
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 465 Session of
2013

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CUTLER, DAY, DENLINGER, DUNBAR, EVANKOVICH, EVERETT, FLECK,
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J. HARRIS, TRUITT, BRADFORD, DAVIDSON, CLYMER, ENGLISH,
KRIEGER AND REED, JANUARY 30, 2013

AS RE-REPORTED FROM COMMITTEE ON RULES, HOUSE OF
REPRESENTATIVES, AS AMENDED, JULY 1, 2013

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in tax for education, further providing for
11 definitions, for exclusions from tax, for credit against tax,
12 for licenses and for local receivers of use tax; providing
13 for remote sales reports; providing for special taxing
14 authority; in personal income tax, further providing for
15 definitions, for classes of income and for taxability of
16 partners; providing for tax treatment determined at
17 partnership level and for tax imposed at partnership level;
18 further providing for income of a Pennsylvania S Corporation,
19 for income taxes imposed by other states and for operational
20 provisions; providing for contributions for the Children's
21 Trust Fund and for contributions for American Red Cross;
22 further providing for general rule, for return of
23 Pennsylvania S Corporation, for requirements concerning

1 returns, notices, records and statements and for additions,
2 penalties and fees; providing for citation authority; in
3 corporate net income tax, further providing for definitions
4 and for reports and payment of tax; in corporate stock and
5 franchise tax, further providing for imposition and for
6 expiration; in bank and trust company shares tax, further
7 providing for imposition of tax, ascertainment of taxable
8 amount and exclusion of United States obligations, for
9 apportionment and for definitions; in realty transfer tax,
10 further providing for definitions, for excluded transactions,
11 for imposition of tax and for acquired company; providing for
12 nonlicensed corporation pari-mutuel wagering tax; in film
13 production tax credit, further providing for definitions, and
14 for credit for qualified film production expenses; in
15 educational opportunity scholarship tax credit, further
16 providing for scholarships; repealing provisions relating to
17 coal waste removal and ultraclean fuels tax credit; making an
18 editorial change; in job creation tax credit, further
19 providing for tax credits; providing for city revitalization
20 and improvement zones, for mobile telecommunications
21 broadband investment tax credit, for the Innovate in PA
22 Program, for neighborhood improvement zones and for Keystone
23 Special Development Zone program; in inheritance tax, further
24 providing for transfers not subject to tax and for exemption
25 for poverty; in inheritance tax, further providing for
26 liabilities and for deductions not allowed; in procedure and
27 administration, further providing for definitions and for
28 petition for reassessment; providing for the Board of Finance
29 and Revenue; further providing for review by the Board of
30 Finance and Revenue; providing for a report concerning the
31 significant changes in the structure and regulatory
32 environment within the banking industry; and making related
33 repeals.

34 The General Assembly of the Commonwealth of Pennsylvania
35 hereby enacts as follows:

36 Section 1. Section 201(ddd) of the act of March 4, 1971
37 (P.L.6, No.2), known as the Tax Reform Code of 1971, added
38 December 23, 2003 (P.L.250, No.46), is amended to read:

39 Section 201. Definitions.--The following words, terms and
40 phrases when used in this Article II shall have the meaning
41 ascribed to them in this section, except where the context
42 clearly indicates a different meaning:

43 * * *

44 [(ddd) "Call center." The physical location in this
45 Commonwealth:

46 (1) where at least one hundred and fifty employes are

1 employed to initiate or answer telephone calls;

2 (2) where there are at least two hundred telephone lines;

3 and

4 (3) which utilizes an automated call distribution system for
5 customer telephone calls in one or more of the following

6 activities:

7 (A) customer service and support;

8 (B) technical assistance;

9 (C) help desk service;

10 (D) providing information;

11 (E) conducting surveys;

12 (F) revenue collections; or

13 (G) receiving orders or reservations.

14 For purposes of this clause, a physical location may include
15 multiple buildings utilized by a taxpayer located within this
16 Commonwealth.]

17 Section 2. Section 204 of the act is amended by adding a
18 clause to read:

19 Section 204. Exclusions from Tax.--The tax imposed by
20 section 202 shall not be imposed upon any of the following:

21 * * *

22 (69) The sale at retail or use of aircraft parts, services
23 to aircraft and aircraft components. For purposes of this
24 clause, the term "aircraft" shall include a fixed-wing aircraft,
25 powered aircraft, tilt-rotor or tilt-wing aircraft, glider or
26 unmanned aircraft.

27 Section 3. Sections 206 and 208 of the act, amended December
28 23, 2003 (P.L.250, No.46), are amended to read:

29 Section 206. Credit Against Tax.--(a) A credit against the
30 tax imposed by section 202 shall be granted with respect to

1 tangible personal property or services purchased for use outside
2 the Commonwealth equal to the tax paid to another state by
3 reason of the imposition by such other state of a tax similar to
4 the tax imposed by this article: Provided, however, That no such
5 credit shall be granted unless such other state grants
6 substantially similar tax relief by reason of the payment of tax
7 under this article or under the Tax Act of 1963 for Education.

8 [(b) A credit against the tax imposed by section 202 on
9 telecommunications services shall be granted to a call center
10 for gross receipts tax paid by a telephone company on the
11 receipts derived from the sale of incoming and outgoing
12 interstate telecommunications services to the call center under
13 section 1101(a)(2). The following apply:

14 (1) A telephone company, upon request, shall notify a call
15 center of the amount of gross receipts tax paid by the telephone
16 company on the receipts derived from the sale of incoming and
17 outgoing interstate telecommunications services to the call
18 center.

19 (2) A call center that is eligible for the credit in this
20 subsection may apply for a tax credit as set forth in this
21 subsection.

22 (3) By February 15, a taxpayer must submit an application to
23 the department for gross receipts tax paid on the receipts
24 derived from the sale of incoming and outgoing interstate
25 telecommunications services incurred in the prior calendar year.

26 (4) By April 15 of the calendar year following the close of
27 the calendar year during which the gross receipts tax was
28 incurred, the department shall notify the applicant of the
29 amount of the applicant's tax credit approved by the department.

30 (5) The total amount of tax credits provided for in this

1 subsection and approved by the department shall not exceed
2 thirty million dollars (\$30,000,000) in any fiscal year. If the
3 total amount of tax credits applied for by all applicants
4 exceeds the amount allocated for those credits, then the credit
5 to be received by each applicant shall be determined as follows:

6 (i) Divide:

7 (A) the tax credit applied for by the applicant; by

8 (B) the total of all tax credits applied for by all
9 applicants.

10 (ii) Multiply:

11 (A) the quotient under subparagraph (i); by

12 (B) the amount allocated for all tax credits.]

13 Section 208. Licenses.--(a) Every person maintaining a
14 place of business in this Commonwealth, selling or leasing
15 services or tangible personal property, the sale or use of which
16 is subject to tax and who has not hitherto obtained a license
17 from the department, shall, prior to the beginning of business
18 thereafter, make application to the department, on a form
19 prescribed by the department, for a license. If such person
20 maintains more than one place of business in this Commonwealth,
21 the license shall be issued for the principal place of business
22 in this Commonwealth.

23 (b) The department shall, after the receipt of an
24 application, issue the license applied for under subsection (a)
25 of this section, provided said applicant shall have filed all
26 required State tax reports and paid any State taxes not subject
27 to a timely perfected administrative or judicial appeal or
28 subject to a duly authorized deferred payment plan. Such license
29 shall be nonassignable. All licensees as of the effective date
30 of this subsection shall be required to file for renewal of said

1 license on or before January 31, 1992. Licenses issued through
2 April 30, 1992, shall be based on a staggered renewal system
3 established by the department. Thereafter, any license issued
4 shall be valid for a period of five years.

5 (b.1) If an applicant for a license or any person holding a
6 license has not filed all required State tax reports and paid
7 any State taxes not subject to a timely perfected administrative
8 or judicial appeal or subject to a duly authorized deferred
9 payment plan, the department may refuse to issue, may suspend or
10 may revoke said license. The department shall notify the
11 applicant or licensee of any refusal, suspension or revocation.
12 Such notice shall contain a statement that the refusal,
13 suspension or revocation may be made public. Such notice shall
14 be made by first class mail. An applicant or licensee aggrieved
15 by the determination of the department may file an appeal
16 pursuant to the provisions for administrative appeals in this
17 article, except that the appeal must be filed within thirty (30)
18 days of the date of the notice. In the case of a suspension or
19 revocation which is appealed, the license shall remain valid
20 pending a final outcome of the appeals process. Notwithstanding
21 sections 274, 353(f), 408(b), 603, 702, 802, 904 and 1102 of the
22 act or any other provision of law to the contrary, if no appeal
23 is taken or if an appeal is taken and denied at the conclusion
24 of the appeal process, the department may disclose, by
25 publication or otherwise, the identity of a person and the fact
26 that the person's license has been refused, suspended or revoked
27 under this subsection. Disclosure may include the basis for
28 refusal, suspension or revocation.

29 (c) A person that maintains a place of business in this
30 Commonwealth for the purpose of selling or leasing services or

1 tangible personal property, the sale or use of which is subject
2 to tax, without having [first been licensed by the department] a
3 valid license at the time of the sale or lease shall be guilty
4 of a summary offense and, upon conviction thereof, be sentenced
5 to pay a fine of not less than three hundred dollars (\$300) nor
6 more than one thousand five hundred (\$1,500) and, in default
7 thereof, to undergo imprisonment of not less than five days nor
8 more than thirty days. The penalties imposed by this subsection
9 shall be in addition to any other penalties imposed by this
10 article. For purposes of this subsection, the offering for sale
11 or lease of any service or tangible personal property, the sale
12 or use of which is subject to tax, during any calendar day shall
13 constitute a separate violation. The Secretary of Revenue may
14 designate employes of the department to enforce the provisions
15 of this subsection. The employes shall exhibit proof of and be
16 within the scope of the designation when instituting proceedings
17 as provided by the Pennsylvania Rules of Criminal Procedure.

18 (d) Failure of any person to obtain a license shall not
19 relieve that person of liability to pay the tax imposed by this
20 article.

21 Section 4. Section 226 of the act is repealed:

22 [Section 226. Local Receivers of Use Tax.--Beginning on and
23 after the effective date of this article, in every county,
24 except in counties of the first class, the county treasurer is
25 hereby authorized to receive use tax due and payable under the
26 provisions of this article from any person other than a
27 licensee. The receiving of such taxes shall be pursuant to rules
28 and regulations promulgated by the department and upon forms
29 furnished by the department. Each county treasurer shall remit
30 to the department all use taxes received under the authority of

1 this section minus the costs of administering this provision not
2 to exceed one per cent of the amount of use taxes received,
3 which amount shall be retained in lieu of any commission
4 otherwise allowable by law for the collection of such tax.]

5 Section 5. The act is amended by adding a section to read:

6 Section 278. Remote Sales Reports.--(a) Within 90 days of
7 the publication of the notice under subsection (b), the
8 Independent Fiscal Office, in conjunction with the Department of
9 Revenue, shall submit a detailed report to the chairman and
10 minority chairman of the Appropriations Committee of the Senate,
11 the chairman and minority chairman of the Finance Committee of
12 the Senate, the chairman and minority chairman of the
13 Appropriations Committee of the House of Representatives and the
14 chairman and minority chairman of the Finance Committee of the
15 House of Representatives outlining the plans concerning the
16 implementation of the legislation referenced in subsection (b)
17 or other substantially similar Federal legislation, which would
18 grant the Commonwealth the authority to impose and collect the
19 tax under this article due on sales from remote sellers. The
20 report shall include all of the following:

21 (1) The amount of State funds necessary to implement the
22 legislation referenced in subsection (b) or other substantially
23 similar legislation. The amount needed shall be itemized, and
24 all costs, including personnel, office expenses and other
25 related costs, shall be included.

