanently extended 2% rate
Allegheny	1%	Act 77-1993	

PAYMENTS

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. Vendor licenses are renewable on a five-year cycle and may be suspended or revoked.

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.

Payments and reports are due from taxpayers as follows. Liability levels are based on the third quarter of the prior calendar year, unless otherwise noted.

FREQUENCY	LIABILITY		DUE DATES & PAYMENT
	MINIMUM	MAXIMUM	
Semi-annual	--	\$75 annually	Return and payment due August 20th for January to June period, February 20th for July to December period
Quarterly	\$75.01 annually	\$600.00	Return and payment due 20th day of April, July, October, and January for the preceding calendar quarter
Monthly - No Prepayment	\$600.01	\$24,999.99	Return and payment due 20th day of the following month
Monthly - Level 1 Prepayment	\$25,000.00	\$99,999.99	Prepayment due 20th of same month, may be either 50 percent of the tax liability for the same month of the previous year or greater than 50 percent of the actual tax liability for the same month in the current year; return and remaining payment due 20th of following month
Monthly - Level 2 Prepayment	\$100,000.00	--	Prepayment due 20th of same month, must be 50 percent of the tax liability for the same month of the previous year; return and remaining payment due 20th of following month

SALES, USE, AND HOTEL OCCUPANCY TAX

CONTINUED

RECURRING TRANSFERS

TRANSFER	LEGISLATION	EFFECTIVE	AMOUNT	FREQUENCY
Public Transportation Assistance Fund (PTAF)	Act 46-2003	July 2003	0.947% of total receipts	Monthly
Public Transportation Trust Fund (PTTF)	Act 44-2007	July 2007	4.4% of total receipts	Monthly
Public Transportation Trust Fund (PTTF)	Act 83-2013	FY 2022-23	Motor Vehicle receipts See formula below	Annual
Commonwealth Financing Authority (CFA)	Act 85-2016	July 2016	Amount necessary to make payment for annual principal and interest obligations	Monthly
Transit Revitalization Investment District (TRID)	Act 151-2016	June 2016	\$700,000 transfer for 20 calendar years	Annual

Beginning in 2022-23, an annual transfer will occur from Motor Vehicle sales and Use Tax receipts. The amount of the transfer will be the greater of the ratio of \$450 million to FY 2020-21 motor vehicle Sales Tax receipts multiplied by current year Sales Tax receipts, or \$450 million.

A one-time transfer occurred in FY 2019-20 to the Tobacco Settlement Fund to replace monies deducted from the Master Settlement Agreement for deposit in the Tobacco Revenue Bond Debt Service Account.

Previously, 1.22% of Sales and Use Tax receipts were transferred monthly to the Supplemental Public Transportation Account, effective July 1, 1997, authorized under Act 3–1997. The transfer was capped at \$75 million per fiscal year. Act 44–2007 replaced this transfer by providing that 4.4% of Sales and Use Tax receipts be transferred monthly to the Public Transportation Transfer Fund, effective July 1, 2007.

LEGISLATION

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.

Please refer to the Recent Changes in Tax Law section for additional information.

CIGARETTE TAX

The Cigarette Tax is an excise tax levied on the sale or possession of cigarettes in Pennsylvania.

ENTITIES SUBJECT TO THE TAX

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.

TAX BASE

The tax is based on a rate per cigarette. Only one sale of cigarettes, whether individual cigarettes, packages, cartons, or cases, is taxable. Act 48 of 2009 expanded the definition of cigarette to include little cigars, weighing less than four pounds per thousand.

TAX RATE

The current rate of 13 cents per cigarette has been in effect since August 1, 2016.

The tax is imposed at the following combined rates for the General Fund and special funds:

YEAR	RATE PER CIGARETTE	EFFECTIVE DATE	LEGISLATION
1935	\$0.0010		
1947	\$0.0020		
1955	\$0.0025		
1959	\$0.0030		
1963	\$0.0040		
1967	\$0.0065	October 13, 1967	
1970	\$0.0090	January 15, 1970	
1991	\$0.0155	August 19, 1991	Act 22-1991
2002	\$0.0500	July 15, 2002	Act 89-2002
2004	\$0.0675	January 7, 2004	Act 46-2003
2009	\$0.0800	November 1, 2009	Act 48-2009
2016	\$0.1300	August 1, 2016	Act 84-2016

LOCAL TAX RATES

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.

PAYMENTS

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.

Cigarette stamping agents, wholesalers, retailers, and vendors must be licensed.

CIGARETTE TAX

CONTINUED

TRANSFERS

TRANSFER	LEGISLATION	EFFECTIVE	AMOUNT
Children's Health Insurance Program Fund	Act 22-1991	1992-93 to 1996	Two thirty firsts (2/31) of total receipts
	Act 7-1997	1997 to 2001-02	Three thirty firsts (3/31) of total receipts
	Act 89-2002	2002-03 to Present	\$30.73 million annually
Agricultural Conservation Easement Purchase Fund	Act 22-1991	1993-94 to 2001-02	Two thirty firsts (2/31) of total receipts
	Act 89-2002	2002-03 to 2015-16	\$20.485 million annually
	Act 84-2016	2016-17 to Present	\$25.485 million annually
Health Care Provider Retention Account	Act 46-2003	Jan 2004 to Oct 2009	18.52 percent of total receipts
Tobacco Settlement Fund	Act 20-2019 Act 23-2020	20019-20 to 2020-21	\$115.3 million annually
Local Cigarette Tax Fund	Act 84-2016	2017-18 to Present	See formula below

The Local Cigarette Tax Fund 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.

The transfer to the Tobacco Settlement Fund is authorized as an annual transfer and is anticipated to be reauthorized annually.

LEGISLATION

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.

Please refer to the Recent Changes in Tax Law section for additional information.

OTHER TOBACCO PRODUCTS TAX

The Other Tobacco Products Tax is an excise tax levied on the sale or possession of tobacco products other than cigarettes, and electronic cigarettes, in Pennsylvania.

ENTITIES SUBJECT TO THE TAX

Resident and non-resident wholesalers and manufacturers are required to collect the Other Tobacco Products Tax when selling to retailers and customers in Pennsylvania. Retailer licensees purchasing from unlicensed wholesalers and unlicensed manufacturers must collect the tax when selling to customers.

TAX BASE

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.

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.

Electronic cigarettes 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.

TAX RATE

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

The tax rate for electronic cigarettes is 40% of the purchase price charged to the retailer.

PAYMENTS

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.

The tax shall be separately stated on an invoice or other sales document.

LEGISLATION

The enabling legislation is Article XII of the Tax Reform Code of 1971 (P.L. 6, No. 2), as amended by Act 84 of 2016.

Please refer to the Recent Changes in Tax Law section for additional information.

MALT BEVERAGE TAX

The Malt Beverage Tax is assessed by volume on malt or brewed beverages sold to consumers in Pennsylvania.

ENTITIES SUBJECT TO THE TAX

The tax is borne by the consumer, but manufacturers, distributors, and importers remit the tax to the commonwealth.

TAX BASE

The Malt Beverage Tax is levied on the volume of malt or brewed beverages manufactured and sold for use in Pennsylvania, or manufactured outside of Pennsylvania but sold for importation and use in Pennsylvania.

TAX RATE

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.

PAYMENTS

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.

CREDIT

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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

LIQUOR TAX

The Liquor Tax is a consumption tax on the sale of liquor by the commonwealth. 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.

Individual consumers making purchases at PLCB stores pay Liquor Tax at the time of purchase; Sales Tax is also imposed on the transaction. Retail licensees, such as restaurants and bars, purchase liquor from the PLCB at a discounted price and pay Liquor and Sales Taxes on these purchases. These taxes are not charged on subsequent purchases of liquor by restaurant customers.

ENTITIES SUBJECT TO THE TAX

The tax is borne by the consumer, paid directly through transactions in state liquor stores.

TAX BASE

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.

TAX RATE

The tax is imposed at the following rates:

TAX YEAR	RATE
1936	10.00%
1963	15.00%
1968	18.00%

PAYMENTS

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

LEGISLATION

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.

Please refer to the Recent Changes in Tax Law section for additional information.

PERSONAL INCOME TAX

The Personal Income Tax is a tax levied on the eight classes of personal income taxable by the Commonwealth of Pennsylvania, subject to the exemptions, deductions, and credits described below.

ENTITIES SUBJECT TO THE 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.

TAX BASE

Pennsylvania taxes eight classes of income:

- Compensation
- Net profits from the operation of a business, profession, or farm
- Net gains or income less net losses from dispositions of property
- Net gains or income from rents, royalties, patents, and copyrights
- Dividends
- Interest
- Gambling and Lottery winnings
- Net gains or income derived through estates or trusts

A loss in one class of income may not offset income in another class, nor may gains or losses be carried backward or forward from year to year.

Act 40-2005 amended the definition of compensation to include distributions from nonqualified plans attributable to an elective deferral of income, regardless of whether the distribution is paid during employment or retirement. With some exceptions, including certain types of retirement contributions, 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.

Between July 21, 1983 and December 31, 2015, Pennsylvania Lottery prizes were not subject to personal income tax. 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. Pennsylvania Lottery noncash prizes remain exempt.

EXCLUSIONS, DEDUCTIONS, AND CREDITS

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

Description of Exclusion	Effective Date	Legislation
Income and qualified distributions from Archer MSAs	January 1997	Act 179-1996
Qualified payments made under a cafeteria plan	January 1997	Act 7-1997
Capital gain from sale of a principal residence	January 1998	Act 45-1998
Personal use of employer-provided property or services	January 1998	Act 45-1998
Income and qualified distributions from health savings accounts	January 2005	Act 48-2005
Income, rollovers, and qualified distributions from tuition programs	January 2006	Act 67-2006
Income, transfers, and qualified distributions from ABLE accounts	April 2016	Act 17-2016
Deferral of gain following an involuntary conversion	September 2016	Act 84-2016

PERSONAL INCOME TAX

CONTINUED

EXCLUSIONS, DEDUCTIONS, AND CREDITS (continued)

Description of Exclusion	Effective Date	Legislation
Value of medals and prize money from Olympic competition	July 2019	Act 13-2019
Federal Opportunity Zone income	January 2020	Act 13-2019
Forgiveness of federal Paycheck Protection Plan loans issued during COVID-19 pandemic	February 2021	Act 1-2021

DEDUCTIONS

Description of Deduction	Effective Date	Legislation
Unreimbursed work expenses		
Contributions to Archer MSAs	January 1997	Act 179-1996
Contributions to health savings accounts	January 2006	Act 67-2006
Contributions to qualified tuition programs (subject to federal gift limits)	January 2006	Act 67-2006
Business start-up costs	January 2014	Act 52-2013
Alternate deduction for intangible drilling costs	January 2014	Act 52-2013
Contributions to ABLE accounts	April 2016	Act 17-2016

CREDITS

Description of Credit	Effective Date	Legislation
Taxes paid to other states		
Special provisions for poverty		
Beginning farmer tax credit	January 2020	Act 65-2019

Special provisions for poverty allow eligible claimants to reduce their liability based on their income. For incomes above the 100% eligibility threshold, forgiveness is reduced by ten percent at each increment of the phase-out amount. Spouses were considered dependents until the passage of Act 7-1997.

TAX YEAR	LEGISLATION	CLAIMANT	SPOUSE	DEPENDENT	PHASE-OUT	ADDITIONAL DETAILS
1974	Act 32-1974	\$3,000		\$750	\$100	\$1,200 for first dependent
1987	Act 58-1987	\$4,500		\$1,000	\$100	\$1,500 for first dependent
1988	Act 106-1988	\$6,300		\$1,000	\$100	\$1,500 for first dependent
1991	Act 40-1991	\$6,300		\$1,000	\$100	\$1,500 for first dependent
1994	Act 48-1994	\$6,300		\$3,000	\$100	
1997	Act 7-1997	\$6,300	\$6,300	\$4,000	\$100	
1998	Act 45-1998	\$6,500	\$6,500	\$6,000	\$250	\$6,500 for first dependent for single claimants
1999	Act 4-1999	\$6,500	\$6,500	\$6,500	\$250	
2000	Act 23-2000	\$6,500	\$6,500	\$7,500	\$250	
2001	Act 23-2001	\$6,500	\$6,500	\$8,500	\$250	
2002	Act 89-2002	\$6,500	\$6,500	\$9,000	\$250	
2003	Act 46-2003	\$6,500	\$6,500	\$9,500	\$250	

Act 40-1991 reversed Act 22-1991, which was also effective for TY 1991. Act 22-1991 raised the income threshold for a single individual to \$7,000, with an additional allowance of \$2,000 for each dependent and household member. Additionally, the legislation adopted the federal definition of dependent and counted all poverty income earned by any member of a household toward the eligibility threshold.

PERSONAL INCOME TAX

CONTINUED

TAX RATE

The tax is imposed at the following rates:

YEAR	RATE	LEGISLATION	
1971	2.30%		
1974	2.00%		
1978	2.20%	Act 98-1977	
1983	2.45%	Act 29-1983	
1984	2.40%	Act 29-1983	Blended rate due to midyear rate change.
1985	2.35%	Act 29-1983	
1986	2.16%	Act 29-1985/Act 77-1986	Blended rate due to midyear rate change.
1987	2.10%	Act 77-1986	
1991	2.60%	Act 22-1991	Blended rate due to midyear rate change.
1992	2.95%	Act 22-1991	Blended rate due to midyear rate change.
1993	2.80%	Act 22-1991	
2004	3.07%	Act 46-2003	

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.

PAYMENTS

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.

PERSONAL INCOME TAX

CONTINUED

PAYMENTS (continued)

3) Partnerships and S corporations with nonresident partners or shareholders must remit tax on income from sources within this commonwealth that 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 from nonemployee compensation or business income 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.

Act 10-2020 added Article I-A (Emergency Finance and Tax Provisions) to the Fiscal Code. This article authorized the Department of Revenue to extend several filing and payment deadlines related to the personal income tax in response to the novel coronavirus. The authorization to extend tax filing and payment dates expired July 31, 2020.

TRANSFERS

ONE-TIME TRANSFERS FROM PIT REVENUES	FISCAL YEAR	AMOUNT (\$M)	LEGISLATION
Environmental Stewardship Fund	2019-20	20	Act 20-2019
	2020-21	13.782	Act 23-2020
Property Tax Relief Fund	2020-21	200	Act 114-2020
Public School Employees' Retirement System	2018-19	5.2	Act 42-2018
School Safety and Security Fund	2018-19	15	Act 42-2018
	2019-20	45	Act 20-2019
State Employees' Retirement System	2018-19	4.901	Act 42-2018
	2019-20	3.852	Act 20-2019

Act 20-2019 provided for recurring transfers from personal income tax revenues to the Farm Show Complex restricted revenue account, beginning in fiscal year 2019-20. The amount of the transfer is currently approximately \$13.25 million annually.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

REALTY TRANSFER TAX

The Realty Transfer Tax is levied on the value of the real estate transferred by a deed, instrument or other writing.

ENTITIES SUBJECT TO THE TAX

All persons are subject to the tax unless otherwise exempted.

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.

TAX BASE

The tax is based on the value of real property, including contracted-for improvements to the property, transferred by deed, instrument, long-term lease, or other writing. All transfers are taxable unless exempted.

Exempt classes of transfers include:

- Wills

- Mortgages

- Deeds of trust or similar instruments given as security for debts, and 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.

