2011 State Tax Summary

Act 28 of 2011
SB 1096, PN 1291

Surplus Lines Tax

- Provides that no state other than the home state of the insured may require premium taxes on non-admitted insurance. Pennsylvania's tax on a surplus lines transaction placed within the Commonwealth is 3% of the gross premiums charged, less any return premiums.
- Changes the taxation for multi-state surplus lines policies and independently procured insurance placed after June 30, 2011, from an allocation method (taxing only that risk which is in the Commonwealth) to a gross premiums method (taxing the entire premium regardless of where the risk is located).
- In the case of independently procured insurance, the insured must report the transaction and pay the 3% tax to the Department of Revenue within 30 days after the last day of the month the insurance was procured.

Act 29 of 2011
SB 1097, PN 1279

Surplus Lines Tax

An act imposing a tax on premiums of insurance and reinsurance in foreign insurance companies and associations not registered in this Commonwealth; providing the method of collection of such tax, and imposing penalties.

- Requires the premium tax to be paid on policies of insurance placed with an insurance company or association of another state or a foreign country be made in the same manner as an eligible surplus lines insurer or non-admitted carrier (at 3% on all premiums charged based on the gross premiums charged, less any return premiums).

- The collecting, reporting and remittance of tax for policies placed after June 30, 2011 apply when the Commonwealth is the home state of the insured; and the imposition of tax and penalties for policies placed after June 30, 2011 apply when the Commonwealth is the home state of the insured.

Act 26 of 2011
SB 907, PN 1451

Sales and Use Tax

Returns and Remittances – Sales tax licensees reporting a total tax liability of $25,000 or more for the third calendar quarter of the preceding year are required to file a return and make a payment by the 20th of the month which shall include the following:

- Fifty percent of the licensee's sales and use tax liability for the same month in the prior calendar year (55 percent from the return due June 20, 2011).
- The amount of tax due for the prior calendar month.
- Less any amount paid under the first bullet in the prior month.
- This change will be effective for reporting periods beginning after May 31, 2011.
- This procedure replaces language enacted in the Tax Reform Code by Act 48 of 2009 that required two sales tax returns per month from the same sales tax vendors.

Tax Credits

Sets limits for tax credits as follows:

- R&D Tax Credit - $55,000,000. Of this amount, $11,000,000 is set aside for small businesses.
- Film Tax Credit-$60,000.000.
- Job Creation Tax Credit-$10,100,000

Film Tax Credit

Allows a purchaser or assignee of a film tax credit in 2011 to carry over the credit for use in the next taxable year.

Neighborhood Improvement Zones

Act 50 of 2009 authorized a city of the third class to designate a NIZ for the purpose of improvement and development of a zone and to construct a facility or facility complex within the zone. Within 30 days of enactment, the city was required to make application to decertify and remove the current Keystone Opportunity Zone (KOZ) designation. The amendment makes corrections to allow the city to continue with the development of the NIZ and construction of a facility or facility complex in the zone as follows:

- Opens a new window for the decertification of the KOZ.
- Limits the debt issuance, including any refunding, to a maximum term of 30 years.
- Clarifies the pledge of the Commonwealth for State taxes collected within the zone.

- Clarifies the flow of monies from the State and local taxing authorities and provides for an annual settlement with the contracting authority.
- Any excess moneys shall first be returned to the General Fund and then to the local taxing authorities who collected the taxes.
- The Commonwealth pledges not to change the law to impair the bonds.

Keystone Special Development Zones

Creates a new program for the designation of Keystone Special Development Zones (KSDZ) for parcels of real property certified as Special Industrial Areas by the Department of Environmental Protection pursuant to the Land Recycling and Environmental Remediation Standards Act, and which as of July 1, 2011 had no permanent vertical structures affixed to it.

- The KSDZ designation shall exist for 15 years.
- Provides a tax credit for employers within a KSDZ for new full time jobs created in the zone.
- The tax credit shall be equal to $2,100 per new full time job created beginning in tax year 2012 and for a period of 10 tax years during the 15 year period of the zone.
- The tax credit may only be applied against the qualified tax liability in the zone and may be carried forward for 10 taxable years.
- Excess credits may be sold or assigned.