26 (2) The amount of State tax revenue expected to result from
27 the implementation of the legislation referenced in subsection
28 (b) or other substantially similar legislation for the fiscal
29 year and for five fiscal years thereafter.

30 (3) The source of funds which will be utilized to pay for

1 the legislation referenced in subsection (b) or other
2 substantially similar legislation implementation program.

3 (4) The legal and practical issues concerning the propriety
4 of collecting and enforcing the tax imposed under this article
5 from remote sellers.

6 (5) The number of other states which have a similar law in
7 effect and the success or deficiencies of the law.

8 (6) Proposed draft legislation concerning the implementation
9 of the legislation referenced in subsection (b) or other
10 substantially similar legislation.

11 (7) A detailed timetable on when separate tasks must be
12 completed for full implementation on an estimated start date.

13 (b) The Secretary of Revenue shall publish notice in the
14 Pennsylvania Bulletin that Federal legislation relating to
15 remote sellers has been enacted.

16 Section 6. Section 301(t) of the act, added August 31, 1971
17 (P.L.362, No.93), is amended and the section is amended by
18 adding subsections to read:

19 Section 301. Definitions.--Any reference in this article to
20 the Internal Revenue Code of 1986 shall mean the Internal
21 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.),
22 as amended to January 1, 1997, unless the reference contains the
23 phrase "as amended" and refers to no other date, in which case
24 the reference shall be to the Internal Revenue Code of 1986 as
25 it exists as of the time of application of this article. The
26 following words, terms and phrases when used in this article
27 shall have the meaning ascribed to them in this section except
28 where the context clearly indicates a different meaning:

29 * * *

30 (d.2) "Corporate item" means an item, including income, gain

1 or loss, deduction or credit determined at the Pennsylvania S
2 corporation level, which is required to be taken into account
3 for a Pennsylvania S corporation's taxable year.

4 * * *

5 (n.2) "Partnership item" means an item, including income,
6 gain or loss, deduction or credit determined at the partnership
7 level, which is required to be taken into account for a
8 partnership's taxable year.

9 * * *

10 (o.4) "Publicly traded partnership" means an entity defined
11 under section 7704 of the Internal Revenue Code of 1986 (Public
12 Law 99-514, 26 U.S.C. § 7704) with equity securities registered
13 with the Securities and Exchange Commission under section 12 of
14 the Securities Exchange Act of 1934 (48 Stat. 881, 15 U.S.C. §
15 78a).

16 * * *

17 (t) "State" means, except as provided under section 314(a),
18 any state or commonwealth of the United States, the District of
19 Columbia, the Commonwealth of Puerto Rico, any territory or
20 possession of the United States and any foreign country.

21 * * *

22 Section 6.1. The act is amended by adding an article to
23 read:

24 ARTICLE II-B

25 SPECIAL TAXING AUTHORITY

26 Section 201-B. Special taxing authority.

27 (a) Imposition of tax.--

28 (1) A city of the first class may elect to impose a tax
29 on the sale at retail of tangible personal property or
30 services or use of tangible personal property or services

1 purchased at retail, as those terms are defined in section
2 201.

3 (2) The tax imposed under this section shall be in
4 addition to the tax authorized under section 503(a) and (b)
5 of the act of June 5, 1991 (P.L. 9, No. 6), known as the
6 Pennsylvania Intergovernmental Cooperation Authority Act for
7 Cities of the First Class.

8 (3) The tax authorized under this subsection shall not
9 be levied, assessed and collected upon the occupancy of a
10 room in a hotel in the city of the first class.

11 (4) A tax imposed under this subsection on sales or uses
12 shall be paid to and received by the Department of Revenue
13 and, along with interest and penalties, less any refunds and
14 credits paid, shall be credited to the local sales and use
15 tax fund created under the Pennsylvania Intergovernmental
16 Cooperation Authority Act for Cities of the First Class.
17 Money in the fund shall be disbursed as provided in section
18 509 of the Pennsylvania Intergovernmental Cooperation
19 Authority Act for Cities of the First Class.

20 (b) Rate.--The tax authorized under subsection (a) shall be
21 imposed and collected at the rate of 1% and shall be computed as
22 set forth in section 503(e) (2) of the Pennsylvania
23 Intergovernmental Cooperation Authority Act for Cities of the
24 First Class.

25 (c) Collection.--The tax authorized under subsection (a)
26 shall be administered, collected, deposited and disbursed in the
27 same manner as the tax imposed under Chapter 5 of the
28 Pennsylvania Intergovernmental Cooperation Authority Act for
29 Cities of the First Class and the situs of the tax shall be
30 determined in accordance with the Pennsylvania Intergovernmental

1 Cooperation Authority Act and Article II-A. The Department of
2 Revenue shall use the money received from the tax authorized
3 under Chapter 5 of the Pennsylvania Intergovernmental
4 Cooperation Authority Act for Cities of the First Class to cover
5 costs for the administration of the tax authorized under
6 subsection (a). The Department of Revenue shall not retain any
7 additional amounts for the cost of collecting the tax authorized
8 under subsection (a). No additional fee shall be charged for a
9 license or license renewal other than the license or renewal fee
10 authorized and imposed under Article II.

11 (d) Municipal action.--In order to impose the tax, the
12 governing body of the city shall adopt an ordinance stating the
13 tax rate. The ordinance may be adopted prior to the effective
14 date of this subsection. The ordinance shall take effect no
15 earlier than 20 days after the adoption of the ordinance or 20
16 days after the effective date of this section, whichever is
17 later. A certified copy of the city ordinance shall be delivered
18 to the Department of Revenue within ten days prior to or after
19 the effective date of the ordinance. A certified copy of an
20 ordinance to repeal the tax authorized under subsection (a)
21 shall be delivered to the Department of Revenue at least 30 days
22 prior to the effective date of repeal.

23 (e) Use of tax receipts.--

24 (1) Money received by the city from the levy, assessment
25 and collection of the tax authorized under subsection (a) may
26 only be paid to a school district of the first class in an
27 amount of up to \$120,000,000 if the Secretary of Education
28 has made a determination, in the form of an annual
29 certification published in the Pennsylvania Bulletin, that
30 the school district of the first class has, in the judgment

1 of the Secretary of Education, began implementation of
2 reforms that provide for fiscal stability, educational
3 improvement and operational control.

4 (2) If the Secretary of Education determines that the
5 school district of the first class is implementing the
6 provisions outlined in paragraph (1), the Secretary of
7 Education shall:

8 (i) Deliver written certification of the
9 determination to the majority and minority chairpersons
10 of the Appropriations Committees of the Senate and the
11 House of Representatives, the majority and minority
12 chairpersons of the Education Committees of the Senate
13 and the House of Representatives, the chief executive of
14 the school district of the first class and the Secretary
15 of the Department of Revenue.

16 (ii) Upon receipt of the certification from the
17 Secretary of Education, the Secretary of the Department
18 of Revenue shall direct the State Treasurer to disburse,
19 on or before the 10th day of every month, to the school
20 district of the first class the total amount of money
21 which is, as of the last day of the previous month,
22 contained in the Local Sales and Use Tax Fund.

23 (iii) If the Secretary of Education does not issue a
24 written certification on or before December 31 of each
25 year all money contained in the Local Sales and Use Tax
26 Fund shall be paid to a city of the first class.

27 (f) Remaining money.--Any remaining money above \$120,000,000
28 paid to a school district of the first class pursuant to this
29 section shall be paid to a city of the first class as follows:

30 (1) for fiscal years 2014-2015, 2015-2016, 2016-2017 and

1 2017-2018, the first \$15,000,000 in each of those fiscal
2 years may be retained for the payment of debt service
3 incurred by the city for the benefit of a school district of
4 the first class; and

5 (2) the remaining money shall be paid to a city of the
6 first class in accordance with the act of December 18, 1984
7 (P.L.1005, No.205), known as the Municipal Pension Plan
8 Funding Standard and Recovery Act.

9 Section 7. Section 303(a)(2) of the act, added August 31,
10 1971 (P.L.362, No.93), is amended and the section is amended by
11 adding a subsection to read:

12 Section 303. Classes of Income.--(a) The classes of income
13 referred to above are as follows:

14 * * *

15 (2) Net profits. The net income from the operation of a
16 business, profession, or other activity, after provision for all
17 costs and expenses incurred in the conduct thereof, determined
18 either on a cash or accrual basis in accordance with accepted
19 accounting principles and practices but without deduction of
20 taxes based on income. For purposes of calculating net income
21 under this paragraph, to the extent a taxpayer properly deducts
22 an amount under section 195(b)(1)(A) of the Internal Revenue
23 Code of 1986 (26 U.S.C. § 195(b)(1)(A)), as amended, and the
24 regulations promulgated under section 195(b)(1)(A) of the
25 Internal Revenue Code of 1986, the taxpayer shall be permitted a
26 deduction in equal amount in the same taxable year.

27 * * *

28 (a.8) A person who incurs intangible drilling and
29 development costs shall capitalize the costs unless the taxpayer
30 elects to currently expense the costs for Federal income tax

1 purposes under section 263(c) of the Internal Revenue Code of
2 1986, as amended, and regulations thereunder, is required to
3 capitalize the costs and recover them over a ten-year period in
4 the taxable year the costs are incurred; or a person may elect
5 to currently expense up to one-third of the costs in the taxable
6 year in which the costs are incurred and recover the remaining
7 costs over a ten-year period beginning in the taxable year the
8 costs are incurred.

9 Section 8. Section 306 of the act, amended June 22, 2001
10 (P.L.353, No.23), is amended to read:

11 Section 306. Taxability of Partners.--[A] Except as provided
12 under section 306.2, a partnership as an entity shall not be
13 subject to the tax imposed by this article, but the income or
14 gain of a member of a partnership in respect of said partnership
15 shall be subject to the tax and the tax shall be imposed on his
16 share, whether or not distributed, of the income or gain
17 received by the partnership for its taxable year ending within
18 or with the member's taxable year.

19 Section 9. The act is amended by adding sections to read:

20 Section 306.1. Tax Treatment Determined at Partnership
21 Level.--The classification or character of a partnership item
22 shall be determined at the partnership level. This section shall
23 not prohibit the department from adjusting a partner's return.

24 Section 306.2. Tax Imposed at Partnership Level.--(a) A
25 partnership underreporting income by more than one million
26 dollars (\$1,000,000) for any tax year shall be liable for the
27 tax, excluding interest, penalties or additions at the tax rate
28 applicable to the tax year, on the underreported income without
29 regard to the tax liability of the partners for the
30 underreported income. The department shall assess the

1 partnership for the tax on the underreported income. The
2 department shall not assess the partners for the underreported
3 income or the tax thereon; rather, the partnership shall be
4 required to provide an amended statement to each partner as
5 required under section 335(c)(3) of the partner's pro rata share
6 of the underreported income within ninety days of the assessment
7 becoming final. Nothing in this subsection shall relieve the
8 partners of their tax liability on the underreported income.

9 (a.1) Each partner shall be allowed a credit for such
10 partner's share of the tax assessed against the partnership
11 under subsection (a) and paid by the partnership. The credit
12 shall be allowed for the partner's taxable year in which the
13 underreported income was required to be reported.

14 (b) Subsection (a) shall apply to the following
15 partnerships:

16 (1) A partnership which has eleven or more partners who are
17 natural persons.

18 (2) A partnership which has at least one partner which is a
19 corporation, limited liability company, partnership or trust.