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

- Deeds to burial sites

- Certain agricultural, conservation, or historic preservation easements transfers to dedicated conservancies

- Certain transfer by not-for-profit veterans' organizations

- Transfers to or from a land bank

In addition, 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.

TAX RATE

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.

REALTY TRANSFER TAX

CONTINUED

PAYMENTS

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.

The stamps or meter impressions, indicating payment of the tax, are affixed to the document when presented for recording.

TRANSFERS

Beginning in July 1994 with Act 50-1993, a share of Realty Transfer Tax revenues have been transferred to the Keystone, Recreation, Park, and Conservation Fund (KRPCF).

	DATES	KRPCF TRANSFER	LEGISLATION
July 1994	December 2001	15%	Act 50-1993
January 2002	June 2002	10%	Act 89-2002
July 2002	June 2003	7.5%	Act 89-2002
July 2003	June 2006	15%	Act 89-2002
July 2006	June 2007	2.1%	Act 67-2006
July 2007 forward		15%	Act 67-2006

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 13-2019 increased the maximum transfer to \$40 million beginning in FY 2019-20.

LEGISLATION

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.

Please refer to the Recent Changes in Tax Law section for additional information.

INHERITANCE AND ESTATE TAXES

The Inheritance Tax is levied on the value of assets transferred via will or other posthumous transfer of property. See below for estate tax details.

ENTITIES SUBJECT TO THE TAX

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.

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.

TAX BASE

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.

TAX RATE

The tax rates levied against estates are based on to whom property is bequeathed:

- From non-jointly held property to spouse
- From children 21 years of age or younger to parents
- From parents to children 21 years of age or younger
- To lineal heirs
- To siblings
- All other transfers

DATE OF DEATH	RATE						LEGISLATION
	Spouse	Child to Parent	Parent to Child	Lineal	Sibling	Other	
10/3/1991 TO 6/30/1994	6%	6%	6%	6%	15%	15%	Act 22-1991
7/1/1994 TO 12/31/1994	3%	6%	6%	6%	15%	15%	Act 48-1994
1/1/1995 TO 6/30/2000	0%	6%	6%	6%	15%	15%	Act 21-1995
7/1/2000 TO 12/31/2019	0%	0%	4.5%	4.5%	12%	15%	Act 23-2000
1/1/2020 TO PRESENT	0%	0%	0%	4.5%	12%	15%	Act 13-2019

Rate history reflects the present inheritance tax only, established by Article XXI of the Tax Reform Code, effective 10/3/1991.

PAYMENTS

Inheritance 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.

ESTATE TAX

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. The federal credit 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 is not scheduled to return.

INHERITANCE AND ESTATE TAXES

CONTINUED

LEGISLATION

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.

Please refer to the Recent Changes in Tax Law section for additional information.

TABLE GAME TAXES

Table Game Taxes are levied on gross table game revenue, which is the total cash or cash equivalents, tournament fees, and rakes minus cash or cash equivalents paid out, to fund prizes, or for personal property distributed as a result of play.

ENTITIES SUBJECT TO THE TAX

Each table game operation certificate holder is subject to the tax.

TAX BASE

The taxes are imposed on gross table game revenue, which 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.

TAX RATE

Act 1-2010 established a 12 percent Table Game Tax imposed on gross table game revenue. 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. Act 13-2019 extended the expiration of the additional 2 percent to August 1, 2021. Fully automated electronic gaming tables are subject to a 34 percent tax, in addition to the percentages above.

PAYMENTS

Table Game Taxes are payable on a weekly basis based on the gross table game revenue derived during the previous week.

FUND

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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

FANTASY CONTEST TAX

The Fantasy Contest Tax is levied on fantasy contest adjusted revenue, which is the total of all entry fees minus prizes or awards for each contest multiplied by the in-state percentage.

ENTITIES SUBJECT TO THE TAX

Each fantasy contest licensed operator is subject to the tax.

TAX BASE

The tax is imposed on fantasy contest adjusted revenue which 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.

TAX RATE

Act 42-2017 established a 15 percent fantasy contest tax on monthly fantasy contest adjusted revenue of licensed operators.

PAYMENTS

The tax is remitted monthly based upon monthly fantasy contest adjusted revenue derived during the previous month.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

INTERACTIVE GAMING AND MULTI-USE GAMING DEVICE TAXES

The Interactive Gaming Tax is levied on daily gross interactive gaming revenue from peer-to-peer games and non-peer-to-peer games that simulate table games. The Multi-Use Gaming Device Tax is levied on daily gross interactive airport gaming revenue.

ENTITIES SUBJECT TO THE TAX

Each interactive gaming certificate holder is subject to the Interactive Gaming Tax, and each interactive gaming certificate holder authorized to conduct interactive games at qualified airports is subject to the Multi-Use Gaming Device Tax.

TAX BASE

The taxes are imposed on gross interactive gaming revenue or gross interactive airport gaming revenue, as applicable, which is defined as the total of all cash or cash equivalent wagers paid by registered players to an interactive gaming certificate holder, or by eligible passengers through the use of multi-use computing devices, including cash received as entry fees for contests or tournaments, minus the total of cash or cash equivalents paid out to registered players, or eligible passengers, as winnings and the actual cost paid by the certificate holder for any personal property distributed to a player or passenger.

TAX RATE

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. It also established a 14 percent Multi-Use Gaming Device Tax on daily gross interactive airport gaming revenue from peer-to-peer games and non-peer-to-peer games that simulate table games and a 52 percent tax imposed on the daily gross interactive airport gaming revenue from non-peer-to-peer games simulating slot machines.

PAYMENTS

The taxes are payable on a weekly basis based upon the revenue generated during the previous week.

RELATED TAX

Act 42-2017 also established a 52 percent Interactive Gaming Tax on daily gross interactive gaming revenue from non-peer-to-peer games that simulate slots operated by interactive gaming certificate holders. This tax is deposited in the State Gaming Fund.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

SPORTS WAGERING TAX

The Sports Wagering Tax is levied on revenues received by holders of sports wagering certificates. The tax is applied to total daily cash received, less amounts paid out towards prizes.

ENTITIES SUBJECT TO THE TAX

Each sports wagering certificate holder is subject to the tax.

TAX BASE

The tax is imposed on daily gross sports wagering revenue, which 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.

TAX RATE

Act 42-2017 established a 34 percent Sports Wagering Tax on daily gross sports wagering revenue.

PAYMENTS

The tax is payable on a weekly basis based on the gross sports wagering revenue derived during the previous week.

AUTHORIZATION

Act 42-2017 established standards and procedures to govern sports wagering and established a 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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

MINOR AND REPEALED

Minor taxes produce comparatively small annual yields and primarily consist of the Excess Vehicle Rental Tax, Wine Excise Tax, other selective business taxes, and Consumer Fireworks Tax. 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. Transfers of state tax revenue to the various zone programs are also made from Minor and Repealed Taxes. See the individual pages of the Neighborhood Improvement Zones, City Revitalization and Improvement Zones, and the Military Installation Remediation Projects for additional information.

MINOR TAXES

VEHICLE RENTAL TAX

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).

WINE EXCISE TAX

The Wine Excise Tax is a tax upon the sale and delivery of wine to Pennsylvania residents by direct wine shippers. The tax is imposed by Section 488(J) of the Liquor Code and is in addition to the Sales and Use Tax. It is assessed at the rate of \$2.50 per gallon of wine sold; the 18 percent liquor tax does not apply to direct shipments of wine by direct wine shippers. The Wine Excise Tax took effect August 8, 2016.

OTHER SELECTIVE BUSINESS 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.

CONSUMER FIREWORKS TAX

The Consumer Fireworks Tax is a 12 percent tax on each separate sale at retail of consumer fireworks within the state. The fireworks tax is in addition to the sales and use tax already imposed on such sales. Sellers of consumer fireworks are required to apply for a Consumer Fireworks Facility License with the Pennsylvania Department of Agriculture, Bureau of Ride and Measurement Standards. Licensees must submit a quarterly consumer fireworks tax return with the Pennsylvania Department of Revenue, even for periods where no taxable retail fireworks sales occurred. The consumer fireworks tax became effective October 30, 2017.

Enabling legislation of the consumer fireworks tax is Article XXIV of the Tax Reform Code of 1971 (P.L. 6, No. 2).

TAVERN GAMES TAXES

The tavern games taxes are a 60 percent Tavern Games Tax and a 5 percent Host Municipality Tavern Games Tax imposed on 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.

MINOR AND REPEALED

CONTINUED

TAVERN GAMES TAXES (cont'd)

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.

Enabling legislation is Act 90 of November 27, 2013 (P.L. 1045 No. 90).

REPEALED TAXES

CAPITAL STOCK AND FOREIGN FRANCHISE TAXES

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.

CORPORATE LOANS TAX

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

Please see past versions of the Tax Compendium for a more extensive discussion of these taxes.

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.

LIQUOR STORE PROFITS

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.

LICENSES AND FEES

Licenses and fees include collections by commonwealth agencies that are not specifically required by law to be placed in special funds to support a specific purpose. Although amounts obtained from an individual class of license very often are sufficient only to cover regulatory costs, any additional money is available for general purposes. Many licenses and fees are required by laws designed to protect the public from indiscriminate and unsafe practices. The largest recurring revenues in the aggregate are collected by the Insurance Department for appointment and licensing fees and by the State Department for corporate and Uniform Commercial Code filings.

MISCELLANEOUS

Miscellaneous revenues include all other income to be used for general appropriation purposes in the General Fund, except monies which are given to the commonwealth by individuals, or are provided by law to be deposited in the Judicial Computer System Augmentation Account in accordance with Act 1988-79. Interest accrued by the Treasury Department and escheated property to the state are also included as miscellaneous revenue.

TRANSFERS

Recurrent transfers from special funds, such as from video gaming terminals (VGTs), as well as one-time statutorily-defined transfers occur.

Tax from VGTs is deposited into the General Fund as a transfer. The tax is remitted bimonthly and is initially deposited in the Video Gaming 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.

FINES, PENALTIES, AND INTEREST

This revenue source includes fines and penalties not required by law to be placed into a special fund for a specific purpose. Most of these fines and penalties collected by the various departments are an integral part of enforcement of the laws providing for licenses and fees. The largest revenues collected are by the Insurance Department for surcharges from moving vehicle violations and by the Department of Revenue for vehicle code fines.

TAX CREDIT PROGRAMS

Pennsylvania offers a variety of tax incentives, credits and programs to eligible Pennsylvania residents and businesses. These tax credits and incentive programs encourage economic activity, charitable contributions, and community improvement by providing tax reductions to individual and business taxpayers.

Taxpayers can receive credits for direct charitable giving or investment in neighborhood improvement. For example, the educational tax credits are tied to the amount of money given to a scholarship foundations, while the Neighborhood Assistance Program issues credits based on contributions and investments in qualified neighborhood assistance projects. These types of programs incentivize businesses to directly participate in the improvement of the community around them in targeted ways.

Tax credits are also used to reward businesses for making investments that both benefit the business, and serve the commonwealth's overall economic interests. Industry specific incentives, such as the Computer Data Center Equipment Incentive Program or the Qualified Manufacturing Innovation and Reinvestment Deduction, help businesses looking to expand their capacity make those investments here in Pennsylvania. These investments mean new jobs, which are also directly incentivized by credit programs such as the Manufacturing and Investment Tax Credit. Other credits incentivize business to engage in business activities that are beneficial to the community, but may not be profitable, such as the Coal Refuse and Resource Enhancement and Protection tax credits.

Other credits are intended to incentivize business to locate new production in Pennsylvania. Tax credits focused on the live performance, film, and video game industries reward new employment and capital investment in the commonwealth, while the Innovate PA program and R&D tax credits mean a lower cost of business for high tech and cutting edge firms.

Finally, some tax credit and incentive programs are focused on select geographies. Tax increment finance zones, such as the City Revitalization and Improvement Zones (CRIZ) and Neighborhood Improvement Zone (NIZ), use captured state and local taxes to finance local improvement projects. Other geographically bound tax credit programs incentivize certain business activities within their bounds (e.g. the Keystone Innovation Zones), or award tax credits for new jobs and/or investment created within the zone, such as the Strategic Development Areas program.

CITY REVITALIZATION AND IMPROVEMENT ZONES PROGRAM

The City Revitalization and Improvement Zones (CRIZ) program promotes economic development in second class-A cities, third class cities, and home rule municipalities with populations of at least 20,000. A CRIZ is an area of up to 130 acres, comprised of parcels designated by a contracting authority, which provide economic development and job creation within a political subdivision. State and local taxes collected within the CRIZ are used to repay debt service to stimulate economic development projects within the CRIZ.

WHO IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM?

The program is for second class-A cities, third class cities, and home rule municipalities with populations of at least 20,000. Additionally, a pilot zone may be created in one or more municipalities, with a total population of at least 7,000.

There are currently two zones - one in Lancaster and one in Bethlehem. There is also a pilot zone in Tamaqua. Up to two additional zones may be designated each year.

WHAT ACTIVITY DOES THE PROGRAM SEEK TO PROMOTE?

The CRIZ program seeks to promote business development within eligible cities and municipalities. State and local taxes collected within the CRIZ will be used to repay debt service to stimulate economic development projects within the CRIZ.

WHAT COMMONWEALTH TAXES ARE ELIGIBLE FOR THE PROGRAM?

Eligible taxes include Corporate Net Income Tax, Bank Shares Tax, Sales, Use and Hotel Occupancy Tax, Employer Withholding, Malt/Brewed Beverage Tax, Liquor/Wine Tax, and Personal Income Tax paid by shareholders.

PARTICIPATION AND REPORTING

The program is similar to a tax incremental financing program in that it is structured to protect the existing state and local tax base, while providing incremental funding for tax revenues based on new growth generated over and above an established baseline per business and new tax revenue generated in the zone by new businesses. General Fund and local tax revenues above the baseline amount may be used for the purpose of improvement and development within the zones. Businesses within zones must complete an annual state tax report each year so the Department of Revenue may certify state taxes to be transferred to the zones' contracting authorities.

Act 84-2016 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.

Act 84-2016 also made numerous technical and administrative 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. Further, the act 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 also lowered the maximum amount that a zone may borrow per year from \$10 million to \$7.5 million.

Act 43-2017 allowed 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. Also, the act 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.

CITY REVITALIZATION AND IMPROVEMENT ZONES PROGRAM

CONTINUED

PARTICIPATION AND REPORTING (continued)

Act 68-2020 permits the use of CRIZ funds to provide grants and loans to qualifying businesses, political subdivisions and municipal authorities operating within the CRIZ that have been negatively impacted by the proclamation of disaster emergency related to COVID-19 for the following purposes: business operating expenses; working capital; business loan payments to financial institutions; payroll to current employees as a means of retaining employees; and establishment of short-term loan guarantee accounts. These provisions expire June 30, 2021.

AUTHORIZING LEGISLATION

The CRIZ program was created by Act 52-2013.

COAL REFUSE ENERGY AND RECLAMATION TAX CREDIT

The Coal Refuse Energy and Reclamation Tax Credit is awarded to qualified taxpayers who generate electricity in the commonwealth by using coal refuse for power generation, control acid gasses for emission control, and use ash produced by the facilities to reclaim mining-affected sites. The credit is distributed at a rate of \$4 per ton of qualified coal refuse utilized at an eligible facility, or a prorated amount should the total of all credits awarded by the Department of Community and Economic Development exceed the statutory cap.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Taxpayers who operate 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit is designed to incentivize the use of coal refuse fired electric power generators, which creates environmental and fiscal benefits through the reclamation of coal refuse piles and previously mined lands.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

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.

