

STATE TAX LEGISLATIVE SUMMARY – NOVEMBER 2022

Tax Reform Code Changes

Act 108 of 2022 (HB 1059) – Act 108 made the following changes to the Tax Reform Code:

Personal Income Tax (PIT) –

- **Quarterly Estimated Payments:** The threshold requirement for making quarterly estimated PIT payments is increased from \$8,000 to \$20,000 by tax year 2028. For tax years after 2028, the threshold will automatically increase by \$500.

Taxable Year	Dollar Amount
2023 and prior	\$8,000
2024	\$9,500
2025	\$11,000
2026	\$14,000
2027	\$17,000
2028	\$20,000

Realty Transfer Tax –

- **PA Housing Affordability and Rehabilitation Enhancement Fund (PHARE):** On July 1, 2023, the Realty Transfer Tax transfer to the PHARE fund will increase by \$20 million. Transfer can be up to \$60 million in FY2023-24 and each fiscal year thereafter.

Tax Credits –

- **Pennsylvania Economic Development for a Growing Economy Tax Credit Program (PA EDGE):** The PA EDGE program encompasses four separate tax credit programs. All programs must adhere to prevailing wage requirements and usage of domestic steel in any construction. Each credit program requires the department to submit a report to the General Assembly.
 - Local Resource Manufacturing Tax Credit Program [Subarticle B]
 - Act 108 moves this existing credit into the PA EDGE program language within the Tax Reform Code.
 - The Act increases the total aggregate tax credits available each fiscal year from \$26.67 million to \$56.67 million for a project facility that makes at least a \$400 million capital investment and creates at least 800 new and permanent jobs.
 - Each qualified taxpayer, no more than 2, shall receive up to \$6.67 million in credits each year for the purchase and use of dry natural gas used in manufacturing petrochemicals or fertilizers.
 - Any unallocated tax credits could be awarded to no more than one qualified taxpayer if the taxpayer makes a total investment of \$1 billion and creates a total of 1,800 new and permanent jobs.

- PA Milk Processing tax credit program [Subarticle C]
 - Entities that purchase milk produced in Pennsylvania for processing and make a capital investment of at least \$500 million and create 1,200 new and permanent jobs may qualify for this tax credit.
 - The credit calculation is \$0.05/gal of milk purchased in the commonwealth.
 - Provides \$15 million of credits available per fiscal year.
 - 8-year program that starts when the project facility is placed in service.
 - Total aggregate amount of tax credits awarded within the program may not exceed \$120 million. Total amount awarded to one taxpayer may not exceed 25% of the capital investment made.

- Regional Clean Hydrogen Hub Tax Credit Program [Subarticle D]
 - An entity that purchases natural gas and hydrogen for use in a project facility within a federally approved regional clean hydrogen hub, makes a capital investment of at least \$500 million, and creates 1,200 new and permanent jobs may qualify for this tax credit.
 - Credit can be earned via purchase of natural gas and hydrogen:
 - \$0.81 per kilogram of clean hydrogen purchased from a clean hydrogen hub in Pennsylvania.
 - \$0.47 per unit of natural gas purchased and used at the qualified taxpayer's facility.
 - Total credits available per fiscal year: \$50 million.
 - Awarded credits are limited to 50% of a qualified taxpayer's initial capital investment.
 - The credit program runs from 1/1/2024 to 12/31/2043.

- Semiconductor Manufacturing, Biomedical Manufacturing and Research Tax Credit Program [Subarticle E]
 - An entity that creates a semiconductor manufacturing or biomedical manufacturing or research project facility, makes an investment of at least \$200 million, and creates 800 permanent jobs may qualify for this tax credit.
 - Total credits available per fiscal year: \$20 million
 - \$10 million for semiconductor manufacturing projects.
 - \$10 million for biomedical manufacturing and/or research projects.
 - Credit is earned via 2.5% of initial capital investment and/or 100% of PIT withholding (payroll) or \$20,000 per job, whichever is less.
 - The credit program runs for 5 years from when the project facility is placed in service.
 - Total aggregate amounts of credits under this Subarticle may not exceed \$100 million.

State Lottery Law

Act 137 of 2022 (HB 2538) – Act 137 made the following changes to the State Lottery Law:

- **Extension of Reduced Margin Sunset Date:** The Act extends the sunset date for the 20% margin rate from June 30, 2024 to June 30, 2029.