20 (3) A partnership which has only partners who are natural
21 persons and which elects to be subject to this subsection. The
22 election must be included on the partnership return to be filed
23 with the department.

24 (c) This section shall not apply to a publicly traded
25 partnership.

26 (d) Nothing under this section shall require one partner to
27 be liable for the payment of a tax liability of another partner.

28 (e) Appeals involving a deficiency assessed under this
29 section may only be pursued by the partnership and a
30 reassessment of tax liability shall be binding on the partners.

1 Section 10. Section 307.8(a) of the act, amended May 7, 1997
2 (P.L.85, No.7), is amended and the section is amended by adding
3 a subsection to read:

4 Section 307.8. Income of a Pennsylvania S Corporation.--(a)
5 A Pennsylvania S corporation shall not be subject to the tax
6 imposed by this article, except as provided under subsection
7 (f), but the shareholders of the Pennsylvania S corporation
8 shall be subject to the tax imposed under this article as
9 provided in this article.

10 * * *

11 (f) A Pennsylvania S corporation with underreported income
12 shall be subject to the following:

13 (1) A Pennsylvania S corporation underreporting income
14 by more than one million dollars (\$1,000,000) for any tax
15 year shall be liable for the tax, excluding interest,
16 penalties or additions, at the tax rate applicable to the tax
17 year, on the underreported income without regard to the tax
18 liability of the shareholders for the underreported income.
19 The department shall assess the Pennsylvania S corporation
20 for the tax on the underreported income. The department shall
21 not assess the shareholders for the underreported income or
22 the tax thereon; rather, the Pennsylvania S corporation shall
23 be required to provide an amended statement to each
24 shareholder as required under section 330.1 of the
25 shareholder's pro rata share of the underreported income
26 within 90 days of the assessment becoming final. Nothing in
27 this subsection shall relieve the shareholders of their tax
28 liability on the underreported income.

29 (1.1) Each shareholder shall be allowed a credit for the
30 shareholder's share of the tax assessed against the Pennsylvania

1 S corporation under paragraph (1) and paid by the Pennsylvania S
2 corporation. The credit shall be allowed for the shareholder's
3 taxable year in which the underreported income was required to
4 be reported.

5 (2) Paragraph (1) shall apply to the following Pennsylvania
6 S corporations:

7 (i) A Pennsylvania S corporation which has eleven or more
8 shareholders.

9 (ii) A Pennsylvania S corporation which elects to be subject
10 to this subsection. The election must be included on the
11 Pennsylvania S corporation return to be filed with the
12 department.

13 (3) Nothing under this section shall require one shareholder
14 to be liable for the payment of a tax liability of another
15 shareholder.

16 (4) Appeals involving the deficiency assessed under this
17 section may be filed only by the Pennsylvania S corporation and
18 a reassessment of tax liability shall be binding on the
19 shareholders.

20 Section 11. Section 314(a) of the act, amended December 23,
21 1983 (P.L.370, No.90), is amended to read:

22 Section 314. Income Taxes Imposed by Other States.--(a) A
23 resident taxpayer before allowance of any credit under section
24 312 shall be allowed a credit against the tax otherwise due
25 under this article for the amount of any income tax, wage tax or
26 tax on or measured by gross or net earned or unearned income
27 imposed on him or on a Pennsylvania S corporation in which he is
28 a shareholder, to the extent of his pro rata share thereof
29 determined in accordance with section 307.9, by another state
30 with respect to income which is also subject to tax under this

1 article. For purposes of this subsection, the term "state" shall
2 only include a state of the United States, the District of
3 Columbia, the Commonwealth of Puerto Rico and any territory or
4 possession of the United States.

5 * * *

6 Section 12. Section 315.9 of the act, amended October 9,
7 2009 (P.L.451, No.48), is amended to read:

8 Section 315.9. Operational Provisions.--

9 (b) Except as set forth in subsection (b.1), any checkoff
10 established under this part and applicable for the first time in
11 a taxable year beginning after December 31, 2009, shall expire
12 four years after the beginning of such first taxable year.

13 (b.1) Notwithstanding subsection (b), the checkoffs
14 established in sections 315.2 and 315.7 shall not expire.

15 (c) Sections 315.3, 315.4 and 315.8 shall expire January 1,
16 [2014] 2018.

17 Section 13. The act is amended by adding sections to read:

18 Section 315.10. Contributions for the Children's Trust
19 Fund.--(a) The department shall provide a space on the
20 Pennsylvania individual income tax return form whereby an
21 individual may voluntarily designate a contribution of any
22 amount desired to the Children's Trust Fund established in
23 section 8 of the act of December 15, 1988 (P.L.1235, No.151),
24 known as the "Children's Trust Fund Act."

25 (b) The amount designated under subsection (a) by an
26 individual on the income tax return form shall be deducted from
27 the tax refund to which that individual is entitled and shall
28 not constitute a charge against the income tax revenues due the
29 Commonwealth.

30 (c) The department shall determine annually the total amount

1 designated pursuant to this section, less reasonable
2 administrative costs, and shall report the amount to the State
3 Treasurer, who shall transfer the amount from the General Fund
4 to the Children's Trust Fund.

5 Section 315.11. Contributions for American Red Cross.--(a)
6 The department shall provide a space on the Pennsylvania
7 individual income tax return form by which an individual may
8 voluntarily designate a contribution of any amount desired to
9 the American Red Cross established under 36 U.S.C. Ch. 3001
10 (relating to the American National Red Cross).

11 (b) The amount designated under subsection (a) by an
12 individual on the income tax return form shall be deducted from
13 the tax refund to which the individual is entitled and shall not
14 constitute a charge against the income tax revenues due the
15 Commonwealth.

16 (c) The department shall determine annually the total amount
17 designated under this section, less reasonable administrative
18 costs, and shall report the amount to the State Treasurer, who
19 shall transfer the amount from the General Fund to the American
20 Red Cross.

21 Section 14. Section 324 of the act, amended June 22, 2001
22 (P.L.353, No.23), is amended to read:

23 Section 324. General Rule.--(a) When a partnership, estate,
24 trust or Pennsylvania S corporation receives income from sources
25 within this Commonwealth for any taxable year and any portion of
26 the income is allocable to a nonresident partner, beneficiary,
27 member or shareholder thereof, the partnership, estate, trust or
28 Pennsylvania S corporation shall pay a withholding tax under
29 this section at the time and in the manner prescribed by the
30 department; however, notwithstanding any other provision of this

1 article, all such withholding tax shall be paid over on or
2 before the fifteenth day of the fourth month following the end
3 of the taxable year.

4 (b) This section shall not apply to any publicly traded
5 partnership as defined under section 7704 of the Internal
6 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 7704) with
7 equity securities registered with the Securities and Exchange
8 Commission under section 12 of the Securities Exchange Act of
9 1934 (48 Stat. 881, 15 U.S.C. § 78a).

10 Section 15. Section 330.1 of the act, amended or added
11 December 23, 1983 (P.L.370, No.90) and July 13, 1987 (P.L.325,
12 No.59), is amended to read:

13 Section 330.1. Return of Pennsylvania S Corporation.--(a)
14 Every Pennsylvania S corporation shall make a return for each
15 taxable year, stating specifically all items of gross income and
16 deductions, the names and addresses of all persons owning stock
17 in the corporation at any time during the taxable year, the
18 number of shares of stock owned by each shareholder at all times
19 during the taxable year, the amount of money and other property
20 distributed by the corporation during the taxable year to each
21 shareholder, the date of each distribution, each shareholder's
22 pro rata share of each item of the corporation for the taxable
23 year and such other information as the department may require.

24 (b) The return shall be filed on or before thirty days after
25 the date when the corporation's Federal income tax return is
26 due.

27 (c) Every Pennsylvania S corporation shall also submit to
28 the department a true copy of the income tax return filed with
29 the Federal Government at the time the return required under
30 subsection (a) is filed.

1 (d) Each Pennsylvania S corporation required to file a
2 return under subsection (a) for a taxable year shall, on or
3 before the day on which the return for the taxable year was
4 filed, furnish to each person who is a shareholder at any time
5 during the taxable year, a written statement of the
6 shareholder's pro rata share of each item on the corporate
7 return, in a form required by the department.

8 Section 16. Section 335 of the act, amended or added August
9 31, 1971 (P.L.362, No.93), December 23, 2003 (P.L.250, No.46)
10 and July 2, 2012 (P.L.751, No.85), is amended to read:

11 Section 335. Requirements Concerning Returns, Notices,
12 Records and Statements.--(a) The department may prescribe by
13 regulation for the keeping of records, the content and form of
14 returns, declarations, statements and other documents and the
15 filing of copies of Federal income tax returns and
16 determinations. The department may require any person, by
17 regulation or notice served upon such person, to make such
18 returns, render such statements, or keep such records, as the
19 department may deem sufficient to show whether or not such
20 person is liable for tax under this article.

21 (b) (1) When required by regulations prescribed by the
22 department:

23 (i) Any person required under the authority of this article
24 to make a return, declaration, statement, or other document
25 shall include in such return, declaration, statement or other
26 document such identifying number as may be prescribed for
27 securing proper identification of such person.

28 (ii) Any person with respect to whom a return, declaration,
29 statement, or other document is required under the authority of
30 this article to make a return, declaration, statement, or other

1 document with respect to another person, shall request from such
2 other person, and shall include in any such return, declaration,
3 statement, or other document, such identifying number as may be
4 prescribed for securing proper identification of such other
5 person.

6 (2) For purposes of this section, the department is
7 authorized to require such information as may be necessary to
8 assign an identifying number to any person.

9 (c) (1) Every partnership, estate or trust having a
10 resident partner or a resident beneficiary or every partnership,
11 estate or trust having any income derived from sources within
12 this Commonwealth shall make a return for the taxable year
13 setting forth all items of income, loss and deduction, and such
14 other pertinent information as the department may [by
15 regulations prescribe] require. Such return shall be filed on or
16 before the fifteenth day of the fourth month following the close
17 of each taxable year. For purposes of this subsection, "taxable
18 year" means year or period which would be a taxable year of the
19 partnership if it were subject to tax under this article.

20 (2) Every partnership, estate or trust required to file a
21 return under paragraph (1) shall also file with the department a
22 true copy of the income tax return filed with the Federal
23 Government at the time the return required under paragraph (1)
24 is filed.

25 (3) Every partnership, estate or trust required to file a
26 return under paragraph (1) for any taxable year shall, on or
27 before the day the return is filed, furnish to each partner or
28 nominee for another person or to each beneficiary to whom the
29 income or gains of the estate or trust is taxable, a written
30 statement of the partner's pro rata share of each item on the

1 partnership return or the beneficiary's pro rata share of income
2 on the estate or trust return, in a form required by the
3 department.

4 (4) A partnership required to file a return under paragraph
5 (1) for a taxable year shall, on or before the day the return is
6 filed, furnish to each partner classified as a corporation,
7 partnership or disregarded entity for Federal income tax
8 purposes a copy of the Pennsylvania income tax form reporting
9 corporate partner apportioned business income or loss. A
10 reporting partnership shall not be required to provide a partner
11 who is either a partnership or disregarded entity a copy of this
12 form, if the reporting partnership is able to determine that an
13 entity classified as a corporation for Federal income tax
14 purposes is not an indirect owner of the reporting partnership.