TAX CREDIT CAP

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

FISCAL YEAR	CAP
2016-17	\$7.5
2017-18	\$10.0
2018-19	\$10.0
2019-20	\$20.0
2020-21	\$20.0

CAN THE CREDIT BE CARRIED FORWARD?

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.

CAN THE CREDIT BE SOLD/ASSIGNED?

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 percent in a given tax year.

REPORTING

The Department of Community and Economic Development is required to provide a report by October 1 of each year. The report includes the names of taxpayers utilizing the credit, along with the amounts approved, utilized, and sold or assigned by that taxpayer. The report must also include the quantity of coal refuse utilized and the volume of coal ash used to reclaim mine affected areas.

AUTHORIZING LEGISLATION

The credit was created by Act 84 of 2016.

COMMUNITY-BASED SERVICES TAX CREDIT

The Community-Based Services (CBS) Tax Credit was created as part of Act 85–2012 to supplement existing Federal and State funding for community-based services for individuals with intellectual disabilities or mental illness.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Businesses that make contributions to qualified providers of community-based services may apply for the tax credit.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote business contributions to providers of community-based services for individuals with intellectual disabilities, mental illness, or drug and alcohol addiction.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The 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 CREDIT CAP

The CBS tax credit shall not exceed 50 percent of contributions made to a provider. The amount may be increased to 75 percent for business firms that contribute to a provider in two or more successive years.

The maximum amount of CBS tax credits awarded is \$3 million and \$100,000 per taxpayer annually.

The CBS tax credit is available for fiscal years 2013-14 through 2019-20.

CAN THE CREDIT BE CARRIED FORWARD?

Tax credits may not be carried forward or carried back.

CAN THE CREDIT BE SOLD/ASSIGNED?

Tax credits are not refundable or transferable.

REPORTING

Reporting on this tax credit is not statutorily required.

COMPUTER DATA CENTER EQUIPMENT INCENTIVE PROGRAM

The Computer Data Center Equipment Incentive Program, administered by the Department of Revenue, provides sales and use tax refunds for the purchases of computer data center equipment, such as that used to outfit, operate, or benefit a computer data center and component parts, installations, refreshments, replacement, and upgrades to the equipment. Total refunds are capped at \$7 million annually.

WHO IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM?

Computer data centers wishing to qualify for the Sales and Use Tax refunds under the program must meet certain requirements relating to the size of new investment being made to the computer data center as well as a requirement as to annual compensation of its employees.

WHAT ACTIVITY DOES THE PROGRAM SEEK TO PROMOTE?

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.

WHAT TAXES ARE ELIGIBLE?

The provides for a refund of Sales and Use Tax paid on eligible equipment purchases.

PROGRAM CAP

Beginning in FY 2019-20, the program cap was increased to \$7 million from the previous cap of \$5 million.

REPORTING

The program is administered by the Department of Revenue. No report is statutorily required to be published.

AUTHORIZING LEGISLATION

The program was created by Act 84-2016.

EDUCATIONAL TAX CREDITS

Educational Tax Credits are awarded, through two separate programs, to businesses for making contributions to scholarship and educational improvement organizations. 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.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Businesses can receive Educational Tax Credits by making qualified contributions to scholarship and other educational improvement organizations.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

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.

TAX CREDIT CAP

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

FISCAL YEAR	EITC	EOSTC	TOTAL
2001-02	\$30.0	NA	\$30.0
2003-04	\$40.0	NA	\$40.0
2004-05	\$45.0	NA	\$45.0
2005-06	\$49.0	NA	\$49.0
2006-07	\$59.0	NA	\$59.0
2007-08	\$75.0	NA	\$75.0
2009-10	\$60.0	NA	\$60.0
2011-12	\$75.0	NA	\$75.0
2012-13	\$100.0	\$50.0	\$150.0
2016-17	\$125.0	\$50.0	\$175.0
2017-18	\$135.0	\$50.0	\$185.0
2018-19	\$160.0	\$50.0	\$210.0
2019-20	\$185.0	\$50.0	\$235.0

AUTHORIZING LEGISLATION

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.

EDUCATIONAL TAX CREDITS

EDUCATIONAL IMPROVEMENT TAX CREDIT

The Educational Improvement Tax Credit (EITC) is awarded to businesses making contributions to scholarship, educational improvement, or pre-kindergarten scholarship organizations. The credits are based on the amount contributed, subject to individual limits and a cap on total credits awarded each fiscal year.

WHO IS ELIGIBLE TO RECEIVE THE 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

This credit seeks to promote contributions from business firms to educational improvement organizations that support innovative educational programs and scholarship programs that provide tuition and school-related fees to eligible students.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

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.

TAX CREDIT CAP

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 tax credit may be increased to 90% of the contribution made, up to a maximum of \$750,000 per taxable year, if the business firm agrees at the time of application to provide the same amount of contribution for two consecutive tax years. To ensure the receipt and retention of the 90% tax credit, the business firm must make the same amount of contribution in each of the two consecutive tax years.

A business firm may receive a tax credit equal to 100% of the first \$10,000 contributed to a Pre-Kindergarten Scholarship Organization during the taxable year, and may receive a tax credit equal to 90% of any additional amount contributed during the taxable year, up to a maximum of \$200,000 of tax credits per taxable year.

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
2019-20	\$135.0	\$37.5	\$12.5

EDUCATIONAL TAX CREDITS

EDUCATIONAL IMPROVEMENT TAX CREDIT, CONTINUED

CAN THE CREDIT BE CARRIED FORWARD?

A credit not used in the taxable year that the contribution was made cannot be carried forward or back and is not refundable.

CAN THE CREDIT BE SOLD/ASSIGNED?

A credit not used in the taxable year that the contribution was made is not transferable.

REPORTING

The Department of Revenue shall provide a list of all organizations receiving contributions from business firms receiving an ETC program credit to the General Assembly by June 30th of each year.

OTHER INFORMATION

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.

AUTHORIZING LEGISLATION

The EITC program was originally authorized under Act 4-2001.

EDUCATIONAL TAX CREDITS

EDUCATIONAL OPPORTUNITY SCHOLARSHIP TAX CREDIT

The Educational Opportunity Scholarship Tax Credit (EOSTC) program provides tax credits 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 tax credits awarded to businesses will be equal to 75 percent of their contribution amount, which can be increased to 90 percent upon the business committing for two years. The total awarded to a business may not exceed \$750,000 per taxable year.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

The EOSTC is available to eligible businesses contributing to an opportunity scholarship organization.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

Business contributions are 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 a nonpublic school. A low-achieving school is defined as a public elementary or secondary school ranking in the bottom 15 percent of their designation as an elementary or secondary school based upon combined math and reading Pennsylvania System of School Assessment (PSSA) scores.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The tax credits awarded under the EOSTC program may be applied to the Personal Income Tax, Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, Bank Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, Mutual Thrift Institutions Tax, and Malt Beverage Tax.

TAX CREDIT CAP

The EOSTC is equal to 75 percent of contributions to an approved scholarship organization, up to a maximum of \$750,000 per taxable year. The percentage can be increased to 90 percent upon the business committing for two years.

Act 16-2019 increased the total amount of EOSTC that can be granted in any fiscal year to \$55 million from \$50 million.

CAN THE CREDIT BE CARRIED FORWARD?

A credit not used in the taxable year that the contribution was made cannot be carried forward or back and is not refundable.

CAN THE CREDIT BE SOLD/ASSIGNED?

A credit not used in the taxable year that the contribution was made is not transferable.

REPORTING

The Department of Revenue shall provide a list of all organizations receiving contributions from business firms receiving an ETC program credit to the General Assembly by June 30th of each year.

OTHER INFORMATION

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.

AUTHORIZING LEGISLATION

Act 85-2012 created the EOSTC program.

ENTERTAINMENT PRODUCTION TAX CREDITS

Pennsylvania offers Entertainment Production Tax Credits through three programs; the Entertainment Economic Enhancement Program (or Concert Tax Credit), the Film Production Tax Credit, and Video Game Production Tax Credit. These credits are intended to incentivize entertainment production companies to locate aspects of their production in the commonwealth.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Taxpayers that are production companies in the film/tv/commercial, concert promotion, or video game industries, and which have qualified Pennsylvania based expenses, can claim Entertainment Production Tax Credits.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

Entertainment credits may be claimed against Personal Income Tax, Corporate Net Income Tax, Bank Shares Tax, Title Insurance Company Shares Tax, Mutual Thrift Institutions Tax, and Insurance Premiums Tax liabilities.

TAX CREDIT CAP

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

FISCAL YEAR	FILM	CONCERT	VIDEO GAME	TOTAL
2007-08	\$75.0	NA	NA	\$75.0
2009-10	\$42.0	NA	NA	\$42.0
2010-11	\$60.0	NA	NA	\$60.0
2017-18	\$65.0	\$4.0	\$1.0	\$70.0
2018-19	\$65.0	\$8.0	\$1.0	\$74.0
2019-20	\$70.0	\$8.0	\$1.0	\$79.0

AUTHORIZING LEGISLATION

Act 43-2017 combined the Concert, Film, and Video Game Tax Credits under Article XVII-D of the Tax Reform Code, Entertainment Production Tax Credits.

ENTERTAINMENT PRODUCTION TAX CREDITS

ENTERTAINMENT ECONOMIC ENHANCEMENT PROGRAM

The current Entertainment Economic Enhancement Program provides a tax credit that may be claimed by qualified concert tour promotion companies, concert tour management companies, or other concert management companies for qualified rehearsal and tour expenses. Individual credit limits per tour are based on the types of venues and number of performances at which the performer(s) will appear.

WHO IS ELIGIBLE TO RECEIVE THE 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 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. DCED may award up to \$2 million in credits to be available in the succeeding fiscal year.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit promotes the commonwealth's live performance industries.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The tax credit may be applied against Corporate Net Income Tax, Personal Income Tax (excluding taxes withheld by an employer from an employee), Bank and Trust Company Shares Tax, and Insurance Premiums Tax.

TAX CREDIT CAP

As of FY 2019-20, the program cap is \$8 million. The program cap's level and structure have been amended several times since its inception.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

DCED administers the program. DCED is also responsible for publishing a report on the program by September 1 each year.

AUTHORIZING LEGISLATION

The current Entertainment Economic Enhancement Program was initially created by Act 84-2016 as the Concert Rehearsal and Tour Tax Credit.

ENTERTAINMENT PRODUCTION TAX CREDITS

FILM PRODUCTION TAX CREDIT

The current Film Production Tax Credit is available to the producers of feature films and certain television commercials or shows intended for a national audience for certain production expenses. The program provides a 25 percent credit for qualified film production expenses incurred in Pennsylvania, with an additional five percent credit is available if the production is filmed in a qualified production facility that meets all minimum stage filming requirements.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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.

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. 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.

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote the commonwealth's film production industry.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

A tax credit equal to 25 percent of qualified film production expenses may be claimed against Personal Income Tax, Corporate Net Income Tax, Bank Shares Tax, Title Insurance Company Shares Tax, Mutual Thrift Institutions Tax, and Insurance Premiums Tax liabilities.

TAX CREDIT CAP (\$M)

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

FISCAL YEAR	CAP
2007-08	\$75.0
2009-10	\$42.0
2010-11	\$60.0
2017-18	\$65.0
2019-20	\$70.0

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward, but may not be carried back or refunded.

ENTERTAINMENT PRODUCTION TAX CREDITS

FILM PRODUCTION TAX CREDIT, CONTINUED

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

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. DCED is also responsible for publishing a report on the program by September 1 each year.

AUTHORIZING LEGISLATION

The current Film Production Tax Credit was established by Act 55–2007; credits were first available in fiscal year 2007-08. A prior program was created under Act 95-2004, then replaced with a grant program in fiscal year 2006-07. The current credit has been amended several times since its inception.

ENTERTAINMENT PRODUCTION TAX CREDITS

VIDEO GAME PRODUCTION TAX CREDIT

The Video Game Production Tax Credit is available to qualified video game production companies for certain production expenses incurred in Pennsylvania. 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 subsequent years.

WHO IS ELIGIBLE TO RECEIVE THE 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 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote the commonwealth's video game development industry.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The tax credit may be applied against Corporate Net Income Tax, personal Income Tax (excluding taxes withheld by an employer from an employee), Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, or Mutual Thrift Institutions Tax.

TAX CREDIT CAP

The current fiscal year program cap is \$1 million.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

DCED administers the program. DCED is also responsible for publishing a report on the program by September 1 each year.

AUTHORIZING LEGISLATION

The credit was created under Act 84-2016 and was first available in fiscal year 2017-18.

HISTORIC PRESERVATION INCENTIVE TAX CREDIT

The Historic Preservation Incentive (HPI) Tax Credit was created to support the restoration of qualified historic structures into income-producing properties. All projects must include a qualified rehabilitation plan that is approved by the Pennsylvania Historical and Museum Commission (PHMC) as being consistent with the standards for rehabilitation of historic buildings as adopted by the United States Secretary of the Interior. The tax credits awarded to a qualified taxpayer are either 25 or 30 percent of the qualified expenditures, depending on the project type. The total tax credits awarded to a taxpayer may not exceed \$500,000 in any fiscal year.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Beginning July 1, 2013, a tax credit is available to qualified taxpayers, including individuals, corporations, business trusts, limited liability companies, partnerships, or any other form of legal business entities, owning a PA commercial building that qualifies as a certified historical structure according to the Internal Revenue Code (IRC).

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote the preservation and rehabilitation of the commonwealth's historic structures and stimulate investment in this commonwealth.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credit may be applied to the Personal Income Tax, Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, Bank and Trust Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, Gross Receipts Tax, and Mutual Thrift Institutions Tax.

TAX CREDIT CAP

The credit shall not exceed 25 percent of qualified expenditures associated with a rehabilitation of a historic structure approved by the Pennsylvania Historical and Museum Commission or 30 percent of qualified expenditures associated with a workforce housing project.

Act 85-2012 provided the maximum amount of HPI tax credits awarded was \$3 million and \$500,000 per taxpayer annually. No HPI credits would be awarded after June 30, 2020.

Act 13-2019 provides the maximum amount of HPI tax credits awarded is \$5 million and \$500,000 per taxpayer annually. No applications will be accepted after February 1, 2031.

CAN THE CREDIT BE CARRIED FORWARD?

The 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.

CAN THE CREDIT BE SOLD/ASSIGNED?

A taxpayer without a qualified tax liability may assign or sell credits to another taxpayer.

REPORTING

DCED shall provide a report on the HPI tax credits in each fiscal year to the Appropriations and the Finance Committees of the Senate and House of Representatives by October 1 of the following fiscal year. The information in the report shall be public information and shall be posted on the Department's public website.

DCED, in cooperation with the Pennsylvania Historical and Museum Commission, shall review the effectiveness of the HPI program in preserving and rehabilitating the commonwealth's historic structures and the impact these efforts have had on the stimulation of investment in this commonwealth. The results shall be included in the annual report due October 1, 2025.

HISTORIC PRESERVATION INCENTIVE TAX CREDIT

AUTHORIZING LEGISLATION

The HPI Tax Credit was created as part of Act 85–2012.

INNOVATE IN PA TAX CREDIT

Act 52 of 2013 created the Innovate in PA Tax Credit. In 2015, credits were sold to qualified insurance companies, and the proceeds of the sale benefited early-stage venture capital investment through the Ben Franklin Technology Partners, the Venture Investment Program, and the Life Sciences Greenhouses. Credits were first permitted to be used in 2017 against tax liabilities for tax year 2016 and after. Credit may not be utilized for tax years beginning on or after January 1, 2026.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Credits were sold to qualified insurance companies via a bidding process to be used against insurance premiums tax liabilities.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote early-stage venture capital investment through the Ben Franklin Technology Partners, the Venture Investment Program, and the Life Sciences Greenhouses.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credit may be applied to the Insurance Premiums Tax.

TAX CREDIT CAP

The program sold \$100 million in tax credits to qualified insurance companies to be used over the life of the program. Additionally, no more than \$20 million in credits may be utilized per fiscal year.

CAN THE CREDIT BE CARRIED FORWARD?

The credit can be carried forward and utilized for a taxable year that begins prior to January 1, 2026.

CAN THE CREDIT BE SOLD/ASSIGNED?

Credits may be sold to other qualified taxpayers.

REPORTING

DCED, in conjunction with the Ben Franklin Technology Development Authority and each regional biotechnology research center, is responsible for publishing reports on the program. The reports are to be published each January 1, beginning with 2015.

AUTHORIZING LEGISLATION

The credit was created by Act 52-2013.

KEYSTONE INNOVATION ZONE

The Keystone Innovation Zone (KIZ) tax credit is available to qualified businesses operating in Keystone Innovation Zones. Those businesses are generally engaged in research and development and other high technology projects in affiliation with institutions of higher education. The credit is 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 more than \$100,000 in credits per year.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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. The zones are defined parcels and are operated by a partnership of business groups and institutions of higher education.

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit program promotes research and development and other high technology businesses in affiliation with institutions of higher education.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

KIZ companies may apply KIZ tax credits against Personal Income Tax and Corporate Net Income Tax liabilities. A KIZ company may apply to DCED 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.

TAX CREDIT CAP

The current program cap is \$15 million per taxable year, lowered by Act 84-2016 from the prior program cap of \$25 million per taxable year.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

DCED administers the program. DCED is also responsible for publishing a report on the program by December 31 each year.

AUTHORIZING LEGISLATION

Act 12-2004 created the credit.

KEYSTONE OPPORTUNITY ZONES

The Keystone Opportunity Zone (KOZ) program was established 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 upon meeting certain requirements. By waiving these taxes for a series of years, the program hopes to stimulate development of the selected sites.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

An eligible business must be located or partially located within a subzone and engaged in the active conduct of a trade or business for the taxable year. The “active conduct of a trade or business” means a business: (1) engaged in a commercial enterprise conducted for profit earning “net profits” from the operation of the business within the subzone; and (2) employing at least one fulltime employee within the subzone. Activity from real estate investment trusts, venture capital funds, and hedge funds are not engaged in the active conduct of trade or business for the business.

Pennsylvania businesses relocating to a KOZ must either: Increase their full-time employment by 20 percent within the first full year of operation, or make a 10 percent capital investment in the KOZ property based on their prior year’s gross revenues.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The tax benefits provided by the program are designed to stimulate investment, economic growth, residential reinvestment, and employment in the commonwealth for development and revitalization.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

Among the state taxes waived by the program are Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, Personal Income Tax, Bank Shares Tax, and Mutual Thrift Institutions Tax. 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.

PARTICIPATION AND REPORTING

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 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.

All KOZ applicants must file an annual application with DCED, who administers the program in collaboration with state and local government, and the Department of Revenue, and the Department of Labor and Industry.

KEYSTONE OPPORTUNITY ZONES

CONTINUED

AUTHORIZING LEGISLATION

Keystone Opportunity Zones were established by Act 92-1998.

KEYSTONE STRATEGIC DEVELOPMENT ZONES

The Keystone Special Development Zones (KSDZ) Tax Credit is available to taxpayers with operations located on parcels of real property certified as Brownfields in order to foster redevelopment of these former industrial and commercial sites. Upon meeting certain requirements, approved business in the zone may be awarded \$2,100 per new job which may be used against Personal Income Tax, Corporate Net Income Tax, Capital Stock and Franchise Tax, Bank Shares Tax, Title Insurance Tax, and Mutual Thrift Institutions Tax.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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. In order to be eligible to receive KSDZ tax credits, a KSDZ employer must employ one or more employees at a designated KSDZ site. To be eligible, the employee must be employed by a KSDZ employer, or its predecessor, after June 30, 2011, be employed for at least 35 hours per week by a KSDZ employer, and spend at least 90% of the time working at the KSDZ location. The KSDZ employer must agree to maintain operations related to the KSDZ tax credits in this commonwealth for a period of 5 years from the date the company first submits a KSDZ tax credit certificate to the Department of Revenue.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

Pennsylvania continues to have a surplus of abandoned and deteriorated commercial and industrial sites in need of revitalization. The KSDZ program is an incentive-based tax credit program to foster redevelopment of these former industrial and commercial sites and encourage job growth.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The KSDZ tax credit may be used against Personal Income Tax, Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, Bank Shares Tax, Title Insurance Tax, and Mutual Thrift Tax. The tax credit may not exceed the qualified tax liability.

TAX CREDIT CAP (\$M)

The amount of tax credits the KSDZ employer may earn in a single tax year is \$2,100 for each full time equivalent employee (FTE) in excess of the number of FTEs employed by the KSDZ employer in Pennsylvania prior to January 1, 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.

CAN THE CREDIT BE CARRIED FORWARD?

The tax credit may be carried forward for up to ten years.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

DCED administers the program in consultation with the Department of Revenue. When applying for KSDZ benefits, an applicant is authorizing DCED to request access to, and review of, the applicant's and its affiliates' state tax returns. Authorized representatives of the applicant with full authority to waive confidentiality under Pennsylvania law will sign off on the release of tax information by the Department of Revenue.

AUTHORIZING LEGISLATION

Act 26–2011 established the KSDZ program.

LOCAL RESOURCE MANUFACTURING TAX CREDIT

The Local Resource Manufacturing Tax Credit is available to qualified manufacturers of chemical and fertilizer products that utilize natural gas produced in the commonwealth as a material input. The manufacturers must meet capital investment and job creation goals to qualify for the credit. The value of the credit is equal to \$0.47 per thousand cubic feet of natural gas produced in the commonwealth, that is then used in the manufacturing of petrochemicals or fertilizers at the facility, for the period beginning January 1, 2024, and ending December 31, 2049.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Taxpayers who qualify for the credit are those who use natural gas produced in the commonwealth as a raw material in the manufacture of petrochemicals or fertilizers at a facility placed in service after September 21, 2020. The capital investment for this facility must be \$400 million or more, and create at least 800 new and permanent jobs which pay at least the prevailing minimum wage and benefits for that job type. A qualified tax payer must also demonstrate a good faith effort to recruit from the local labor market, and to encourage contractors to do the same.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit is intended to promote additional economic growth and job creation related to the commonwealth's natural gas boom, by incentivizing investment in manufacturing which utilizes natural gas as a raw material.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credit may be used against Personal Income Tax, Corporate Net Income Tax, Bank Shares Tax, Title Insurance Company Premiums Tax, Insurance premiums Tax, and Mutual Thrift Institutions Tax.

The value of the credit is equal to \$0.47 per thousand cubic feet of natural gas produced in the commonwealth, used in the manufacturing of petrochemicals or fertilizers at the facility, for the period January 1, 2024, through December 31, 2049.

TAX CREDIT CAP

The maximum amount available for this credit is \$26,666,668 per fiscal year with no more than four recipients, each capped at \$6,666,667. A taxpayer may use this credit to reduce their tax liability by a maximum of 20 percent for any tax year in which it is awarded.

CAN THE CREDIT BE CARRIED FORWARD?

The Local Resource Manufacturing tax credit may not be carried back, carried forward, or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

Within one year after the Local Resource Manufacturing 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 credit can be assigned to related entities.

REPORTING

The Department of Revenue is required to provide a report within one year of when the first credits are awarded, and each October 1 thereafter. The report includes the names of taxpayers utilizing the credit, along with the amounts approved, utilized, and sold or assigned by that taxpayer.

AUTHORIZING LEGISLATION

The credit was created by Act 66 of 2020.

MALT BEVERAGE TAX CREDIT

The Malt Beverage Tax Credit may be awarded to a manufacturer of malt or brewed beverages for tax credits against the Malt Beverage Tax. The credit is equal to the amount of qualified capital expenditures placed into service in Pennsylvania, with an annual maximum of \$200,000 awarded per entity, and \$5 million awarded in the aggregate. The credit was formerly effective from January 1, 1974 to December 31, 2008 for small brewers with an annual production of 1,500,000 or less barrels per year. Reinstatement of the credit was effective beginning in fiscal year 2017-18 with the removal of the annual production cap.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

A taxpayer that is a manufacturer of malt or brewed beverages may submit an application for tax credits against the Malt Beverage Tax imposed under Article XX of the Tax Reform Code for investment in qualified capital expenditures placed into service in this commonwealth. Qualifying capital expenditures include plant, machinery, or equipment for use by the taxpayer.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The Program is designed to offset the cost of investment for manufacturing expenditures in the malt or brewed beverage industry.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

Act 84-2016 allows this credit to be applied against Malt Beverage Tax liabilities.

TAX CREDIT CAP

Act 84-2016 sets the cap of the credit at \$200,000 of qualifying capital expenditures per entity. The Department of Revenue may not approve greater than \$5 million of tax credits per fiscal year.

CAN THE CREDIT BE CARRIED FORWARD?

Act 84-2016 allows the amount certified against any tax due in the calendar year in which the expenditures were incurred or against any tax becoming due from the taxpayer to be carried forward for up to three calendar years. No credit shall be allowed against any tax due for any taxable period ending after December 31, 2008, and beginning before July 1, 2017.

CAN THE CREDIT BE SOLD/ASSIGNED?

The credit cannot be sold or assigned to another entity.

REPORTING

Act 84-2016 names the Pennsylvania Department of Revenue as the reporting agency.

AUTHORIZING LEGISLATION

The Malt Beverage Tax Credit was originally established by Act 82-1974, but expired in 2008. The credit was reauthorized by Act 84-2016.

MANUFACTURING AND INVESTMENT TAX CREDIT

The Manufacturing and Investment Tax Credit was created for the purpose of providing tax credits to taxpayers who increase their annual taxable payroll by \$1 million through the creation of new full-time jobs. The taxpayer must agree to retain the new jobs and the increase in payroll for at least five years from the start date. The credit is worth up to 5 percent of the taxpayer's increase in annual taxable payroll, with a total annual cap of \$4 million.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Taxpayers that demonstrate the ability to increase 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit is designed to support job creation in the commonwealth.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The Manufacturing and Investment Tax Credit may be used against Personal Income Tax, Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, Bank Shares Tax, Title Insurance Company Premiums Tax, Insurance Premiums Tax, Gross Receipts Tax, and Mutual Thrift Institutions Tax.

TAX CREDIT CAP

The budget allocation is \$4 million a year beginning in fiscal year 2017-18.

CAN THE CREDIT BE CARRIED FORWARD?

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.

CAN THE CREDIT BE SOLD/ASSIGNED?

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 percent in a given tax year.

REPORTING

Reporting on this tax credit is not statutorily required.

AUTHORIZING LEGISLATION

Act 84-2016 created the Manufacturing and Investment Tax Credit.

MILITARY INSTALLATION REMEDIATION PROJECTS

The Military Installation Remediation Project (MIRP) is a tax incremental finance program designed to foster economic improvement and development within designated parcels to fund contaminant remediation in a municipality with a former military installation. Eligible taxes, including Corporate Net Income Tax, Sales and Use Tax, Employer Withholding, Personal Income Tax, and others, paid by a qualified business or individual are transferred from the general fund to the MIRP Fund for utilization by the Military Installation Remediation Authority.

WHO IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM?

Qualified taxpayers must be located on parcels previously occupied by a qualified former military installation, which was previously used by a branch of the United States Armed Forces and was officially disestablished based on the recommendation of the Defense Base Closure and Realignment Commission no more than 15 years prior to the effective date of the authorizing legislation. Parcels previously used exclusively for housing are excluded.

Qualified taxpayers include: entities that conduct business, provide services and are located or partially located within the borders of the MIRP; any construction contractor engaged in construction, including infrastructure or site preparation, reconstruction or renovation of a facility located in or partially in the MIRP; and individuals whose primary residence is in a parcel designated within the borders of the MIRP.

WHAT ACTIVITY DOES THE PROGRAM SEEK TO PROMOTE?

The program seeks to promote business and economic development within the former military installation. State and local taxes collected from the MIRP will be used to fund projects for the migration of contamination from per- and polyfluoroalkyl substances (PFAS) in a qualified municipality.

WHAT COMMONWEALTH TAXES ARE ELIGIBLE FOR THE PROGRAM?

The eligible taxes include Corporate Net Income Tax, Bank Shares Tax, Sales and Use Tax, Employer Withholding, Realty Transfer Tax, Cigarette Tax, and Personal Income Tax paid by shareholders, members or partners of Subchapter S corporations, limited liability companies, partnerships or amounts paid by sole proprietors on income other than passive activity income as defined under section 469 of the Internal Revenue Code of 1986.

PARTICIPATION AND REPORTING

All qualified taxpayers within designated parcels must complete an annual state tax report by September 1 each year so the Department of Revenue may certify state taxes to be transferred to the MIRP Fund for utilization by the Military Installation Remediation Authority.

Any qualified taxpayer within the designated parcels that fails to file a complete report on a timely basis will be subject to a penalty of the lesser of \$1,000 or 10 percent of all eligible state taxes payable by the qualified taxpayer for activities in the MIRP during the previous calendar year.

AUTHORIZING LEGISLATION

The Military Installation Remediation Projects program was authorized by Act 101 of 2019.

MIXED-USE DEVELOPMENT TAX CREDIT

The Mixed-Use Development Tax Credit allows for the Pennsylvania Housing Finance Agency to sell tax credits to qualified purchasers. Proceeds are deposited in the Mixed-use Development Program Fund, which supports affordable housing and commercial corridor development.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Any natural person, business firm, corporation, business trust, limited liability company, partnership, limited liability partnership, association or any other form of legal business entity that is subject to eligible taxes and meets the criteria set forth in guidelines established by the Pennsylvania Housing Finance Authority regarding purchase of the credit is eligible.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit encourages increased funding of affordable housing and commercial corridor development opportunities in the commonwealth through the Pennsylvania Housing Finance Agency's (PHFA) Mixed-Use Development Program.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credits may be claimed by tax credit purchasers against Personal Income Tax (excluding employer withholding), Corporate Net Income Tax, Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, Gross Receipts Tax, or Mutual Thrift Institutions Tax.

TAX CREDIT CAP

The current fiscal year program cap is \$3 million, increased by Act 13-2019 from \$2 million.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward for up to seven taxable years; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

Credits may be sold or assigned, and there are procedures for the transfer of unused credits by passthrough entities (Subchapter S corporations, Limited Liability Companies, and Partnerships) to a shareholder, member or partner.

REPORTING

PHFA administers the program. PHFA, in consultation with the Department of Revenue, is responsible for publishing an annual report on the program each July 1.

AUTHORIZING LEGISLATION

The credit was created by Act 84-2016. The credit was first available in fiscal year 2017-18.