15 (d) The department may prescribe regulations requiring
16 returns of information to be made and filed on or before
17 February 28 of each year as to the payment or crediting in any
18 calendar year of amounts of ten dollars (\$10) or more to any
19 taxpayer. Such returns may be required of any person, including
20 lessees or mortgagors of real or personal property, fiduciaries,
21 employers and all officers and employes of this Commonwealth, or
22 of any municipal corporation or political subdivision of this
23 Commonwealth having the control, receipt, custody, disposal or
24 payment of interest, rents, salaries, wages, premiums,
25 annuities, compensations, remunerations, emoluments or other
26 fixed or determinable gains, profits or income, except interest
27 coupons payable to bearer. A duplicate of the statement as to
28 tax withheld on compensation required to be furnished by an
29 employer to an employe, shall constitute the return of
30 information required to be made under this section with respect

1 to such compensation.

2 (e) Any person who is required to make a form W-2G return to
3 the Secretary of the Treasury of the United States in regard to
4 taxable gambling or lottery winnings from sources within this
5 Commonwealth shall file a copy of the form with the department
6 by March 1 of each year or, if filed electronically, by March 31
7 of each year.

8 (f) The following apply:

9 (1) Any person who:

10 (i) makes payments of income from sources within this
11 Commonwealth;

12 (ii) makes payments of nonemployee compensation or payments
13 under an oil and gas lease under subparagraph (i) to a resident
14 or nonresident individual, an entity treated as a partnership
15 for tax purposes or a single member limited liability company;
16 and

17 (iii) is required to make a form 1099-MISC return to the
18 Secretary of the Treasury of the United States with respect to
19 the payments shall file a copy of form 1099-MISC with the
20 department and send a copy of form 1099-MISC to the payee by the
21 Federal filing deadline each year.

22 (2) If the payor is required to perform electronic filing
23 for Pennsylvania employer withholding purposes, the form 1099-
24 MISC shall be filed electronically with the department.

25 (g) (1) Every estate, trust, Pennsylvania S Corporation or
26 partnership, other than a publicly traded partnership, shall
27 maintain at the end of the entity's taxable year an accurate
28 list of partners, members, beneficiaries or shareholders. The
29 list shall include the name, current address and tax
30 identification number of all existing partners, members,

1 beneficiaries or shareholders and of all partners, members,
2 beneficiaries or shareholders, who were admitted or who withdrew
3 during the taxable year, including the date of withdrawal and
4 admittance.

5 (2) If the entity under paragraph (1) does not maintain an
6 accurate list as required, the tax, penalty and interest with
7 respect to the entity shall be considered the tax, penalty and
8 interest of the partnership, estate, trust or Pennsylvania S
9 Corporation and of the general partner, tax matters partner,
10 corporate officer or trustee.

11 Section 17. Section 352(f) of the act, amended July 2, 2012
12 (P.L.751, No.85), is amended to read:

13 Section 352. Additions, Penalties and Fees.--* * *

14 (f) (1) Any person required under the provisions of section
15 317 to furnish a statement to an employe who wilfully furnishes
16 a false or fraudulent statement, or who wilfully fails to
17 furnish a statement in the manner, at the time, and showing the
18 information required under section 317 and the regulations
19 prescribed thereunder, shall, for each such failure, be subject
20 to a penalty of fifty dollars (\$50) for each employe.

21 (2) Any person required [by regulation] to furnish an
22 information return who furnishes a false or fraudulent return or
23 who fails to file or provide an information return shall [for
24 each failure] be subject to a penalty of two hundred fifty
25 dollars (\$250).

26 (3) Every partnership, estate, trust or Pennsylvania S
27 corporation required to file a return with the department under
28 the provisions of section 330.1 or 335(c) who furnishes a false
29 or fraudulent return or who fails to file the return in the
30 manner and at the time required under section 330.1 or 335(c)

1 shall be subject to a penalty of \$250 for each failure.

2 (4) Any person required to file a copy of form 1099-MISC
3 with the department under the provisions of section 335(f) who
4 wilfully furnishes a false or fraudulent form or who wilfully
5 fails to file the form in the manner, at the time and showing
6 the information required under section 335(f) shall, for each
7 such failure, be subject to a penalty of fifty dollars (\$50).

8 (5) Any person required under the provisions of section
9 335(f) to furnish a copy of form 1099-MISC to a payee who
10 wilfully furnishes a false or fraudulent form or who wilfully
11 fails to furnish a form in the manner, at the time and showing
12 the information required by section 335(f) shall, for each such
13 failure, be subject to a penalty of fifty dollars (\$50).

14 * * *

15 Section 18. The act is amended by adding a section to read:

16 Section 352.2. Citation Authority.--(a) Notwithstanding any
17 other provision of this act, any person who does any of the
18 following commits a summary offense and, upon conviction, shall
19 be subject to the fines and penalties imposed under section
20 208(c) (relating to licenses):

21 (1) Does not pay employer withholding tax, interest or
22 penalty within ninety days after the due date and the tax
23 liability due has not been timely appealed or subject to a duly
24 authorized deferred payment plan.

25 (2) Underpays an employer withholding tax, interest or
26 penalty within ninety days after the due date and the tax
27 liability due has not been timely appealed or subject to a duly
28 authorized deferred payment plan.

29 (3) Fails to file a tax employer withholding return or
30 report, or any other reporting document within ninety days after

1 the due date of the applicable payment or return, report or any
2 other reporting document.

3 (b) The penalties imposed under this section shall be in
4 addition to any other penalties imposed under this article.

5 (c) The Secretary of Revenue may designate employes of the
6 department to enforce this subsection. The employes shall
7 exhibit proof of and be within the scope of the designation when
8 instituting proceedings as provided under the Pennsylvania Rules
9 of Criminal Procedure.

10 Section 19. Section 401(3)1, 2(a)(17) and 4(c)(1)(A)(IV) of
11 the act, amended September 9, 1971 (P.L.437, No.105), are
12 amended, clause (3)1 and 2 are amended by adding phrases,
13 subclause 2(a) is amended by adding a paragraph, paragraphs
14 (3)4(c)(1)(A) and 2(B) are amended by adding subparagraphs and
15 the section is amended by adding clauses to read:

16 Section 401. Definitions.--The following words, terms, and
17 phrases, when used in this article, shall have the meaning
18 ascribed to them in this section, except where the context
19 clearly indicates a different meaning:

20 * * *

21 (3) "Taxable income." 1. * * *

22 (t) (1) Except as provided in paragraph (2), (3) or (4) for
23 taxable years beginning after December 31, 2014, and in addition
24 to any authority the department has on the effective date of
25 this paragraph to deny a deduction related to a fraudulent or
26 sham transaction, no deduction shall be allowed for an
27 intangible expense or cost, or an interest expense or cost,
28 paid, accrued or incurred directly or indirectly in connection
29 with one or more transactions with an affiliated entity. In
30 calculating taxable income under this paragraph, when the

1 taxpayer is engaged in one or more transactions with an
2 affiliated entity that was subject to tax in this Commonwealth
3 or another state or possession of the United States on a tax
4 base that included the intangible expense or cost, or the
5 interest expense or cost, paid, accrued or incurred by the
6 taxpayer, the taxpayer shall receive a credit against tax due in
7 this Commonwealth in an amount equal to the apportionment factor
8 of the taxpayer in this Commonwealth multiplied by the greater
9 of the following:

10 (A) the tax liability of the affiliated entity with respect
11 to the portion of its income representing the intangible expense
12 or cost, or the interest expense or cost, paid, accrued or
13 incurred by the taxpayer; or

14 (B) the tax liability that would have been paid by the
15 affiliated entity under subparagraph (A) if that tax liability
16 had not been offset by a credit.

17 The credit issued under this paragraph shall not exceed the
18 taxpayer's liability in this Commonwealth attributable to the
19 net income taxed as a result of the adjustment required by this
20 paragraph.

21 (2) The adjustment required by paragraph (1) shall not apply
22 to a transaction that did not have as the principal purpose the
23 avoidance of tax due under this article and was done at arm's
24 length rates and terms.

25 (3) The adjustment required by paragraph (1) shall not apply
26 to a transaction between a taxpayer and an affiliated entity
27 domiciled in a foreign nation which has in force a comprehensive
28 income tax treaty with the United States providing for the
29 allocation of all categories of income subject to taxation, or
30 the withholding of tax, on royalties, licenses, fees and

1 interest for the prevention of double taxation of the respective
2 nations' residents and the sharing of information.

3 (4) The adjustment required by paragraph (1) shall not apply
4 to a transaction where an affiliated entity directly or
5 indirectly paid, accrued or incurred a payment to a person who
6 is not an affiliated entity, if the payment is paid, accrued or
7 incurred on the intangible expense or cost, or interest expense
8 or cost, and is equal to or less than the taxpayer's
9 proportional share of the transaction. The taxpayer's
10 proportional share shall be based on relative sales, assets,
11 liabilities or another reasonable method.

12 2. In case the entire business of any corporation, other
13 than a corporation engaged in doing business as a regulated
14 investment company as defined by the Internal Revenue Code of
15 1986, is not transacted within this Commonwealth, the tax
16 imposed by this article shall be based upon such portion of the
17 taxable income of such corporation for the fiscal or calendar
18 year, as defined in subclause 1 hereof, and may be determined as
19 follows:

20 (a) Division of Income.

21 * * *

22 (16.1) (A) Sales from the sale, lease, rental or other use
23 of real property, if the real property is located in this State.
24 If a single parcel of real property is located both in and
25 outside this State, the sale is in this State based upon the
26 percentage of original cost of the real property located in this
27 State.

28 (B) (I) Sales from the rental, lease or licensing of
29 tangible personal property, if the customer first obtained
30 possession of the tangible personal property in this State.

1 (II) If the tangible personal property is subsequently taken
2 out of this State, the taxpayer may use a reasonably determined
3 estimate of usage in this State to determine the extent of sale
4 in this State.

5 (C) (I) Sales from the sale of service, if the service is
6 delivered to a location in this State. If the service is
7 delivered both to a location in and outside this State, the sale
8 is in this State based upon the percentage of total value of the
9 service delivered to a location in this State.

10 (II) If the state or states of assignment under subparagraph
11 (I) cannot be determined for a customer who is an individual
12 that is not a sole proprietor, a service is deemed to be
13 delivered at the customer's billing address.

14 (III) If the state or states of assignment under
15 subparagraph (I) cannot be determined for a customer, except for
16 a customer under subparagraph (II), a service is deemed to be
17 delivered at the location from which the services were ordered
18 in the customer's regular course of operations. If the location
19 from which the services were ordered in the customer's regular
20 course of operations cannot be determined, a service is deemed
21 to be delivered at the customer's billing address.

22 (17) Sales, other than sales [of tangible personal property]
23 under paragraphs (16) and (16.1), are in this State if:

24 (A) The income-producing activity is performed in this
25 State; or

26 (B) The income-producing activity is performed both in and
27 outside this State and a greater proportion of the income-
28 producing activity is performed in this State than in any other
29 state, based on costs of performance.

30 * * *

1 (e) Satellite Television Services Providers.

2 (1) All business income of providers of satellite television
3 services shall be apportioned to this Commonwealth by
4 multiplying the income by a fraction, the numerator of which is
5 the value of equipment located in this Commonwealth that is
6 owned or rented by the taxpayer or owned by an entity that is
7 included with the taxpayer in a controlled group, as defined in
8 section 267(f) of the Internal Revenue Code of 1986 (Public Law
9 99-514, 26 U.S.C. § 166), and used by the taxpayer in
10 generating, processing or transmitting satellite television
11 services whether or not such equipment is affixed to real
12 estate, and the denominator of which is the value of all such
13 equipment located everywhere. The value of property owned by the
14 taxpayer or owned by an entity included with the taxpayer in a
15 controlled group and used by the taxpayer shall be its cost less
16 depreciation per the books and records of the owner. The value
17 of rented equipment shall be determined in accordance with
18 paragraph (11) of phrase (a) of subclause 2 of this definition.