MOBILE TELECOMMUNICATIONS BROADBAND TAX CREDIT

The Mobile Telecommunications Broadband Investment Tax Credit is a credit against corporate net income tax liability available to providers of mobile communications services in the amount of 5% of the purchase price of qualified broadband equipment. The credit seeks to increase returns from investments in expanding serviced to rural and other areas with limited broadband internet access

The tax credit program was replaced, under Act 132 of 2020, with the Unserved High-Speed Broadband Funding Program.

WHO IS ELIGIBLE TO RECEIVE THE 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit is intended to incentivize investment in mobile broadband equipment, particularly in areas with limited broadband access and small returns on capital investments.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The tax credit can be applied against Corporate Net Income Tax liability, in the amount of 5 percent of the purchase price of qualified broadband equipment put into service during the taxable year. The credit was first awarded for tax year 2014.

TAX CREDIT CAP

The maximum amount of approved tax credits shall not exceed \$5 million in any fiscal year, nor may they exceed 50 percent of a taxpayer's Corporate Net Income tax liability.

CAN THE CREDIT BE CARRIED FORWARD?

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.

CAN THE CREDIT BE SOLD/ASSIGNED?

Taxpayers are allowed to carry forward unused credits for a maximum of five years. The credit may be assigned but not sold.

REPORTING

The credit is administered by the Department of Revenue.

AUTHORIZING LEGISLATION

The credit was created by Act 52 of 2013.

THE NEIGHBORHOOD ASSISTANCE PROGRAM

The Neighborhood Assistance Program is a tax credit program was created to encourage business investment in projects which improve distressed areas. The amount of the credit is based on the contribution amount, the type of program to which the contribution was made, and the business type of the contributor. 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, and total credits are capped at \$36 million.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote engagement in certain assistance programs in impoverished areas and qualified investments in designated enterprise zones.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credit may be applied against Personal Income Tax, Corporate Net Income Tax, Bank and Trust Shares Tax, Title Insurance Companies Shares Tax, Insurance Premiums Tax, and Mutual Thrift Institutions Tax.

TAX CREDIT CAP

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.

In addition, 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.

The total amount of Neighborhood Assistance tax credits awarded to taxpayers cannot exceed \$36 million in the aggregate 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. Per Act 13-2019 no more than \$2 million of the total aggregate amount of tax credits available may be used towards youth and adolescent development services.

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.

CAN THE CREDIT BE CARRIED FORWARD?

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.

CAN THE CREDIT BE SOLD/ASSIGNED?

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 NEIGHBORHOOD ASSISTANCE PROGRAM

CONTINUED

REPORTING

DCED shall provide a report listing all applications received and their disposition in each fiscal year to the General Assembly by October 1 of the following fiscal year.

Act 100-2018 provided that within 12 months and each 5 years thereafter, DCED shall issue a report including a funding evaluation of the neighborhood assistance program and recommendations for the tax credit. The report shall be submitted to the Finance Committees of the Senate and the House of Representatives.

AUTHORIZING LEGISLATION

Act 48-1994 established the Neighborhood Assistance Program.

NEIGHBORHOOD IMPROVEMENT ZONE PROGRAM

The Neighborhood Improvement Zone (NIZ) program directs state and local taxes collected from businesses within the NIZ to repay debt service and bonds issued by the Allentown Neighborhood Improvement Zone Development Authority in order to encourage development and revitalization in downtown Allentown. Businesses within the NIZ are subject to special reporting and filing requirements.

WHO IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM?

Businesses located within the NIZ, which consists of approximately 128 acres in downtown Allentown and along the western side of the Lehigh River, are eligible to participate.

WHAT ACTIVITY DOES THE PROGRAM SEEK TO PROMOTE?

The NIZ program seeks to promote business and economic development within the zone. State and local taxes collected from the NIZ is used to repay debt service and bonds issued by the Allentown Neighborhood Improvement Zone Development Authority to fund various economic development projects within the zone.

WHAT COMMONWEALTH TAXES ARE ELIGIBLE FOR THE PROGRAM?

The eligible taxes include Corporate Net Income Tax, Bank Shares Tax, Sales, Use and Hotel Occupancy Tax, Employer Withholding, Gross Receipts Tax, Unemployment Compensation, Realty Transfer Tax, Cigarette Tax, Vehicle Rental Tax, Transportation Assistance, Gross Premiums Tax, Malt/Brewed Beverage Tax, Liquor and Wine Taxes, and Personal Income Tax paid by shareholders.

PARTICIPATION AND REPORTING

All businesses within the NIZ must complete an annual state tax report by January 31st each year so the Department of Revenue may certify state taxes to be transferred to the NIZ Fund established for the redevelopment project.

Any business within the NIZ that fails to file a complete report on a timely basis will be subject to a penalty of the greater of \$1,000 or 10 percent of all eligible state taxes payable by the business for activities in the NIZ during the previous calendar year.

All potential NIZ projects must be geographically located within the NIZ zone and must go through a pre-qualification, application, and if approved, closing process.

Act 84-2016 made several changes to the program, including providing 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.

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.

AUTHORIZING LEGISLATION

Act 50-2009 created the Neighborhood Improvement Zone (NIZ) program.

ORGAN AND BONE MARROW DONOR TAX CREDIT

The Organ and Bone Marrow Donor Tax Credit was established to promote living organ and bone marrow donation. The tax credit is available to firms that provide a paid leave of absence to an employee for the purpose of living organ or bone marrow donation. The qualifying leave of absence period per employee cannot exceed five days. The tax credit amount is equal to the amount of employee compensation paid during the leave of absence period, the cost of temporary replacement help, if any, during the leave of absence period, and any miscellaneous expenses.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote bone marrow and organ donation from living donors by providing a means by which donors may be able to donate without risk of loss of income or employment.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

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.

TAX CREDIT CAP

The credit amount is equal to the amount of employee compensation paid during the leave of absence period (which is not to exceed five days or the hourly equivalent), the cost of temporary replacement help during the period, and any authorized miscellaneous expenses incurred in connection to the period. The credit is subject to apportionment based on Pennsylvania payroll. There is no overall cap to the credit.

CAN THE CREDIT BE CARRIED FORWARD?

Unused credits can be carried forward for three taxable years. Credits may not be carried back and are not refundable.

CAN THE CREDIT BE SOLD/ASSIGNED?

Credits cannot be transferred.

REPORTING

Within five months of the close of the calendar year, the Department of Revenue shall provide a report to the General Assembly with details of employers using the credit and the amount of credits granted to those employers.

AUTHORIZING LEGISLATION

Act 193-2014 reestablished the Organ and Bone Marrow Donor Tax Credit.

PENNSYLVANIA RESOURCE MANUFACTURING TAX CREDIT

The Pennsylvania Resource Manufacturing (PRM) Tax Credit allows qualified manufacturers of ethylene-based products to take a credit relative to their purchase of hydrocarbon inputs. The 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.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit is intended to promote additional economic growth and job creation related to the commonwealth's natural gas boom, by incentivizing investment in manufacturing which utilizes natural gas as a raw material.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

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 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.

TAX CREDIT CAP

A taxpayer may use this credit to reduce their tax liability by a maximum of 20 percent for any tax year in which it is awarded.

CAN THE CREDIT BE CARRIED FORWARD?

The PRM tax credit may not be carried back, carried forward, or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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 credit can be assigned to related entities.

REPORTING

The Department of Revenue is required to provide a report by October 1 of each year. The report includes the names of taxpayers utilizing the credit, along with the amounts approved, utilized, and sold or assigned by that taxpayer.

AUTHORIZING LEGISLATION

The credit was created by Act 85 of 2012.

QUALIFIED MANUFACTURING INNOVATION & REINVESTMENT DEDUCTION

The Qualified Manufacturing Innovation & Reinvestment Deduction allows a qualified manufacturing business a deduction from their taxable income under the Corporate Net Income Tax, relative to investments in manufacturing capacity. Investments must exceed \$60 million in private capital, which is put towards new or refurbished manufacturing capacity.

WHO IS ELIGIBLE TO RECEIVE THE DEDUCTION?

The deduction is available to taxpayers engaged in manufacturing directly utilizing a workforce, and who are subject to the Corporate Net Income Tax. These firms must be able to demonstrate a new private capital investment of \$60 million or more in the creation of new or refurbished manufacturing capacity within 3 years of a designated project start date.

WHAT ACTIVITY DOES THE DEDUCTION SEEK TO PROMOTE?

The deduction was established to encourage new investment in manufacturing capacity in the commonwealth, which will facilitate new job creation.

WHAT TAXES CAN THE DEDUCTION BE APPLIED AGAINST?

The deduction only applies to the Corporate Net Income Tax. Qualified manufactures may take the deduction against federal income on a separate company basis.

DEDUCTION LIMITATIONS

For manufacturers that invest \$100 million or less, the maximum deduction over ten tax years will be equal to thirty seven and one-half percent of the private capital investment utilized in the creation of new or refurbished manufacturing capacity. The maximum deduction allowed in any single tax year will be 7.5 percent.

For manufacturers that invest more than \$100 million, the maximum deduction over ten tax years will be equal to twenty five percent of the private capital investment utilized in the creation of new or refurbished manufacturing capacity. The maximum deduction allowed in any single tax year will be 5 percent.

A business cannot use the deduction to reduce its tax liability by more than fifty percent of their Corporate Net Income tax liability.

CAN THE DEDUCTION BE TRANSFERRED OR CARRIED FORWARD?

The deduction is non-transferrable. Any unused portion in a tax year shall expire at the end of the corresponding tax year.

REPORTING

The program will be jointly administered by the Department of Community and Economic Development and the Department of Revenue.

AUTHORIZING LEGISLATION

The deduction was authorized by Act 43 of 2017.

RESEARCH AND DEVELOPMENT TAX CREDIT

A Research and Development Tax Credit is available for qualified research performed in Pennsylvania. The current cap is \$55M, with \$11M of that amount set aside for small businesses. The initial calculation of the credit is equal to 10 percent of the increase in Pennsylvania research activities over a base period. For small businesses, the tentative credit is equal to 20 percent of the increase. If the tentative award amounts exceed the caps, the awards are prorated down to the cap levels.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Any company that performs research and development (R&D) in Pennsylvania could receive this tax credit. The tax credit has a small business set aside, where small business is defined as a "for-profit corporation, limited liability company, partnership, or proprietorship with net book value of assets totaling...less than five million dollars."

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The intent of the credit is to encourage R&D expenditures within the commonwealth in order to enhance economic growth.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The R&D tax credit can be applied to Corporate Net Income Tax, Capital Stock and Franchise Tax, and Personal Income Tax.

For tax years 2004 and prior, the credit could not exceed 50 percent of qualified tax liabilities. Act 46-2003 removed this restriction.

TAX CREDIT CAP (\$M)

AWARD YEARS	TOTAL CAP	SMALL CAP	NON-SMALL CAP	LEGISLATION
1997 to 2003	\$15.0	\$3.0	\$12.0	Act 7-1997
2004 and 2005	\$30.0	\$6.0	\$24.0	Act 46-2003
2006 to 2008	\$40.0	\$8.0	\$32.0	Act 116-2006
2009	\$20.0	\$4.0	\$16.0	Act 48-2009
2010	\$18.0	\$3.6	\$14.4	Act 48-2009
2011 and beyond	\$55.0	\$11.0	\$44.0	Act 26-2011

The R&D tax credit was to sunset on December 31, 2015. Act 84-2016 repealed this provision.

CAN THE CREDIT BE CARRIED FORWARD?

Unused credits may be carried forward 15 taxable years.

CAN THE CREDIT BE SOLD/ASSIGNED?

With the passage of Act 46-2003, taxpayers can apply to the Department of Community and Economic Development to sell or assign an unused tax credit after one year from the date 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% 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 2003 and later.

REPORTING

The Department of Revenue is required to report to the General Assembly the names of all taxpayers using the credit for all credits awarded in 2004 or after.

AUTHORIZING LEGISLATION

The credit was created by Act 7 of 1997, and renewed by Act 84 of 2016.

RESOURCE ENHANCEMENT AND PROTECTION TAX CREDIT

The Resource Enhancement and Protection (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. Depending on the type of development, a taxpayer may receive a credit of up to 75 percent of cost of a project; a maximum of \$250,000 in tax credits may be awarded per eligible applicant

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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 \$250,000 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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit encourages the development of riparian forest buffers and the remediation of legacy sediment on commonwealth farmland.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The REAP tax credit may be used against Personal Income Tax, Corporate Net Income Tax, Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, and Mutual Thrift Institutions Tax.

TAX CREDIT CAP

The current program cap is \$13 million. Act 13-2019 increased the cap from the previous \$10 million and dedicated \$3 million in credits to projects in the Chesapeake Bay watershed.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

The State Conservation Commission of the Department of Agriculture administers the program. The Commission is also responsible, in consultation with the Department of Revenue, for publishing an annual report on the program.

AUTHORIZING LEGISLATION

The credit was created by Act 55–2007. The credit took effect in fiscal year 2007-08 except that credits for legacy sediment could not be issued prior to July 1, 2008.

RURAL JOBS AND INVESTMENT TAX CREDIT

The Rural Jobs and Investment Tax Credit is an investment tool designed to offer rural business owners access to capital for business development in rural areas. The capital is sourced to Rural Growth Funds, designated to receive up to \$50 million dollars in capital contributions from investors. The state is using this investment tool to attract and retain rural businesses, create family sustaining jobs, and to stimulate economic growth in rural businesses. Six million in aggregate tax credits may be awarded per year over five years in the program and may be used against the Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, Mutual Thrift Institutions Tax, Surplus Lines Tax, and Retaliatory Tax.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Recipients must be a licensed rural business investment company under the Consolidated Farm and Rural Development Act or a small business investment company under the Small Business Investment Act. Entities must have previously invested at least \$100 million in nonpublic companies located in rural areas of the commonwealth or other states.

Business firms that make a credit-eligible capital contribution to a designated Rural Growth Fund are eligible to receive a tax credit equal to the credit-eligible capital contribution. Prior to Act 13-2019, eligible business firms could be approved for up to a 90 percent equivalent tax credit per contributed dollar.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

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.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The Rural Jobs and Investment Tax Credit may be used against the Bank and Trust Company Shares Tax, Title Insurance Company Shares Tax, Insurance Premiums Tax, Mutual Thrift Institutions Tax, Surplus Lines Tax, and Retaliatory Tax.

TAX CREDIT CAP

The budget allocation was \$1 million a year beginning in the fiscal year 2017-18, and was not to exceed \$4 million for the duration of the program. Act 13-2019 provides that beginning fiscal year 2019-20, the fiscal year cap is \$6 million and the aggregate award cap is \$30 million.

CAN THE CREDIT BE CARRIED FORWARD?

The tax credit can be carried forward for 5 years, but may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

Credits can only be sold to affiliated companies. An awarded or assigned tax credit may reduce a taxpayer's qualified liability by 100 percent in a given tax year.

REPORTING

The Department of Community and Economic Development shall provide a report listing all applications received and their disposition in each fiscal year to the General Assembly by October 1 of the following fiscal year.

AUTHORIZING LEGISLATION

Act 84-2016 created the Rural Jobs and Investment Tax Credit.

STRATEGIC DEVELOPMENT AREAS

The Strategic Development Areas (SDA) program was established to provide tax incentives to spur economic development in designated areas. The designation is in effect for fifteen years and must be approved by the political subdivision in which the SDA is located. Businesses that meet certain job creation or capital investment requirements may receive tax relief from various local and state taxes.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

Business must own or lease real property in a strategic development area on which the business actively conducts a trade, profession, or business involving energy, bioscience, or manufacturing, or a related activity, and meet one of the following criteria: (1) Create or maintain a minimum of 500 jobs within the first three years of full operation within the strategic development area; or (2) Invest a minimum of \$45,000,000 in capital investment in the property located in the strategic development area within the first three years of full operation.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The intent of the SDA program is to provide tax incentives for economic development in designated areas and spawn economic growth within that community.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

Businesses located within the SDA are eligible to receive tax relief from various local and state taxes, including the Corporate Net Income Tax, Capital Stock and Foreign Franchise Tax, and the Personal Income Tax. In addition, sales at retail of services or tangible personal property, other than motor vehicles, to a qualified business for use at its facility located within a strategic development area are exempt from the Sales and Use tax. 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.

TAX CREDIT CAP (\$M)

Generally, SDA credits or exemptions are limited to an entity's tax liability. However, credits awarded to insurance companies for job creation may not exceed \$1 million in the aggregate or 50 percent of the taxpayer's liability. Tax benefits may not extend past December 31, 2022.

CAN THE CREDIT BE CARRIED FORWARD?

Unused credits may not be carried forward.

CAN THE CREDIT BE SOLD/ASSIGNED?

Credits, deductions, and exemptions cannot be sold or reassigned.

REPORTING

Every strategic development area must submit to DCED an annual report by January 31 of each calendar year of all real property located in a designated strategic development area and the owners and addresses of that real property at any time during the preceding year.

AUTHORIZING LEGISLATION

SDAs were created by Act 151-2006.

WATERFRONT DEVELOPMENT TAX CREDIT

The Waterfront Development Tax Credit is available to business firms donating cash or property to a waterfront development organization to fund a waterfront development project. The credit is limited to 75 percent of the total contribution made by the business firm during the taxable year.

WHO IS ELIGIBLE TO RECEIVE THE CREDIT?

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.

WHAT ACTIVITY DOES THE CREDIT SEEK TO PROMOTE?

The credit seeks to promote development of the commonwealth's waterfronts.

WHAT TAXES CAN THE CREDIT BE APPLIED AGAINST?

The credit may be claimed by qualified business firms subject to Personal Income Tax, Corporate Net Income Tax, Bank and Trust Company Shares, Title Insurance Company Shares, Insurance Premiums Tax (including surplus lines), or Mutual Thrift Institutions Tax. The tax credit may not exceed 75 percent of the total contribution made by the business firm during the taxable year.

TAX CREDIT CAP

The current fiscal year cap for the program is \$1.5 million.

CAN THE CREDIT BE CARRIED FORWARD?

Credits granted may be carried forward; however, they may not be carried back or refunded.

CAN THE CREDIT BE SOLD/ASSIGNED?

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.

REPORTING

DCED administers the program. DCED is also responsible for publishing a report on the program by October 1 each year.

AUTHORIZING LEGISLATION

The credit was created by Act 84-2016.

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.

OIL COMPANY FRANCHISE TAX

The Oil Company Franchise Tax is imposed on all sales of 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.

ENTITIES SUBJECT TO THE TAX

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.

TAX BASE

Prior to October 1, 1997, the tax was imposed on the first sale of petroleum products in Pennsylvania used to fuel motor vehicles for public highway use. Beginning October 1, 1997, the tax is imposed on a cents-per-gallon equivalent basis applied to distributors selling taxable liquid fuels and fuels within the commonwealth.

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.

TAX RATE

Prior to October 1, 1997, 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. The tax rate was 153.5 mills.

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

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.

OIL COMPANY FRANCHISE TAX RATES

(cents per gallon)

STARTING	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
1/1/2020	57.6	74.1

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

OIL COMPANY FRANCHISE TAX

CONTINUED

PAYMENTS

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.

REVENUE DISTRIBUTION

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 remainder of the tax rate represents revenues restricted to certain highway activities.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

MOTOR CARRIERS ROAD TAX/IFTA

Pennsylvania is a member of the International Fuel Tax Agreement (IFTA), which provides for base state reporting of fuel taxes for operators of qualified motor vehicles used in interstate operations. The Motor Carriers Road Tax/IFTA is imposed on fuel consumed by qualified motor vehicle operators within Pennsylvania.

ENTITIES SUBJECT TO THE TAX

Operators of qualified motor vehicles are responsible for remitting the motor carriers road tax. 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 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.

TAX BASE

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. Exempt from this tax are vehicles operated by political subdivisions, farm vehicles, emergency vehicles, special mobile equipment, implements of husbandry, vehicles operated by charitable and religious organizations, vehicles operated by electric cooperatives, vehicles needing emergency repairs, vehicles securing repairs or reconditioning, recreational vehicles, and school buses.

TAX RATE

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.

PAYMENTS

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.

SURTAX

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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

ALTERNATIVE FUELS TAX

Alternative fuels used to propel vehicles on the public highways are subject to the Alternative Fuels Tax. The tax rates are calculated from the current Oil Company Franchise Tax rate on gasoline indexed to the energy content of the alternative fuel.

ENTITIES SUBJECT TO THE TAX

Alternative fuels dealer-users are required to remit the alternative fuels tax.

TAX BASE

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. Dealers-users of these fuels are required to collect and remit the tax based on consumption within the commonwealth. Entities exempt from the oil company franchise tax are also exempt from alternative fuels taxes.

TAX RATE

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

PAYMENTS

Reports and payments are due from alternative fuels dealers-users 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.

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

AVIATION GASOLINE AND JET FUEL TAXES

Aviation gasoline and jet fuel are taxed under the Liquid Fuels and Fuels Tax. The revenue from these tax types is deposited in restricted accounts within the Motor License Fund.

ENTITIES SUBJECT TO THE TAX

The tax is imposed upon sales or use by distributors, who collect and remit the tax to the commonwealth.

TAX BASE

Aviation gasoline and jet fuel gallons. Entities exempt from the oil company franchise tax are also exempt from aviation gasoline and jet fuel taxes.

TAX RATE

Act 164-1984 stipulates that the aviation gasoline tax shall never exceed 6 cents per gallon, nor shall it be less than 3 cents per gallon. Additionally, the jet fuel tax shall never exceed 2 cents per gallon, nor shall it be less than 1.5 cents per gallon. Act 164-1984 stipulates that both taxes shall decrease/increase 0.1 cent per gallon for each 10% change in the producer price index of jet fuel as reported by the U.S. Department of Labor, Bureau of Statistics.

AVIATION GASOLINE TAX RATES

(cents per gallon)

EFFECTIVE	RATE	EFFECTIVE	RATE	EFFECTIVE	RATE
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	1/1/2020	5.9

JET FUEL TAX RATES

(cents per gallon)

EFFECTIVE	RATE	EFFECTIVE	RATE	EFFECTIVE	RATE
6/1/1956	1.5	1/1/1992	1.8	1/1/2010	1.6
6/1/1960	1.0	1/1/1994	1.7	1/1/2011	1.7
11/1/1984	1.1	1/1/1997	1.9	1/1/2012	2.0
1/1/1985	1.3	1/1/1998	1.7	1/1/2016	1.6
7/1/1985	1.5	1/1/1999	1.5	1/1/2018	1.8
1/1/1988	1.8	1/1/2000	1.9	1/1/2019	2.0
1/1/1989	1.7	1/1/2001	2.0	1/1/2020	1.9
1/1/1990	1.8	1/1/2002	1.8		
1/1/1991	2.0	1/1/2005	2.0		

PAYMENTS

Payments and reports are due on or before the 20th day of the month following the month of tax collection.

LEGISLATION

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

MINOR AND REPEALED

Minor and repealed taxes produce comparatively small annual yields and primarily consist of the following:

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. Act 89-2013 repealed the 12 cents per gallon tax on liquid fuels and fuels effective January 1, 2014. Any receipts due to assessments, late filing, court rulings, or similar events is posted here.

These receipts also temporarily included a notice payment clearing account. Those notice payments are now reported in the General Fund.

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).

LEGISLATION

Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

OTHER MOTOR REVENUE

Other Motor License Fund revenue consists of fines collected under the various fuel tax laws and certain Vehicle Code fines.

JUDICIAL COMPUTER SYSTEM AUGMENTATION ACCOUNT

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.

OTHER REVENUE

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

LEGISLATION

Title 75 (the Vehicle Code) of the Pennsylvania Consolidated Statutes.

OTHER SPECIAL FUNDS

The following special funds are separate from the larger General and Motor License Funds, with defined funding sources, and spending restricted to specific purposes.

Revenues deposited in these funds can come from dedicated taxes or fees, such as the Motor Vehicle Lease Tax, which goes entirely to the Public Transportation Assistance Fund. They can also receive funds out of other taxes, usually from sources related to the fund's purpose. For example, a portion of the motor vehicle related Sales and Use Tax revenue is deposited in the Public Transportation Trust Fund.

Special fund spending is more restrictive than the General Fund, but not uniformly so. While the Public Transportation Assistance Fund can be used generally to fund mass transportation, the Multimodal Transportation fund focuses on more specific categories like bicycle and pedestrian projects. Somewhere in between these two is the Lottery Fund. By law, all state lottery proceeds must be used to fund senior citizen benefit programs, which is a broad funding mandate. In practice, the Lottery funds specific programs, such as the Property Tax and Rent Rebate program, the Free Transit Program, and PACE/PACENET prescription assistance.

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, including a portion of Sales and Use Tax revenue. Act 44-2007 created the transfer of a portion of PTA Fund money to the Public Transportation Trust Fund.

APPLICABILITY OF SALES AND USE TAX

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.

Act 43 of 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.

SALES AND USE TAX TRANSFER

Effective for revenues collected on or after July 1, 1992, Act 40 of 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 of 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 of 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.

PUBLIC TRANSPORTATION ASSISTANCE FUND

CONTINUED

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.

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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. A transfer from Sales and Use Tax revenue provides part of this fund.

REVENUE SOURCES

Revenue sources for the fund are as follows:

EFFECTIVE	SOURCE	AMOUNT	LEGISLATION
2007-08 and Beyond	Sales and Use Tax	4.4% of total receipts	Act 44-2007
2017-18 and Beyond	Miscellaneous Transportation Fees	77% of total receipts	Act 89-2013
2014-15 to 2021-22	Pennsylvania Turnpike Commission	\$420 million	Act 89-2013
2021-22 and Beyond	Pennsylvania Turnpike Commission	\$50 million	Act 89-2013
2022-23 and Beyond	Motor Vehicle Sales and Use Tax	See formula below	Act 89-2013

The Motor Vehicle Sales and Use Tax 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.

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.

REVENUE SOURCES

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.

THE PENNSYLVANIA LOTTERY

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 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 percent.

Following Act 97 of 2019, for fiscal years beginning after June 30, 2019, and ending June 30, 2024, the percent of lottery ticket sales revenue subject to the above transfer is temporarily reduced from 25% to 20%. For fiscal years beginning after June 30, 2024, the rate returns 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:

PROPERTY TAX OR RENT REBATE (PTRR)

Pennsylvania's PTRR program was established under Act 3 of 1971, also known as the Senior Citizens Rebate and Assistance Act. The PTRR program was designed to assist Pennsylvania's elderly, widows, widowers and permanently disabled citizens in maintaining statutory possession of their homesteads by providing tax relief in the form of rebate. Eligibility requirements are outlined below:

<u>ELIGIBLE CLAIMANTS</u>	<u>HOUSEHOLD ELIGIBILITY INCOME</u>	<u>MAXIMUM OWNER REBATE</u>	<u>MAXIMUM RENTER REBATE</u>
Aged 65+	\$0 - \$8,000	\$650	\$650
Spouse aged 65+	\$8,001 - \$15,000	\$500	\$500
Widow/widower aged 55-64	\$15,001 - \$18,000	\$300	--
Disabled aged 18-64	\$18,001 - \$35,000	\$250	--

Rebates may not exceed actual property taxes paid or 20 percent of rent paid. Program costs beyond those paid in fiscal year 2006-07 are funded by transfers from the Property Tax Relief Fund.

Claimants reporting eligibility incomes up to \$30,000 and living in Philadelphia, Pittsburgh, or Scranton are eligible for supplement rebates of up to one-half of their base rebate. Similar claimants living elsewhere in the commonwealth are also eligible for supplemental rebates if their property taxes exceed 15 percent of their eligibility income.

Notable exclusions from eligibility income include 50 percent of Social Security benefits, 50 percent of Railroad Retirement Tier I benefits, all federal veterans' disability benefits, all state veterans' benefits, and 50 percent of the average annual Social Security benefit amount for Civil Service Retirement System (CSRS) beneficiaries.

LOTTERY FUND

CONTINUED

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, 2021, PACENET cardholders not enrolled in a Part D Plan will pay a \$37.45 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.

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.

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).

LEGISLATION

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

Please refer to the Recent Changes in Tax Law section for additional information.

GAMING FUND

Act 71–2004 established the State Gaming Fund and authorized slots gaming at 14 locations throughout Pennsylvania. 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 \$1.5 million. Each Category 3 licensee must provide and maintain a deposit of \$1 million.

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 licensed 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.

GAMING FUND

CONTINUED

SLOT MACHINE TAX AND ASSESSMENT (continued)

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 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.

GAMING FUND

CONTINUED

INTERACTIVE GAMING TAX AND ASSESSMENT (continued)

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).

MULTIUSE 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 as a transfer under non-tax revenue receipts. 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 as a transfer under non-tax revenue receipts. 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 #1 of February 5, 2021 made the following changes:

To the Fiscal Code:

- Provides that federal Paycheck Protection Plan (PPP) loans used to pay business expenses during the COVID-19 pandemic that are subsequently forgiven by the lender are not taxable income for Pennsylvania personal income tax purposes. The bill also states that for PA personal income tax purposes, no deduction may be disallowed for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan.
- Provides specifically that stimulus checks, otherwise known as economic impact payments, being distributed by the federal government are not subject to Pennsylvania personal income tax under the Tax Reform Code. The payments are already classified as a rebate that is non-taxable for Pennsylvania personal income tax purposes.

ACT #136 of November 25, 2020 made the following changes:

To the Public School Code:

- Allows Educational Improvement and Opportunity Scholarship Tax Credits awarded to a business firm during the 2020-21 or 2021-22 fiscal year that cannot be used by the firm during the fiscal year in which it was awarded to be carried forward and used during the two taxable years following the taxable year in which the tax credit was awarded.

ACT #132 of November 25, 2020 made the following changes:

To the Mobile Telecommunication Broadband Investment Tax Credit:

- Provides that the Department of Revenue may not award any credits after June 30, 2020, and repeals the credit, effective immediately. The act establishes the Unserved High-Speed Broadband Funding Program as a grant program to be administered by the Commonwealth Financing Authority.

ACT #129 of November 25, 2020 made the following changes:

To Title 75:

- Permits political subdivisions and volunteer emergency services to enter into written agreements for the commingling of tax-free motor fuels, effective November 25, 2020. A political subdivision may also transfer tax-free motor fuels to a volunteer emergency service.
- Provides that Department of Revenue tax agents may report public safety violations related to motor fuels to appropriate enforcement authorities for investigation.

ACT #118 of November 25, 2020 made the following changes:

To the Local Option Small Games of Chance Act:

- Provides that, beginning November 25, 2020, club licensees may utilize all proceeds received from small games of chance for operating expenses beginning with the 2020 calendar year through a period of one year after the termination of either: (1) The proclamation of disaster emergency issued by the Governor on March 6, 2020; (2), or a declaration of disaster emergency related to COVID-19 that is issued after March 6, 2020.
- Requires licensees to report amounts retained on its annual report to the Department of Revenue.