19 (2) Nonbusiness income of providers of satellite television
20 services shall be allocated as provided in paragraphs (5)
21 through (8) of subclause 2 of this definition.

22 * * *

23 4. * * *

24 (c) (1) The net loss deduction shall be the lesser of:

25 (A) * * *

26 (IV) For taxable years beginning after December 31, 2009,
27 the greater of twenty per cent of taxable income as determined
28 under subclause 1 or, if applicable, subclause 2 or three
29 million dollars (\$3,000,000); [or]

30 (V) For taxable years beginning after December 31, 2013, the

1 greater of twenty-five per cent of taxable income as determined
2 under subclause 1 or, if applicable, subclause 2 or four million
3 dollars (\$4,000,000);

4 (VI) For taxable years beginning after December 31, 2014,
5 the greater of thirty per cent of taxable income as determined
6 under subclause 1 or, if applicable, subclause 2 or five million
7 dollars (\$5,000,000); or

8 * * *

9 (2) * * *

10 (B) The earliest net loss shall be carried over to the
11 earliest taxable year to which it may be carried under this
12 schedule. The total net loss deduction allowed in any taxable
13 year shall not exceed:

14 * * *

15 (V) The greater of twenty-five per cent of taxable income as
16 determined under subclause 1 or, if applicable, subclause 2 or
17 four million dollars (\$4,000,000) for taxable years beginning
18 after December 31, 2013.

19 (VI) The greater of thirty per cent of taxable income as
20 determined under subclause 1 or, if applicable, subclause 2 or
21 five million dollars (\$5,000,000) for taxable years beginning
22 after December 31, 2014.

23 * * *

24 (8) "Intangible expense or cost." Royalties, licenses or
25 fees paid for the acquisition, use, maintenance, management,
26 ownership, sale, exchange or other disposition of patents,
27 patent applications, trade names, trademarks, service marks,
28 copyrights, mask works or other similar expenses or costs.

29 (9) "Interest expense or cost." A deduction allowed under
30 section 163 of the Internal Revenue Code of 1986 (26 U.S.C. §

1 163) to the extent that such deduction is directly related to an
2 intangible expense or cost.

3 (10) "Affiliated entity." A person with a relationship to
4 the taxpayer during all or any portion of the taxable year that
5 is any of the following:

6 (i) a stockholder who is an individual, or a member of the
7 stockholder's family as set forth in section 318 of the Internal
8 Revenue Code of 1986 (26 U.S.C. § 318), if the stockholder and
9 the members of the stockholder's family own, directly,
10 indirectly, beneficially or constructively, in the aggregate,
11 more than fifty per cent of the value of the taxpayer's
12 outstanding stock;

13 (ii) a stockholder, or a stockholder's partnership, limited
14 liability company, estate, trust or corporation, if the
15 stockholder and the stockholder's partnerships, limited
16 liability companies, estates, trusts and corporations own
17 directly, indirectly, beneficially or constructively, in the
18 aggregate, more than fifty per cent of the value of the
19 taxpayer's outstanding stock;

20 (iii) a corporation, or a party related to the corporation
21 in a manner that would require an attribution of stock from the
22 corporation to the party or from the party to the corporation
23 under the attribution rules of the Internal Revenue Code of
24 1986, if the taxpayer owns, directly, indirectly, beneficially
25 or constructively, more than fifty per cent of the value of the
26 corporation's outstanding stock. The attribution rules of
27 section 318 of the Internal Revenue Code of 1986 shall apply for
28 purposes of determining whether the ownership requirements of
29 this definition have been met;

30 (iv) a component member as defined in section 1563(b) of the

1 Internal Revenue Code of 1986 (26 U.S.C. § 1563(b)); or
2 (v) a person to or from whom there is attribution of stock
3 ownership in accordance with section 1563(e) of the Internal
4 Revenue Code of 1986.

5 Section 20. Section 403(d) of the act, amended October 18,
6 2006 (P.L.1149, No.119), is amended to read:

7 Section 403. Reports and Payment of Tax.--* * *

8 (d) If the officers of any corporation shall neglect, or
9 refuse to make any report as herein required, or shall knowingly
10 make any false report, [the following percentages of the amount
11 of the tax shall be added by the department to the tax
12 determined to be due on the first one thousand dollars (\$1,000)
13 of tax ten per cent, on the next four thousand dollars (\$4,000)
14 five per cent, and on everything in excess of five thousand
15 dollars (\$5,000) one per cent, no such] a penalty of five
16 hundred dollars (\$500) plus an additional one per cent for every
17 dollar of tax determined to be due in excess of twenty-five
18 thousand dollars (\$25,000) shall be added to the tax determined
19 to be due. No amounts added to the tax shall bear any interest
20 whatsoever.

21 * * *

22 Section 20.1. Sections 602(h) and 607 of the act, amended
23 October 9, 2009 (P.L.451, No.48), are amended to read:

24 Section 602. Imposition of Tax.--* * *

25 (h) The rate of tax for purposes of the capital stock and
26 franchise tax for taxable years beginning within the dates set
27 forth shall be as follows:

Taxable Year	Regular Rate	Surtax	Total Rate
January 1, 1971, to			
December 31, 1986	10 mills	0	10 mills

1	January 1, 1987, to			
2	December 31, 1987	9 mills	0	9 mills
3	January 1, 1988, to			
4	December 31, 1990	9.5 mills	0	9.5 mills
5	January 1, 1991, to			
6	December 31, 1991	11 mills	2 mills	13 mills
7	January 1, 1992, to			
8	December 31, 1997	11 mills	1.75 mills	12.75 mills
9	January 1, 1998, to			
10	December 31, 1998	11 mills	.99 mills	11.99 mills
11	January 1, 1999, to			
12	December 31, 1999	10.99 mills	0	10.99 mills
13	January 1, 2000, to			
14	December 31, 2000	8.99 mills	0	8.99 mills
15	January 1, 2001, to			
16	December 31, 2001	7.49 mills	0	7.49 mills
17	January 1, 2002, to			
18	December 31, 2003	7.24 mills	0	7.24 mills
19	January 1, 2004, to			
20	December 31, 2004	6.99 mills	0	6.99 mills
21	January 1, 2005, to			
22	December 31, 2005	5.99 mills	0	5.99 mills
23	January 1, 2006, to			
24	December 31, 2006	4.89 mills	0	4.89 mills
25	January 1, 2007, to			
26	December 31, 2007	3.89 mills	0	3.89 mills
27	January 1, 2008, to			
28	December 31, 2011	2.89 mills	0	2.89 mills
29	January 1, 2012, to			
30	December 31, 2012	1.89 mills	0	1.89 mills

1	January 1, 2013, to			
2	December 31, 2013	.89 mills	0	.89 mills
3	<u>January 1, 2014 to</u>			
4	<u>December 31, 2014</u>	<u>.67 mills</u>	<u>0</u>	<u>.67 mills</u>
5	<u>January 1, 2015 to</u>			
6	<u>December 31, 2015</u>	<u>.45 mills</u>	<u>0</u>	<u>.45 mills</u>

7 Section 607. Expiration.--This article shall expire for
8 taxable years beginning after December 31, [2013] 2015.

9 Section 21. Section 701 of the act, amended June 16, 1994
10 (P.L.279, No.48), is amended to read:

11 Section 701. Imposition of Tax.--(a) Every institution
12 doing business in this Commonwealth shall, on or before March 15
13 in each and every year, make to the Department of Revenue a
14 report in writing, verified as required by law, setting forth
15 the full number of shares of the capital stock subscribed for or
16 issued, as of the preceding January 1, by such institution, and
17 the taxable amount of such shares of capital stock determined
18 pursuant to section 701.1.

19 (b) It shall be the duty of the Department of Revenue to
20 assess such shares for the calendar years beginning January 1,
21 1971 through January 1, 1983, at the rate of fifteen mills and
22 for the calendar years beginning January 1, 1984 through January
23 1, 1988, at the rate of one and seventy-five one thousandths per
24 cent and for the calendar year beginning January 1, 1989, at the
25 rate of 10.77 per cent and for the calendar [year] years
26 beginning January 1, 1990[, and each calendar year thereafter]
27 through January 1, 2013, at the rate of 1.25 per cent and for
28 the calendar year beginning January 1, 2014, and each calendar
29 year thereafter at the rate of 0.89 per cent upon each dollar of
30 taxable amount thereof, the taxable amount of each share of

1 stock to be ascertained and fixed pursuant to section 701.1, and
2 dividing this amount by the number of shares.

3 (c) It shall be the duty of every institution doing business
4 in this Commonwealth, at the time of making every report
5 required by this section, to compute the tax and to pay the
6 amount of said tax to the State Treasurer, through the
7 Department of Revenue either from its general fund, or from the
8 amount of said tax collected from its shareholders.[: Provided,
9 That for the calendar years beginning January 1, 1971 through
10 January 1, 1991, such institution, upon the date its report,
11 herein required is made for such calendar years beginning
12 January 1, 1971 through January 1, 1991, shall pay to the
13 Department of Revenue not less than eighty per cent of the tax
14 due to the Commonwealth by it for such calendar year, and the
15 remaining tax due shall be paid at the time when the report
16 herein required for the year next succeeding is made:] Provided,
17 That in case any institution shall collect, annually, from the
18 shareholders thereof said tax, according to the provisions of
19 this article, that have been subscribed for or issued, and pay
20 the same into the State Treasury, through the Department of
21 Revenue, the shares, and so much of the capital and profits of
22 such institution as shall not be invested in real estate, shall
23 be exempt from local taxation under the laws of this
24 Commonwealth; and such institution shall not be required to make
25 any report to the local assessor or county commissioners of its
26 personal property owned by it in its own right for purposes of
27 taxation and shall not be required to pay any tax thereon.

28 Section 22. Section 701.1 of the act, amended July 25, 2007
29 (P.L.373, No.55), is amended to read:

30 Section 701.1. Ascertainment of Taxable Amount; Exclusion of

1 United States Obligations.--(a) [The taxable amount of shares
2 shall be ascertained and fixed by adding together the value
3 determined under subsection (b) for the current and preceding
4 five years and dividing the resulting sum by six. If an
5 institution has not been in existence for a period of six years,
6 the taxable amount of shares shall be ascertained and fixed by
7 adding together the values determined under subsection (b) for
8 the number of years the institution has been in existence and
9 dividing the resulting sum by such number of years.] The taxable
10 amount of shares shall be ascertained and fixed by the book
11 value of total bank equity capital as determined by the Reports
12 of Condition at the end of the preceding calendar year in
13 accordance with the requirements of the Board of Governors of
14 the Federal Reserve System, the Comptroller of the Currency, the
15 Federal Deposit Insurance Corporation or other applicable
16 regulatory authority.

17 (b) [The value for each year required by subsection (a)
18 shall be determined by deducting from the book value of total
19 equity capital] A deduction for the value of United States
20 obligations shall be provided from the taxable amount of shares
21 in an amount equal to the same percentage of total bank equity
22 capital as the book value of obligations of the United States
23 bears to the book value of the total assets, except that, for
24 the value of shares reported on tax returns due on March 15,
25 2008, and thereafter, any goodwill recorded as a result of the
26 use of purchase accounting for an acquisition or combination as
27 described in this section and occurring after June 30, 2001, may
28 be subtracted from the book value of total bank equity capital
29 and disregarded in determining the deduction provided for
30 obligations of the United States. [for the six-year period

1 described in subsection (a). For purposes of this subsection,
2 book values and deductions for United States obligations for
3 each year shall be determined by the Reports of Condition for
4 each calendar quarter of the preceding calendar year in
5 accordance with the requirements of the Board of Governors of
6 the Federal Reserve System, the Comptroller of the Currency, the
7 Federal Deposit Insurance Corporation or other applicable
8 regulatory authority; and book values shall be averaged as
9 calculated by averaging book values as determined by such
10 Reports of Condition.] For purposes of this article, United
11 States obligations shall be obligations coming within the scope
12 of 31 U.S.C. § 3124. [For any year in which an institution does
13 not file four quarterly Reports of Condition, book values and
14 deductions for United States obligations shall be determined by
15 adding together the book values and deductions for United States
16 obligations from each quarterly Reports of Condition filed for
17 such year and dividing the resulting sums by the number of such
18 Reports of Condition.] In the case of institutions which do not
19 file such Reports of Condition, book values shall be determined
20 by generally accepted accounting principles as of the end of
21 [each calendar quarter. For any year in which an institution
22 which does not file Reports of Condition is not in existence for
23 four quarters, the book value for that year shall be determined
24 by adding together the book values for each quarter in which the
25 institution was in existence and dividing by that number of
26 quarters. For purposes of this section, a partial year shall be
27 treated as a full year.] the preceding calendar year.

28 (c) For purposes of this section:

29 (1) a mere change in identity, form or place of organization
30 of one institution, however effected, shall be treated as if a

1 single institution had been in existence prior to as well as
2 after such change; and

3 (2) [the] if there is a combination of two or more
4 institutions into one [shall be treated as if the constituent
5 institutions had been a single institution in existence prior to
6 as well as after the combination and], the book values and
7 deductions for United States obligations from the Reports of
8 Condition of the constituent institutions shall be combined. For
9 purposes of this section, a combination shall include any
10 acquisition required to be accounted for by using the purchase
11 method in accordance with generally accepted accounting
12 principles or a statutory merger or consolidation.

13 Section 23. Sections 701.4 and 701.5 of the act, added June
14 16, 1994 (P.L.279, No.48), are amended to read:

15 Section 701.4. Apportionment.--An institution may apportion
16 its taxable amount of shares determined under section 701.1 in
17 accordance with this subsection if the institution is subject to
18 tax in another state based on or measured by net worth, gross
19 receipts, net income or some similar base of taxation, or if it
20 could be subject to such tax, whether or not such a tax has in
21 fact been enacted. The following shall apply:

22 (1) [The] (i) For calendar years beginning prior to January
23 1, 2014, the taxable amount of shares shall be apportioned in
24 accordance with a fraction, the numerator of which is the sum of
25 the payroll factor, the receipts factor and the deposits factor,
26 and the denominator of which is three. If one of the factors is
27 inapplicable, the denominator is two. If two of the factors are
28 inapplicable, the denominator is one.

29 (ii) For the calendar year beginning January 1, 2014, and
30 each calendar year thereafter, the taxable amount of shares

1 shall be apportioned based upon the receipts factor and the
2 payroll and deposits factors shall be disregarded.

3 (2) The payroll factor is a fraction, the numerator of which
4 is the total wages paid in this Commonwealth and the denominator
5 of which is the total wages paid in all states. Wages are paid
6 in a state if paid to an employe having a regular presence
7 therein.

8 (3) The receipts factor is a fraction, the numerator of
9 which is total receipts located in this Commonwealth and the
10 denominator of which is the total receipts located in all
11 states. [Receipts do not include principal repayments on loans
12 or credit, travel and entertainment cards. Receipts from sale or
13 disposition of intangible and tangible property include only the
14 net gain therefrom.] The method of calculating receipts for
15 purposes of the denominator shall be the same as the method used
16 in determining receipts for purposes of the numerator. The
17 location of receipts shall be determined as follows:

18 [(i) Receipts from loans are located at the place of
19 origination.

20 (ii) All receipts from performance of services are located
21 in a state to the extent the services are performed in the
22 state. If services are performed partly within two or more
23 states, the receipts located in each state shall be measured by
24 the ratio which the time spent in performing such services in
25 the state bears to the total time spent in performing such
26 services in all states. Time spent in performing services in a
27 state is the time spent by employes having a regular presence in
28 the state in performing such services.

29 (iii) Receipts from lease transactions are located in the
30 state in which the leased property is deemed located.

1 (iv) Interest or service charges, excluding merchant
2 discounts, from credit, travel and entertainment card
3 receivables and credit card holders' fees are located in the
4 state in which the credit card holder resides in the case of an
5 individual or, if a corporation, in the state of the
6 cardholder's commercial domicile if, in either case, the
7 institution maintains an office in such state. Otherwise, the
8 receipts are located in the state in which the institution
9 maintains an office which treats such receivables as assets on
10 its books or records.

11 (v) Interest, dividends and net gains from the sale or
12 disposition of intangibles, exclusive of those receipts
13 described elsewhere in this section, are located in the state in
14 which the institution maintains an office which treats such
15 intangibles as assets on its books or records.

16 (vi) Fees or charges from the issuance of traveler's checks
17 and money orders are located in the state in which such
18 traveler's checks or money orders are issued.

19 (vii) Receipts from sales of tangible property are located
20 in the state in which the property is delivered or shipped to a
21 purchaser, regardless of the f.o.b. point or other conditions of
22 the sale.

23 (viii) All receipts not specifically treated under this
24 subsection are located in the state where the greatest portion
25 of the income-producing activities are performed, based on costs
26 of performance.]

27 (i) The numerator of the receipts factor shall include
28 receipts from the lease or rental of real property owned by the
29 institution if the property is located within this Commonwealth
30 or receipts from the sublease of real property if the property

1 is located within this Commonwealth.

2 (ii) The following shall apply to receipts from the lease or
3 rental of tangible personal property owned by the institution:

4 (A) Except as provided under clause (B), the numerator of
5 the receipts factor shall include receipts from the lease or
6 rental of tangible personal property owned by the institution if
7 the property is located within this Commonwealth when it is
8 first placed in service by the lessee.

9 (B) The following shall apply:

10 (I) Receipts from the lease or rental of transportation
11 property owned by the institution shall be included in the
12 numerator of the receipts factor to the extent that the property
13 is used in this Commonwealth.

14 (II) The extent an aircraft shall be deemed to be used in
15 this Commonwealth and the amount of receipts that shall be
16 included in the numerator of this Commonwealth's receipts factor
17 shall be determined by multiplying all the receipts from the
18 lease or rental of the aircraft by a fraction, the numerator of
19 which is the number of landings of the aircraft in this
20 Commonwealth and the denominator of which is the total number of
21 landings of the aircraft.

22 (III) A motor vehicle shall be deemed to be used wholly in
23 the state in which it is registered.

24 (IV) If the extent of the use of transportation property
25 within this Commonwealth cannot be determined, the property
26 shall be deemed to be used wholly in the state in which the
27 property has its principal base of operations.

28 (iii) The following shall apply to interest, fees and
29 penalties in connection with loans secured by real property:

30 (A) The following shall apply to a calculation under this

1 subparagraph:

2 (I) The numerator of the receipts factor shall include
3 interest, fees and penalties imposed in connection with loans
4 secured by real property if the property is located within this
5 Commonwealth.

6 (II) If the real property under subclause (I) is located
7 both within this Commonwealth and one or more other states, the
8 receipts under this subsection shall be included in the
9 numerator of the receipts factor if more than fifty per cent of
10 the fair market value of the real property is located within
11 this Commonwealth.

12 (III) If more than fifty per cent of the fair market value
13 of real property under subclause (I) is not located within any
14 single state, the receipts under this subsection shall be
15 included in the numerator of the receipts factor if the borrower
16 is located in this Commonwealth.

17 (B) The determination of whether real property securing a
18 loan is located within this Commonwealth shall be made as of the
19 time the original agreement was made and all subsequent
20 substitutions of collateral shall be disregarded.

21 (iv) The numerator of the receipts factor shall include
22 interest, fees and penalties imposed in connection with loans
23 not secured by real property if the borrower is located in this
24 Commonwealth.

25 (v) The numerator of the receipts factor shall include net
26 gains from the sale of loans. Net gains from the sale of a loan
27 shall include income recorded under the coupon stripping rules
28 of section 1286 of the Internal Revenue Code of 1986 (Public Law
29 99-514, 26 U.S.C. § 1286). The following shall apply:

30 (A) The amount of net gains, equal to zero or above, from

1 the sale of loans secured by real property included in the
2 numerator shall be determined by multiplying the net gains by a
3 fraction, the numerator of which is the amount included in the
4 numerator of the receipts factor under subparagraph (iii) and
5 the denominator of which is the total amount of interest and
6 fees or penalties in the nature of interest from loans secured
7 by real property.

8 (B) The amount of net gains, equal to zero or above, from
9 the sale of loans not secured by real property included in the
10 numerator shall be determined by multiplying the net gains by a
11 fraction, the numerator of which is the amount included in the
12 numerator of the receipts factor under subparagraph (iv) and the
13 denominator of which is the total amount of interest and fees or
14 penalties in the nature of interest from loans not secured by
15 real property.

16 (vi) The numerator of the receipts factor shall include
17 interest, fees and penalties charged to credit, debit or similar
18 cardholders, including annual fees and overdraft fees, if the
19 billing address of the cardholder is in this Commonwealth.

20 (vii) The numerator of the receipts factor shall include net
21 gains, equal to zero or above, from the sale of credit card
22 receivables multiplied by a fraction, the numerator of which is
23 the amount included in the numerator of the receipts factor
24 under subparagraph (vi) and the denominator of which is the
25 institution's total amount of interest and fees or penalties in
26 the nature of interest from credit card receivables and fees
27 charged to cardholders.

28 (viii) For card issuer's reimbursement fees, the numerator
29 of the receipts factor shall include:

30 (A) All credit card issuer's reimbursement fees multiplied

1 by a fraction, the numerator of which is the amount of fees,
2 interest and penalties charged to credit cardholders included in
3 the numerator of the receipts factor under subparagraph (vi) and
4 the denominator of which is the institution's total amount fees,
5 interest and penalties charged to credit cardholders.

6 (B) All card issuer's reimbursement fees, except as provided
7 under clause (A), multiplied by a fraction, the numerator of
8 which is the amount of the fees, interest and penalties charged
9 to all other cardholders included in the numerator of the
10 receipts factor under subparagraph (vi) and the denominator of
11 which is the institution's total amount of fees, interest and
12 penalties charged to all other cardholders.

13 (ix) The following shall apply to receipts from merchant's
14 discounts:

15 (A) If the institution can readily determine the location of
16 the merchant and if the merchant is in this Commonwealth, the
17 numerator of the receipts factor shall include receipts from
18 merchant discount.

19 (B) If the institution cannot readily determine the location
20 of the merchant, the numerator of the receipts factor shall
21 include the receipts from the merchant discount multiplied by a
22 fraction:

23 (I) For a merchant discount related to the use of a credit
24 card, the numerator of which shall be the amount of fees,
25 interest and penalties charged to credit cardholders that is
26 included in the numerator of the receipts factor under
27 subparagraph (vi) and the denominator of which is the
28 institution's total amount of fees, interest and penalties
29 charged to credit cardholders.

30 (II) For a merchant discount related to the use of a debit

1 card, the numerator of which shall be the amount of fees,
2 interest and penalties charged to debit cardholders that is
3 included in the numerator of the receipts factor under
4 subparagraph (vi) and the denominator of which is the
5 institution's total amount of fees, interest and penalties
6 charged to debit cardholders.