RECENT CHANGES IN TAX LAW

CONTINUED

ACT #114 of November 23, 2020 made the following changes:

To the Fiscal Code:

- Repealed and reinstated a transfer of \$13,782,000 to the Environmental Stewardship Fund from Personal Income Tax revenue for FY 2020-21.
- Provides for a transfer of up to \$200,000,000 from Personal Income Tax revenues to the Property Tax Relief Fund to ensure that \$621,000,000 in property tax relief is generated for FY 2020-21.
- Provides for \$531,175,000 in transfers from special funds to the General Fund. Large transfers include \$100,000,000 from the Budget Stabilization Reserve Fund and \$185,000,000 from the Workers' Compensation Security Fund. The transfer from the Workers' Compensation Security Fund must be repaid by July 1, 2028.

To Keystone Opportunity Zones:

- Provides that a political subdivision may apply to the Department of Community and Economic Development for approval as a Keystone Opportunity Improvement Zone of a property previously designated by the Governor by executive order as a proposed improvement subzone in a township of the second class located in a county of the Second Class A. The application must be made no later than December 31, 2020.

To Military Investment Remediation Projects:

- Grants access to the qualified authority and each local taxing authority to a report and certification filed under chapter 3-A of the Transit Revitalization Investment District Act, as well as state or local tax information, filed on or after November 27, 2019, by a qualified business for a designated parcel to document the project's required certification.

ACT #107 of November 3, 2020 made the following changes:

To the City Revitalization and Improvement Zones (CRIZ) Program:

- Provides a temporary extension of the timeline to file state and local zone reports due in calendar year 2020.
- Provides that the grants and loans authorized under Act 68 of 2020 only apply to zones located in a county of the third class that has not adopted a home rule charter (Lancaster).

To the Pennsylvania Housing Tax Credit:

- Creates the Pennsylvania Housing Tax Credit to encourage the development of low-income housing projects within the commonwealth. The program is to be administered by the Pennsylvania Housing Finance Agency and the Department of Revenue. The credit is available to individuals, business firms, corporations, business trusts, limited liability companies, partnerships, limited liability partnerships, associations or any other forms of legal business entities.
- Details that to make credits available, the Secretary of the Budget shall submit a notice to the Legislative Reference Bureau to appear in the Pennsylvania Bulletin. Until such notice, no credits will be awarded.
- Provides that the credit may be applied against personal income tax, corporate net income tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, gross receipts tax, and mutual thrift institutions tax. The credit may not exceed 50 percent of a taxpayer's liability in a taxable year. The credit may be carried forward up to five taxable years but may not be carried back or refunded.

RECENT CHANGES IN TAX LAW

CONTINUED

ACT #68 of July 23, 2020 made the following changes:

To the City Revitalization and Improvement Zones (CRIZ) Program:

- Amends section 1813-C of Article XVIII-C of the Tax Reform Code of 1971 regarding restrictions on the utilization of money transferred to a contracting authority in a CRIZ. Specifically, the money may be used to provide grants and loans to qualifying businesses, political subdivisions, and municipal authorities operating within the CRIZ that have been negatively impacted by the proclamation of disaster emergency related to COVID-19 for the following purposes: business operating expenses; working capital; business loan payments to financial institutions; payroll to current employees as a means of retaining employees; and establishment of short-term loan guarantee accounts. These provisions expire June 30, 2021.
- Specifies that the prohibition under current law on the use of money for maintenance or repair of a facility does not apply for the period of April 1, 2020 through June 30, 2021.
- Clarifies that the contracting authority's report submitted by April 15, used in calculating the excess monies to be transferred back to the General Fund, includes monies budgeted or appropriated by official resolution of the contracting authority.

To the Rural Jobs and Investment Tax Credit:

- Requires that at least 60% of a rural growth fund's investment authority shall be comprised of credit-eligible capital contributions. The investment shall purchase an equity interest in the rural growth fund or purchase, at par value or premium, a debt instrument that has a maturity date at least five years from the closing date.
- Reduces the amount the Department of Revenue may approve in investment authority from \$100 million to \$50 million.
- Amends the definition of "qualified tax liability" to include any other retaliatory tax imposed on a business firm in this commonwealth. These changes to the Rural Jobs and Investment Tax Credit are effective 60 days from enactment.

ACT #66 of July 23, 2020 made the following changes:

To the Realty Transfer Tax:

- Expands the exemption to any transfer of real estate to or by a volunteer EMS company, volunteer fire company, or volunteer rescue company, effective immediately.

To the Local Resource Manufacturing Tax Credit:

- Establishes the Local Resource Manufacturing Tax Credit program providing a tax credit equal to \$0.47 per unit of dry natural gas that is purchased and used by a qualified taxpayer in the manufacturing of petrochemicals or fertilizers at the project facility.
- A "qualified taxpayer" is a company that: (1) purchases dry natural gas for use in manufacturing petrochemicals or fertilizers at a project facility in the commonwealth which has been placed in service on or after the effective date; (2) has made a capital investment of at least \$400 million in order to construct the project facility; (3) has created a minimum aggregate total of 800 new jobs and permanent jobs; (4) has made good faith efforts to recruit and employ, and to encourage any contactors or subcontractors to recruit and employ, workers from the local labor market for employment during construction of the project facility; and (5) has demonstrated that the new jobs created at the project facility are paid at least the prevailing minimum wage and benefit rates for each craft or classification as determined by the Department of Labor and Industry.

RECENT CHANGES IN TAX LAW

CONTINUED

- The tax credit is capped at \$26,666,668 per fiscal year. No more than four qualified taxpayers may receive a tax credit annually, for a maximum credit of \$6,666,667 each. The Department of Revenue, at its discretion, may issue unallocated credits to a qualified taxpayer, notwithstanding the maximum credit limit per taxpayer. The credits may be used against personal income tax, corporate net income tax, bank and trust company shares tax, title insurance companies shares tax, insurance premiums tax, gross receipts tax, and mutual thrift institutions tax.
- The tax credit must first be applied against up to 20% of the qualified taxpayer's tax liabilities in the year in which the tax credit was approved. The qualified taxpayer is ineligible for other tax credits in the Tax Reform Code. A qualified taxpayer holding a tax credit through the end of the calendar year in which the tax credit was awarded may sell or assign any unused tax credit in whole or in part, provided the sale is effective by the close of the following calendar year.

ACT #29 of June 5, 2020 made the following changes:

To the Liquor Code:

- Exempts national veterans' organizations and volunteer fire companies from the \$700 application surcharge for the renewal of restaurant, club, or catering club liquor licenses.
- Removes the liquid fuel prohibition contained in the Liquor Code for restaurant, hotel and club licensees, malt and brewed beverage licensees, and malt and brewed beverage manufacturers, distributors, and importing distributors. In addition, the legislation allows the use of all cash registers by malt or brewed beverage sales by licensees, retail dispenser licensees, and wine expanded permit holders provided they meet certain conditions.

ACT #23 of May 29, 2020 made the following changes:

To the Fiscal Code:

- Provides for the extension of the transfer of revenues from the Cigarette Tax to the Tobacco Settlement Fund for Fiscal Year 2020-21.
- Provides a Category 1, 2, or 3 slot machine licensee that holds a sports wagering certificate and is affiliated with a Category 4 licensed facility (mini-casino) may conduct sports wagering at the Category 4 facility without having to pay an additional sports wagering authorization fee. In the event a Category 4 facility would change ownership and no longer be affiliated with a sports wagering certificate holder, the facility would be required to pay the sports wagering authorization fee to continue to offer sports wagering at the facility.
- Provides that within 90 days of the effective date, the Pennsylvania Gaming Control Board (board) shall conduct an auction for the Category 4 (mini-casino) license for which the board denied the application filed by the winning bidder of the initial auction.
- Creates a transfer of \$13,782,000 to the Environmental Stewardship Fund from Personal Income Tax revenue for FY 2020-21.

ACT #21 of May 21, 2020 made the following changes:

To the Liquor Code:

- Allows an entity holding a restaurant or hotel liquor license that has lost more than 25% of their average monthly sales as a result of restrictions imposed during the COVID-19 disaster emergency to sell prepared beverages and mixed drinks for off-premises consumption where meals prepared for pickup or curbside pick-up are also available.
- The legislation is effective immediately and specifies that sales authorized under this section may continue for the period after the disaster emergency when the licensee is operating at less than 60% capacity.

RECENT CHANGES IN TAX LAW

CONTINUED

ACT #20 of May 19, 2020 made the following changes:

To the Property Tax/Rent Rebate Program:

- Extends the filing deadline for calendar year 2019 claims to December 31, 2020.
- Requires the Secretary of Revenue to expedite a claim satisfying PTRR eligibility requirements for calendar year 2019 which had a calendar year 2018 claim approved for reimbursement.
- Provides that, if funds are available, a reimbursement on a claim for calendar year 2019 may be made from the State Lottery Fund immediately.

ACT #10 of March 27, 2020 made the following changes:

To the Fiscal Code:

- Permanently establishes the Enhanced Revenue Collections Account (ERCA) within General Fund. Revenues collected and the amount of refunds avoided as a result of expanded tax return reviews and tax collection activities by the Department of Revenue will be deposited into the account.
- Adds new Article I-A (Emergency Finance and Tax Provisions) to the Fiscal Code, which in part, authorizes the Department of Revenue to extend filing and payment deadlines related to the personal income tax (PIT) as follows: extends the deadline for declarations of estimated PIT; extends the deadline for payments of estimated PIT; and extends the deadline for the filing of informational returns related to Pennsylvania S corporations and partnerships, estates and trusts (Form PA20S/PA-65). The authorization to extend tax filing and payment dates expires July 31, 2020.

ACT #101 of November 27, 2019 made the following change:

To the Transit Revitalization Investment District Act:

- Beginning November 27, 2019, state tax revenue resulting from the development of a qualified former military installation and nearby parcels is directed to a qualified municipal authority created to fund military installation remediation projects.

ACT #97 of November 27, 2019 made the following change:

To the State Lottery Law:

- For fiscal years beginning after June 30, 2019, and ending June 30, 2024, the mandated minimum rate of return on revenues accruing from the sale of lottery tickets is temporarily reduced from 25% to 20%. For fiscal years beginning after June 30, 2024, the rate returns to 25%.

ACT #90 of November 27, 2019 made the following changes:

To the Time Period for Collection of Assessed Taxes:

- Beginning January 1, 2021, the time period for collection of taxes owed to the commonwealth is ten years from the date of the settlement, determination, or assessment of the tax — except in cases of fraud or willfully failing to file a return. The statute of repose applies to all commonwealth taxes except Inheritance Tax.

To Criminal Tax Enforcement:

- Provides the department additional time for investigation, development, and prosecution of quality cases focusing on those who are stealing “trust fund” taxes. This provision is effective immediately.

RECENT CHANGES IN TAX LAW

CONTINUED

To the Financial Institution Data Match Program:

- Updates the bank attachment process previously established by Act 85 of 2012 by authorizing the department to enter into agreements with financial institutions to electronically share certain bank account information of delinquent taxpayers for the purposes of tax collection. Changes are effective January 26, 2020.

To Sales and Use Tax:

- Beginning November 27, 2019, the sale at retail or use by a financial institution of canned computer software directly utilized in conducting the business of banking is excluded from Sales and Use Tax. The term “financial institution” means an institution doing business in the commonwealth subject to the Bank and Trust Company Shares Tax or the Mutual Thrift Institutions Tax.

ACT #65 of July 2, 2019 made the following change:

To the Beginning Farmer Tax Credit:

- Act 65-2019 established the Beginning Farmer Tax Credit, which allows an owner of agricultural assets to take a credit against the personal income tax for the sale or rental of agricultural assets to a beginning farmer. The tax credit shall be equal to: (1) 5 percent of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of \$32,000; or (2) 10 percent of the gross rental income in each of the first, second, and third years of a rental agreement, up to a maximum of \$7,000 per year. No more than \$5 million shall be allocated for the taxable year beginning after December 31, 2019, and no more than \$6 million for the taxable years beginning after December 31, 2020. Any amount authorized but not allocated in any taxable year does not cancel and is added to the allocation for the next taxable year. The tax credit may not be sold, passed through, carried forward or refunded. The tax credit expires for taxable years beginning after December 31, 2029.

ACT #20 of June 28, 2019 made the following changes:

To Transfers and Payments:

- Provided that an amount equal to the annual debt service due in fiscal year 2019-20 shall be transferred to the Tobacco Settlement Fund from Cigarette Tax revenues. The amount certified by the Secretary of the Budget shall be deposited by April 30, 2020.
- Provided that any funds from fiscal years ending before July 1, 2019, not committed for local law enforcement grants on September 1, 2019, shall be transferred to the General Fund. From those transferred funds, \$1.192 million shall be transferred to the Video Gaming Fund.
- Created a restricted revenue account for the Department of General Services to make payments related to the Farm Show Complex and provides that transfers will be made from Personal Income Tax revenues into this account in each fiscal year beginning with the 2019-20 fiscal year.
- Provided that \$3.852 million will be transferred to the State Employees Retirement System from Personal Income Tax revenues.
- Provided that, by September 1, 2020, \$45 million will be transferred to the School Safety and Security Fund from Personal Income Tax revenues.
- Provided that \$20 million will be transferred to the Environmental Stewardship Fund from Personal Income Tax revenues.

RECENT CHANGES IN TAX LAW

CONTINUED

ACT #16 of June 28, 2019 made the following changes:

To the Public School Code:

- Increased the total aggregate amount of tax credits available in any fiscal year for the Educational Improvement Tax Credit (EITC) to \$185 million from \$160 million beginning July 1, 2019.
- Increased the total aggregate amount of tax credits available in any fiscal year for the Opportunity Scholarship Tax Credit (OSTC) to \$55 million from \$50 million beginning July 1, 2019.
- Beginning July 1, 2019 and applicable to tax year 2019, a qualified subchapter S trust is considered a pass-through entity for EITC/OSTC purposes.

ACT #15 of June 28, 2019 made the following change:

To the Administrative Code:

- Provided technical changes to the Pub. 1075 requirements previously adopted in Act 40 of 2017. The requirements provide that all executive branch state agencies or political subdivisions that use federal tax information (FTI) are to require any current or prospective employee or contractor whose duties and responsibilities require access to FTI to submit to fingerprinting and a criminal history background check.

ACT #13 of June 28, 2019 made the following changes:

To the Sales and Use Tax:

- Beginning July 1, 2019, vendors who have no physical presence but whose direct sales and facilitated marketplace sales attributed to Pennsylvania exceed \$100,000 must register to collect and remit Pennsylvania sales tax. The act suspended the Act 43-2017 election and notice requirements.
- The sale at retail of building materials and supplies used for the construction or repair of an animal housing facility is exempt from sales and use tax beginning January 1, 2020.
- Beginning January 1, 2020, volunteer firemen's organizations do not have to charge sales tax on food and beverages sold to raise funds.
- Beginning January 1, 2020, youth centers do not have to charge sales tax on food and beverages sold to raise funds.
- Beginning July 1, 2019, sellers are permitted to include sales tax in the retail price of an item. When including the tax in the retail price sellers are required to list the sales tax paid on behalf of the purchaser on any receipt or sales documentation.

To the Inheritance Tax:

- The rate of inheritance tax upon the transfer of property to or for the use of a child 21 years of age or younger from a parent who dies after December 31, 2019 shall be 0%.