7 (III) For a merchant discount related to the use of cards,
8 except as provided under subclauses (I) and (II), the numerator
9 of which shall be the amount of fees, interest and penalties
10 charged to all other cardholders that is included in the
11 numerator of the receipts factors under subparagraph (vi) and
12 the denominator of which is the institution's total amount of
13 fees, interest and penalties charged to all other cardholders.

14 (x) The receipts factor shall include Automated Teller
15 Machine fees that are not forwarded directly to another bank.
16 The following shall apply:

17 (A) The numerator of the receipts factor shall include fees
18 charged to a cardholder for the use at an Automated Teller
19 Machine of a card issued by the institution if the cardholder's
20 billing address is in this Commonwealth.

21 (B) The numerator of the receipts factor shall include fees
22 charged to a cardholder, other than the institution's
23 cardholder, for the use of the card at an Automated Teller
24 Machine owned or rented by the institution, if the Automated
25 Teller Machine is in this Commonwealth.

26 (xi) The following shall apply to loan servicing fees:

27 (A) (I) The numerator of the receipts factor shall include
28 loan servicing fees derived from loans secured by real property
29 multiplied by a fraction, the numerator of which is the amount
30 included in the numerator of the receipts factor under

1 subparagraph (iii) and the denominator of which is the total
2 amount of interest and fees or penalties in the nature of
3 interest from loans secured by real property.

4 (II) The numerator of the receipts factor shall include loan
5 servicing fees derived from loans not secured by real property
6 multiplied by a fraction, the numerator of which is the amount
7 included in the numerator of the receipts factor under
8 subparagraph (iv) and the denominator of which is the total
9 amount of interest and fees or penalties in the nature of
10 interest from loans not secured by real property.

11 (B) If the institution receives loan servicing fees for
12 servicing the secured or the unsecured loans of another
13 institution, the numerator of the receipts factor shall include
14 loan servicing fees if the borrower is located in this
15 Commonwealth.

16 (xii) The numerator of the receipts factor shall include
17 receipts from services not otherwise apportioned under this
18 section if the recipient of the services receives all of the
19 benefit of the services in this Commonwealth. If the recipient
20 of the services receives some of the benefit of the services in
21 this Commonwealth, the receipts shall be included in the
22 numerator of the apportionment factor in proportion to the
23 extent that the recipient receives benefit of the services in
24 this Commonwealth.

25 (xiii) The following shall apply to receipts from an
26 institution's investment assets and activity and trading assets
27 and activity:

28 (A) Interest, dividends, net gains equal to zero or above,
29 and other income from investment assets and activities and from
30 trading assets and activities, shall be included in the receipts

1 factor. Investment assets and activities and trading assets and
2 activities shall include investment securities, trading account
3 assets, Federal funds, securities purchased and sold under
4 agreements to resell or repurchase, options, futures contracts,
5 forward contracts, notional principal contracts such as swaps,
6 equities and foreign currency transactions. For the investment
7 and trading assets and activities under subclauses (I) and (II),
8 the receipts factor shall include the amounts under subclauses
9 (I) and (II). The following shall apply:

10 (I) The receipts factor shall include the amount by which
11 interest from Federal funds sold and securities purchased under
12 resale agreements exceeds interest expense on Federal funds
13 purchased and securities sold under repurchase agreements.

14 (II) The receipts factor shall include the amount by which
15 interest, dividends, gains and other income from trading assets
16 and activities, including assets and activities in the matched
17 book, in the arbitrage book and foreign currency transactions,
18 exceed amounts paid in lieu of interest, amounts paid in lieu of
19 dividends and losses from the assets and activities.

20 (B) The numerator of the receipts factor shall include
21 interest, dividends, net gains, equal to zero or above, and
22 other income from investment assets and activities and from
23 trading assets and activities under clause (A) that are
24 attributable to this Commonwealth using one of the following
25 alternative methods:

26 (I) Method 1. The numerator shall be determined by
27 multiplying the total amount of receipts from trading assets and
28 activities under clause (A) by a fraction the numerator of which
29 is the total amount of all other receipts attributable to this
30 Commonwealth and the denominator of which is the total amount of

1 all other receipts.

2 (II) Method 2. The numerator shall be determined by
3 multiplying the total amount of receipts under clause (A) by a
4 fraction the numerator of which is the average value of the
5 assets which generate the receipts which are properly assigned
6 to a regular place of business of the institution within this
7 Commonwealth and the denominator of which is the average value
8 of all such assets.

9 (C) Upon the election by the institution to use one of the
10 methods under clause (B), the institution shall use the method
11 on all subsequent returns unless the institution receives prior
12 permission from the Department of Revenue to use a different
13 method.

14 (D) The following shall apply:

15 (I) An institution electing to use Method 2 shall have the
16 burden of proving that an investment asset or activity or
17 trading asset or activity was properly assigned to a regular
18 place of business outside of this Commonwealth by demonstrating
19 that the day-to-day decisions regarding the asset or activity
20 occurred at a regular place of business outside this
21 Commonwealth.

22 (II) If the day-to-day decisions regarding an investment
23 asset or activity or trading asset or activity occur at more
24 than one regular place of business and one regular place of
25 business is in this Commonwealth and one regular place of
26 business is outside this Commonwealth, the asset or activity
27 shall be considered to be located at the regular place of
28 business of the institution where the investment or trading
29 policies or guidelines with respect to the asset or activity are
30 established.

1 (III) Unless the institution demonstrates to the contrary,
2 the investment or trading policies and guidelines under
3 subclause (II) shall be presumed to be established at the
4 commercial domicile of the institution.

5 (E) Receipts apportioned under this subparagraph shall be
6 separately apportioned for:

7 (I) interest, dividends, net gains and other income from
8 investment assets and activities in an investment account;

9 (II) interest from Federal funds sold and purchased and from
10 securities purchased under resale agreements and securities sold
11 under repurchase agreements; and

12 (III) interest, dividends, gains and other income from
13 trading assets and activities, including assets and activities
14 in the matched book, in the arbitrage book and foreign currency
15 transactions.

16 (xiv) The following shall apply to receipts from the sale or
17 disposition of property:

18 (A) The numerator of the receipts factor shall include
19 receipts from the sale or disposition of tangible personal
20 property if the property is delivered or shipped to a purchaser
21 within this Commonwealth regardless of the f.o.b. point or other
22 conditions of the sale.

23 (B) The numerator of the receipts factor shall include all
24 receipts from the sale or disposition of real property if the
25 property is located in this Commonwealth.

26 (C) The numerator of the receipts factor shall include all
27 receipts from the sale or disposition of intangible property if:

28 (I) the commercial domicile of the purchaser or recipient of
29 the property is located in this Commonwealth; or

30 (II) if the purchaser or recipient does not have a

1 commercial domicile, the billing address of the purchaser or
2 recipient is located in this Commonwealth.

3 (xv) The following shall apply to receipts not provided for
4 under this paragraph:

5 (A) The numerator of the receipts factor for receipts not
6 otherwise apportioned under this section shall include receipts
7 if:

8 (I) the benefit to the customer is received in this
9 Commonwealth; or

10 (II) if the billing address of the customer is located
11 within this Commonwealth; and:

12 (a) the location where the benefit to the customer is
13 received cannot be determined;

14 (b) the commercial domicile of the customer is in this
15 Commonwealth; or

16 (c) the customer does not have a commercial domicile.

17 (B) If receipts subject to this paragraph are not received
18 from a customer, the receipts shall be excluded from both the
19 numerator and denominator of the receipts factor.

20 (xvi) For purposes of determining the location where
21 benefits are received from under subparagraphs (xii) and (xv),
22 if a service or other activity generating the receipts provides
23 benefits to two or more recipients located in different states
24 or provides benefits to a recipient in more than one state, the
25 location where benefits are received may be estimated using
26 reasonable procedures to estimate the locations in which
27 benefits are received.

28 (xvii) Receipts which would be assigned under this section
29 to a state in which the institution is not subject to a business
30 privilege tax, a net income tax, a franchise tax measured by net

1 income, a franchise tax for the privilege of doing business or a
2 corporate stock tax or shares tax of the type imposed under this
3 article shall be included in the numerator of the receipts
4 factor, if the institution's commercial domicile is in this
5 Commonwealth.

6 (4) The deposits factor is a fraction, the numerator of
7 which is the average value of deposits located in this
8 Commonwealth during the taxable year and the denominator of
9 which is the average value of the total deposits during the
10 taxable year. The average value of deposits is to be computed on
11 a quarterly basis. Deposits are located in the state in which
12 the institution maintains an office which properly treats the
13 deposits as a liability on its books or records. A deposit is
14 considered to be properly treated as a liability on the books or
15 records of the office with which it has a greater portion of
16 contact. In determining whether a deposit has a greater portion
17 of contact with a particular office, consideration is given to:

18 (i) Whether the deposit account was opened at or transferred
19 to that office by or at the direction of the depositor,
20 regardless of where subsequent deposits or withdrawals are made.

21 (ii) Whether employes regularly connected with that office
22 are primarily responsible for servicing the depositor's general
23 banking and other financial needs.

24 (iii) Whether the deposit was solicited by an employe
25 regularly connected with that office, regardless of where such
26 deposit was actually solicited.

27 (iv) Whether the terms governing the deposit were negotiated
28 by employes regularly connected with that office, regardless of
29 where the negotiations were actually conducted.

30 (v) Whether essential records relating to the deposit are

1 kept at that office and whether the deposit is serviced at that
2 office.

3 Section 701.5. Definitions.--The following words, terms and
4 phrases when used in this article shall have the meaning
5 ascribed to them in this section, except where the context
6 clearly indicates a different meaning:

7 "Billing address." The location indicated in the books and
8 records of an institution on the first day of the taxable year
9 or on a later date in the taxable year when the customer
10 relationship began, as the address where a notice, statement and
11 bill relating to a customer's account is mailed.

12 "Commercial domicile." As follows:

13 (1) the place from which a trade or business is principally
14 managed and directed; or

15 (2) if a trade or business is organized under the laws of a
16 foreign country, the person's commercial domicile shall be
17 deemed to be the state of the United States or the District of
18 Columbia from which the institution's trade or business in the
19 United States is principally managed and directed. It shall be
20 presumed, subject to rebuttal, that the location from which a
21 trade or business is principally managed and directed is the
22 state of the United States or the District of Columbia to which
23 the greatest number of employes are regularly connected or out
24 of which they are working, notwithstanding where the services of
25 the employes are performed, as of the last day of the taxable
26 year.

27 "Card issuer's reimbursement fee." The fee an institution
28 receives from a merchant's bank because one of the persons to
29 whom the institution has issued a credit, debit or similar type
30 of card has charged merchandise or services to the card.

1 "Credit card." A card, or other means of providing
2 information, that entitles the holder to charge the cost of
3 purchases or a cash advance, against a line of credit.

4 "Debit card." A card, or other means of providing
5 information, that enables the holder to charge the cost of
6 purchases or cash withdrawal, against the holder's bank account
7 or a remaining balance on the card.

8 "Deposits." Deposits consist of those items specified for
9 inclusion as such in quarterly Reports of Condition, but do not
10 include deposits made by the Federal Government, its agencies or
11 instrumentalities.

12 "Doing business in this Commonwealth." As follows:

13 (1) An institution is engaged in doing business in this
14 Commonwealth and is subject to the tax imposed under this
15 article if it satisfies any of the following requirements and
16 generates gross receipts apportioned to this Commonwealth under
17 section 701.4 in excess of \$100,000:

18 (i) The institution has an office or branch in this
19 Commonwealth.