To the Personal Income Tax:

- Effective July 1, 2019, the value of medals awarded by and prize money received from the United States Olympic Committee on account of competition in the Olympic Games or Paralympic Games are exempt from personal income tax.
- Applicable to tax years beginning after December 31, 2019, a fiduciary may make and file a joint tax return for an estate and trust for the taxable years when trust income is reported as part of estate income.

RECENT CHANGES IN TAX LAW

CONTINUED

- Beginning January 1, 2020, each paid tax return preparer is required to sign and list their IRS preparer tax identification number (PTIN) on each Pennsylvania personal income tax return they prepare.
- Beginning in tax year 2020, the Department of Revenue shall provide personal income taxpayers the option to voluntarily designate a contribution from their tax refund to the Veterans' Trust Fund.
- Applicable to tax years beginning after December 31, 2019, net gains or income, net losses, and dividends which are excluded from federal income in a Federal Opportunity Zone are also excluded from Pennsylvania personal income tax.
- Applicable to tax years beginning after December 31, 2019, net gains or income, net losses, and dividends which are excluded from federal income in a Federal Opportunity Zone are also excluded from Pennsylvania personal income tax.

To the Realty Transfer Tax:

- Beginning July 1, 2019, any transfer of real estate that is subject to agricultural conservation easement to a qualified beginner farmer is exempt from realty transfer tax.
- Beginning in fiscal year 2019-20, the annual transfer from realty transfer tax revenue to the Pennsylvania Housing Affordability and Rehabilitation Enhancement (PHARE) Fund increased from a \$25 million minimum to a \$40 million minimum or the difference between total realty transfer tax collections for the prior fiscal year and the official estimate for fiscal year 2014-15.

To the Surplus Lines Tax:

- For policies placed after June 30, 2019, premiums received for surplus lines insurance sold to a charter school, regional charter school, or cyber charter school are not subject to surplus lines tax.

To the Table Games Tax:

- The additional 2% state tax on casino table games is extended until August 1, 2021. This keeps the total state tax on table games at 14% through the extension period.

To the City Revitalization and Improvement Zone (CRIZ) Program:

- A contracting authority may now use CRIZ funds to make improvements within and outside of the zone without state approval for the expended funds on utilities, water, sewer, storm water, parking, road improvements, or telecommunications. Additionally, CRIZ funds may be utilized to establish a revolving loan for a qualified business.

To the Coal Refuse Energy and Reclamation Tax Credit:

- Beginning July 1, 2019, the total amount of credits that can be awarded increases from \$10 million to \$20 million per fiscal year. The commonwealth may reduce the amount of credits awarded to applicants that participate in a similar Federal Coal Refuse Reclamation Tax Credit Program that has yet to be created. Additionally, the sunset date of the program is extended to December 31, 2036.

To the Computer Data Center Equipment Incentive Program:

- The total aggregate amount of state tax refunds approved in any fiscal year for the Computer Data Center Equipment Incentive Program increases to \$7 million from \$5 million, effective July 1, 2019.

RECENT CHANGES IN TAX LAW

CONTINUED

To the Entertainment Production Tax Credit:

- Applicable to fiscal years beginning on or after July 1, 2019, numerous changes were made to these tax credit programs:
 - o Under the Entertainment Economic Enhancement Program (EEEP), eligible postproduction and rehearsal expenses and qualified taxpayers are expanded. Further, the cap structure was amended, and total credits available will increase to \$8 million from \$4 million.
 - o The Film Production Tax Credit Program cap will increase to \$70 million from \$65 million. Special procedures are created for sale, assignment, and usage of credits within the same federal consolidated group. For Film Production Tax Credit districts, the size, investment, and technical requirements for the districts are amended.

To the Historic Preservation Tax Credit:

- A number of changes are made to this credit program effective July 1, 2019. Among the changes, the credit is expanded to include non-commercial and workforce housing projects. The total aggregate amount of tax credits available in any fiscal year for the Historic Preservation Tax Credit increases to \$5 million from \$3 million. The deadline to file an application for the credit requires the payment of a processing fee and requires applications to be submitted between October 1 and October 31. No applications will be accepted after February 1, 2031.

To the Keystone Opportunity Expansion Zone Program:

- Three additional Keystone Opportunity Expansion Zones may be established. Applications that meet population criteria within this expansion must be received prior to October 1, 2021.

To the Mixed-Use Development Tax Credit:

- The total aggregate amount of tax credits available in any fiscal year for the Mixed-used Development Tax Credit shall increase to \$3 million from \$2 million.

To the Neighborhood Assistance Tax Credit:

- Effective July 1, 2019, youth and adolescent development services have been added as a defined activity by a neighborhood organization. Business firms may contribute to a neighborhood organization which engages in the activities of providing youth and adolescent development services. No more than \$2 million of the total aggregate amount of tax credits available may be used towards youth and adolescent development services.

To the Qualified Manufacturing Innovation and Reinvestment Deduction:

- Applicable to tax years beginning after December 31, 2019, manufacturers that invest between \$60 million and \$100 million in the creation of new or refurbished manufacturing capacity may deduct up to 7.5% of capital investment from taxable income for corporate net income tax purposes annually for ten years, up to a maximum of 37.5% of the investment. Manufacturers that invest more than \$100 million are still permitted to deduct up to 5% of capital investment annually for ten years, for a maximum of 25% of the investment.

To the Resource Enhancement and Protection (REAP) Tax Credit:

- The total aggregate amount of tax credits available in any fiscal year for the REAP Tax Credit shall increase to \$13 million from \$10 million, with \$3 million to be used for projects in the Chesapeake Bay watershed area. Additionally, the program now permits joint filing for utilization of the credit. Changes are effective July 1, 2019.

RECENT CHANGES IN TAX LAW

CONTINUED

To the Rural Jobs and Investment Tax Credit:

- The total amount of tax credits available in any fiscal year for the Rural Jobs and Investment Tax Credit is increased to \$6 million from \$1 million. Total awards, in the aggregate, may not exceed \$30 million. This change is effective July 1, 2019.

To the Strategic Development Area (SDA) Program:

- Applicable to tax years beginning on or after January 1, 2019, certain items used within and outside of a designated SDA by a business qualified for the program are exempt from state and local sales and use tax when exclusively used by an employee assigned to a location in the SDA.

To the Tax Credit for New Jobs:

- DCED may not approve applications for the Tax Credit for New Jobs after June 30, 2020.

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.
- 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 Neighborhood Assistance Program Tax Credit cap from \$18 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.

RECENT CHANGES IN TAX LAW

CONTINUED

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.

RECENT CHANGES IN TAX LAW

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- 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.

RECENT CHANGES IN TAX LAW

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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.

RECENT CHANGES IN TAX LAW

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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.

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.

RECENT CHANGES IN TAX LAW

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- 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 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.
- 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.
- 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.

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.

RECENT CHANGES IN TAX LAW

CONTINUED

- 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.

RECENT CHANGES IN TAX LAW

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

To the Public School Code:

- 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.
- 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.

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.

RECENT CHANGES IN TAX LAW

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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.

RECENT CHANGES IN TAX LAW

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- 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.

RECENT CHANGES IN TAX LAW

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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 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 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 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.

RECENT CHANGES IN TAX LAW

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- **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** 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.

RECENT CHANGES IN TAX LAW

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- 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.
- By June 1, 2016, \$4,500,000 shall be transferred from the Dormitory Sprinkler System fund to the General Fund.

RECENT CHANGES IN TAX LAW

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- 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.

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.

RECENT CHANGES IN TAX LAW

CONTINUED

- 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.

RECENT CHANGES IN TAX LAW

CONTINUED

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.

RECENT CHANGES IN TAX LAW

CONTINUED

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

TAX: ALTERNATIVE FUELS

TAX RATE: The oil franchise tax is applied to each gasoline gallon equivalent.
PAYMENT REMITTED BY: Dealer-users of fuel
REPORT DUE DATE: 20th day of each month

TAX: BANK AND TRUST COMPANY SHARES

TAX RATE: 0.95% of the value of shares as of each January 1st
PAYMENT REMITTED BY: All bank and trust companies doing business in Pennsylvania
REPORT DUE DATE: March 15th of each year

TAX: CIGARETTE

TAX RATE: \$0.13 per cigarette
PAYMENT REMITTED BY: Cigarette Stamping Agents
REPORT DUE DATE: 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

TAX: CONSUMER FIREWORKS TAX

TAX RATE: 12% of the sales price of consumer fireworks after sales tax is applied.
PAYMENT REMITTED BY: Licensed sellers of consumer fireworks
REPORT DUE DATE: 20th day of April, July, Oct and January

TAX: CORPORATE NET INCOME TAX

TAX RATE: 9.99%
PAYMENT REMITTED BY: Corporations doing business in Pennsylvania
REPORT DUE DATE: Due 30 days after the Federal report is due or would be due if required to file federally

TAX: FANTASY CONTEST TAX

TAX RATE: 15% of fantasy contest adjusted revenue
PAYMENT REMITTED BY: Licensed operators
REPORT DUE DATE: Monthly

TAX: INSURANCE PREMIUMS TAX

TAX RATE: 2% of gross premiums, with certain exceptions
PAYMENT REMITTED BY: Domestic and foreign insurance companies
REPORT DUE DATE: April 15th of each year

TAX: INHERITANCE AND ESTATE TAXES

Rate determined by relationship to decedent:
Spouses - 0%
TAX RATE: Parents of decedent 21 years of age or younger - 0%
Siblings – 12%
Other lineal heirs – 4.5%
All other heirs – 15%
PAYMENT REMITTED BY: Local Registers of Wills
REPORT DUE DATE: Monthly

TAX: INTERACTIVE GAMING TAX

TAX RATE: 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.
PAYMENT REMITTED BY: Interactive gaming certificate holders
REPORT DUE DATE: Weekly

TAX SUMMARY

CONTINUED

TAX:	JET FUEL
TAX RATE:	1.6 cents per gallon
PAYMENT REMITTED BY:	Licensed distributors
REPORT DUE DATE:	20th day of each month
TAX:	LIQUOR TAX
TAX RATE:	18%
PAYMENT REMITTED BY:	Liquor Control Board (LCB)
REPORT DUE DATE:	LCB functions on a monthly accounting cycle. Reports are due on the last day of the calendar month.
TAX:	MALT BEVERAGE
TAX RATE:	\$2.48 per barrel
PAYMENT REMITTED BY:	Manufacturers, distributors and importers of malt beverages
REPORT DUE DATE:	15th day of each month
TAX:	MOTOR CARRIERS ROAD TAX/IFTA
TAX RATE:	201.5 mills on liquid fuels and 256.5 mills on fuels (same rate as the Oil Company Franchise Tax)
PAYMENT REMITTED BY:	Motor carriers with vehicles in excess of 26,000 pounds
REPORT DUE DATE:	IFTA reports are due on the last day of April, July, October, and January. MCRT reports are filed annually
TAX:	MOTOR VEHICLE LEASE TAX
TAX RATE:	3%
PAYMENT REMITTED BY:	Any entity making taxable leases of motor vehicles
REPORT DUE DATE:	20th day of each month
TAX:	MOTOR VEHICLE RENTAL FEE
TAX RATE:	\$2 per day
PAYMENT REMITTED BY:	Any entity making taxable rentals of motor vehicles
REPORT DUE DATE:	20th day of each month
TAX:	MULTI-USE GAMING DEVICE TAX
TAX RATE:	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.
PAYMENT REMITTED BY:	Interactive gaming certificate holders authorized to conduct games at qualified airports
REPORT DUE DATE:	Weekly
TAX:	MUTUAL THRIFT INSTITUTIONS TAX
TAX RATE:	11.5%
PAYMENT REMITTED BY:	Savings institutions, savings banks, savings and loan associations, and building and loan associations doing business in Pennsylvania
REPORT DUE DATE:	15th day of the 4th month after the close of a tax year
TAX:	NEW TIRE FEE
TAX RATE:	\$1 per tire
PAYMENT REMITTED BY:	Any entity selling new tires intended for highway use
REPORT DUE DATE:	20th day of each month
TAX:	OIL COMPANY FRANCHISE TAX
TAX RATE:	201.5 mills on liquid fuels and 256.5 mills on fuels (changes through 2018 – see text)
PAYMENT REMITTED BY:	Registered liquid fuels and fuels distributors
REPORT DUE DATE:	20th day of each month

TAX SUMMARY

CONTINUED

TAX: **OTHER TOBACCO PRODUCTS TAX**

TAX RATE: 55 cents per ounce on certain tobacco products; 40% of wholesale price for electronic cigarettes

PAYMENT REMITTED BY: Any entity making sales to retailers

REPORT DUE DATE: 20th day of each month

TAX: **PERSONAL INCOME TAX**

TAX RATE: 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

REPORT DUE DATE: April 15th of each year

TAX: **PRIVATE BANKERS TAX**

TAX RATE: 1%

PAYMENT REMITTED BY: Private bankers authorized to do business in Pennsylvania

REPORT DUE DATE: February 15th of each year

TAX: **PUBLIC UTILITY REALTY TAX**

TAX RATE: 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.

PAYMENT REMITTED BY: Public utilities furnishing services and regulated by the Pennsylvania Public Utility Commission or a regulatory body of another state of the United States.

REPORT DUE DATE: May 1st of each year

TAX: **REALTY TRANSFER TAX**

TAX RATE: 1%

PAYMENT REMITTED BY: County Recordors of Deeds

REPORT DUE DATE: Upon the presentation of any document for recording or the transfer of certain interests in real estate

TAX: **SALES, USE, AND HOTEL OCCUPANCY TAX**

TAX RATE: 6%

PAYMENT REMITTED BY: Any entity making taxable sales or anyone who incurs use tax

REPORT DUE DATE: 20th day of each month

TAX: **SALES, USE, AND HOTEL OCCUPANCY TAX (LOCAL)**

TAX RATE: 1% (Allegheny County); 2% (City of Philadelphia)

PAYMENT REMITTED BY: 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)

REPORT DUE DATE: 20th day of each month

TAX: **SPORTS WAGERING TAX**

TAX RATE: 34% of gross sports wagering

PAYMENT REMITTED BY: Sports wagering certificate holders

REPORT DUE DATE: Weekly

TAX: **TABLE GAME TAXES**

TAX RATE: 12%, with and additional 34% from table games played on fully automated electronic gaming tables

PAYMENT REMITTED BY: Table game operation certificate holders

REPORT DUE DATE: Weekly

TAX SUMMARY

CONTINUED

TAX: **TAVERN GAMES TAXES**
TAX RATE: 60% of net revenue on tavern games (tavern games tax) and 5% of net revenue on tavern games (host municipality tavern games tax)
PAYMENT REMITTED BY: Licensed distributors and tavern games licensees
REPORT DUE DATE: Weekly

TAX: **TITLE INSURANCE COMPANY SHARES TAX**
TAX RATE: 1.25%
PAYMENT REMITTED BY: Pennsylvania title insurance companies (foreign title insurance companies are subjected to the gross premiums tax)
REPORT DUE DATE: March 15th of each year

TAX: **VEHICLE RENTAL TAX**
TAX RATE: 2%
PAYMENT REMITTED BY: Entities renting taxable vehicles
REPORT DUE DATE: Quarterly reports due 20th day of January, April, July and October. Reconciliation due February 15th

TAX: **VIDEO GAMING TERMINAL TAX**
TAX RATE: 42% of gross terminal revenue from video gaming terminals operated within this commonwealth
PAYMENT REMITTED BY: Licensed terminal operators
REPORT DUE DATE: Bi-monthly