20 (ii) One or more employees, representatives, independent
21 contractors or agents of the institution conduct business
22 activities of the institution in this Commonwealth.

23 (iii) A person, including an employe, representative,
24 independent contractor, agent or affiliate of the institution,
25 or an employe, representative, independent contractor or agent
26 of an affiliate of the institution, directly or indirectly
27 solicits business in this Commonwealth by or for the benefit of
28 the institution, through:

29 (A) person-to-person contact, mail, telephone or other
30 electronic means; or

1 (B) the use of advertising published, produced or
2 distributed in this Commonwealth.

3 (iv) The institution owns, leases or uses real or personal
4 property in this Commonwealth to conduct its business
5 activities.

6 (v) The institution holds a security interest, mortgage or
7 lien in real or personal property located in this Commonwealth.

8 (vi) A basis exists under section 701.4 to apportion the
9 institution's receipts to this Commonwealth.

10 (vii) The institution has a physical presence in this
11 Commonwealth for a period of more than one day during the tax
12 year or conducts an activity sufficient to create a nexus in
13 this Commonwealth for tax purposes under the Constitution of the
14 United States.

15 (2) The term shall not include:

16 (i) The use by the institution of a professional performing
17 a service on behalf of the institution in this Commonwealth if
18 the services are not significantly associated with the
19 institution's ability to establish and maintain a market in this
20 Commonwealth.

21 (ii) The mere use of financial intermediaries in this
22 Commonwealth by an institution for the processing or transfer of
23 checks, credit card receivables, commercial paper and similar
24 items.

25 "Employee." Any individual to whom wages are paid within the
26 meaning of 26 U.S.C. § 3401.

27 "Institution." As follows:

28 (1) The term shall mean:

29 (i) Every bank operating as such and having capital stock
30 which is incorporated under any law of this Commonwealth, under

1 the law of the United States or under the law of any other
2 jurisdiction [and is located within this Commonwealth].

3 [(2)] (ii) Every operating company having capital stock
4 [located within this Commonwealth] and having any of the powers
5 of companies entitled to the benefits of an act, entitled "An
6 act conferring upon certain fidelity, insurance, safety deposit,
7 trust, and savings companies, the powers and privileges of
8 companies incorporated under the provisions of section 29 of an
9 act, entitled 'An act to provide for the incorporation and
10 regulation of certain corporations,' approved April 29, 1874,
11 and of the supplements thereto," approved June 27, 1895,
12 commonly known as trust companies.

13 [(3)] (iii) Every company organized and operating as a bank
14 and trust company or as trust company having capital stock
15 [located in this Commonwealth], whether the institution is
16 incorporated under any law of this Commonwealth, the law of the
17 United States or any law of any jurisdiction. The term shall not
18 include any of such companies, all of the shares of capital
19 stock of which, other than shares necessary to qualify
20 directors, are owned by a company which is liable to pay to the
21 Commonwealth a tax pursuant to this article.

22 (iv) A corporation organized under 12 U.S.C. Ch. 6, Subch.
23 II (relating to organization of corporations to do foreign
24 banking).

25 (v) An agency or branch of a foreign depository as defined
26 in 12 U.S.C. § 3101 (relating to definitions).

27 (2) The term shall not include a "mutual thrift institution"
28 or "institution," as defined in section 1501, which is subject
29 to the tax imposed under Article XV.

30 "Lease." Any leasing transaction in which the lessor would

1 be treated as owner of the leased property under generally
2 accepted accounting principles. All other transactions
3 purporting to be leases shall be treated as loans for purposes
4 of this article.

5 ["Located." An institution is located in this Commonwealth
6 in a taxable year only if any one of the following apply:

7 (1) Such institution maintains an office in this
8 Commonwealth.

9 (2) One or more employes of the institution have a regular
10 presence in this Commonwealth.

11 (3) Such institution has employes, representatives or
12 independent contractors conducting business activities in its
13 behalf in this Commonwealth.

14 (4) Such institution engages in regular solicitation in this
15 Commonwealth, whether at a place of business, by traveling loan
16 officers or other representatives, by mail, by telephone or
17 other electronic means, and the solicitation results in the
18 creation of a depository or direct debtor/creditor relationship
19 with a resident of this Commonwealth. For purposes of this
20 article, mere processing or transfer through financial
21 intermediaries of checks, credit card receivables, commercial
22 paper and the like does not create a debtor/creditor
23 relationship. A financial institution is engaged in regular
24 solicitation within this Commonwealth if it has entered into any
25 of the relationships listed in this clause with twenty or more
26 residents of this Commonwealth during any tax period or if it
27 has five million dollars (\$5,000,000) or more of assets
28 attributable to sources within this Commonwealth at any time
29 during the tax period.

30 (5) Such institution owns tangible property which is located

1 in this Commonwealth and which is leased to others for their
2 use.

3 (6) Such institution owns or leases tangible property which
4 is located in this Commonwealth and which it uses in connection
5 with its activities in this Commonwealth.]

6 "Loan." As follows:

7 (1) The term shall mean any of the following:

8 (i) An extension of credit resulting from direct
9 negotiations between the institution and its customer.

10 (ii) The purchase, in whole or in part, of the extension of
11 credit under subparagraph (i) from another person.

12 (2) The term shall include a participation, syndication and
13 lease treated as a loan for Federal income tax purposes.

14 (3) The term shall not include:

15 (i) Futures or forward contracts.

16 (ii) An option.

17 (iii) A notional principal contract such as swaps.

18 (iv) A credit card receivable, including a purchased credit
19 card relationship.

20 (v) A noninterest bearing balance due from a depository
21 institution.

22 (vi) A cash item in the process of collection.

23 (vii) A Federal fund sold.

24 (viii) A security purchased under an agreement to resell.

25 (ix) An asset held in a trading account.

26 (x) A security.

27 (xi) An interest in a real estate mortgage investment
28 conduit, or other mortgage-backed or asset-backed security.

29 (xii) An item similar to an item listed under this
30 paragraph.

1 "Loan secured by real property." A loan for which at least
2 50 per cent of the aggregate value of the collateral used to
3 secure a loan or other obligation, when valued at fair market
4 value as of the time the original loan or obligation was
5 incurred, was real property.

6 ["Maintains an office." An institution maintains an office
7 wherever it has established a regular, continuous and fixed
8 place of business.]

9 "Merchant discount." The fee or negotiated discount charged
10 to a merchant by an institution for the privilege of
11 participating in a program by which a credit, debit or similar
12 type of card is accepted in payment for merchandise or services
13 sold to the cardholder, net of any cardholder charge-back and
14 unreduced by any interchange transaction or issuer reimbursement
15 fee paid to another for a charge or purchase made by its
16 cardholder.

17 "Origination of loans." A loan is deemed to have originated
18 in the state in which the office is located which properly
19 treats the loan as an asset on its books or records. However, if
20 an institution maintains an office in a state, the following
21 rules apply:

22 (1) Loans secured primarily by real property are deemed to
23 have originated at an office within the state in which the
24 predominant part of the security real property is or will be
25 located, if at least one of the following activities occurs at
26 an office in the state:

- 27 (i) application for the loan;
28 (ii) negotiation for the loan;
29 (iii) approval of the loan; or
30 (iv) administrative responsibility for the loan.

1 (2) All other loans made to borrowers residing or having
2 their commercial domicile within the state are deemed to have
3 originated at an office within the state, if at least one of the
4 following activities occurs at an office in the state:

- 5 (i) application for the loan;
- 6 (ii) negotiation for the loan;
- 7 (iii) approval of the loan; or
- 8 (iv) administrative responsibility for the loan.

9 "Principal base of operations." As follows:

10 (1) With respect to transportation property, the place from
11 which the property is regularly directed or controlled.

12 (2) With respect to an employe, the place of more or less
13 permanent nature from which the employe regularly:

- 14 (i) starts work and to which the employe customarily returns
15 in order to receive instructions from the employe's employer;
- 16 (ii) communicates with customers or other people; or
- 17 (iii) performs any other function necessary to the exercise
18 of the employe's trade or profession at some other point.

19 "Property located in a state."

20 (1) Except as otherwise provided in this definition,
21 tangible property, including leased property, shall be deemed to
22 be located in the state in which the property is physically
23 situated.

24 (2) Tangible personal property which is characteristically
25 moving property, such as motor vehicles, rolling stock,
26 aircraft, vessels, mobile equipment and the like, shall be
27 deemed to be located in a state if:

- 28 (i) the operation of the property is entirely within the
29 state or the operation outside of the state is occasional or
30 incidental to its operation within the state;

1 (ii) the operation of the property is in two or more states,
2 but the principal base of operations from which the property is
3 sent out is in the state; or

4 (iii) the state is the residence or commercial domicile of
5 the lessee or other user of the property, where there is no
6 principal base of operations and the operation of the property
7 is in two or more states.

8 "Real property owned" and "tangible property owned." As
9 follows:

10 (1) Real and tangible personal property, respectively,:

11 (i) on which the institution may claim depreciation for
12 Federal income tax purposes; or

13 (ii) property to which the institution holds legal title and
14 on which no other person may claim depreciation for Federal
15 income tax purposes, or could claim depreciation if subject to
16 Federal income tax.

17 (2) The term does not include coin, currency or property
18 acquired in lieu of or pursuant to a foreclosure.

19 "Receipts." As follows:

20 (1) Except as provided under paragraph (2), an item included
21 in taxable income returned to and ascertained by the Federal
22 Government.

23 (2) If consolidated returns are filed with the Federal
24 Government, an item that would be included in taxable income
25 returned to and ascertained by the Federal Government if a
26 separate return had been made to the Federal Government by the
27 institution, including the taxable income of a subsidiary of the
28 institution that are disregarded entities for purposes of
29 Federal taxation.

30 "Regular place of business." An office at which an

1 institution carries on its business in a regular and systematic
2 manner and which is continuously maintained, occupied and used
3 by employes of an institution.

4 "Regular presence of employes." An employe shall be deemed
5 to have a regular presence in a state if:

6 (1) a majority of the employe's service is performed within
7 the state; or

8 (2) the office from which his activities are directed or
9 controlled is located in the state, where a majority of the
10 employe's service is not performed in any one state.

11 "State." Any of the several states of the United States, the
12 District of Columbia, the Commonwealth of Puerto Rico, any
13 territory or possession of the United States and any foreign
14 country.

15 "Syndication." An extension of credit in which two or more
16 people provide funds and each person is at risk for up to a
17 specified percentage of the total extension of credit or for up
18 to a specified dollar amount.

19 "Transportation property." A vehicle and vessel capable of
20 moving under its own power, such as aircraft, a train, water
21 vessel and motor vehicle. The term includes equipment or a
22 container attached to the property, such as rolling stock, a
23 barge, trailer or similar equipment or container.

24 Section 24. The definitions of "document," "real estate" and
25 "real estate company" in section 1101-C of the act, amended July
26 2, 1986 (P.L.318, No.77), are amended and the section is amended
27 by adding definitions to read:

28 Section 1101-C. Definitions.--The following words when used
29 in this article shall have the meanings ascribed to them in this
30 section:

1 * * *

2 "Document." Any deed, instrument or writing which conveys,
3 transfers, devises, vests, confirms or evidences any transfer or
4 devise of title to real estate in this Commonwealth, but does
5 not include wills, mortgages, deeds of trust or other
6 instruments of like character given as security for a debt and
7 deeds of release thereof to the debtor, land contracts whereby
8 the legal title does not pass to the grantee until the total
9 consideration specified in the contract has been paid or any
10 cancellation thereof unless the consideration is payable over a
11 period of time exceeding thirty years or instruments which
12 solely grant, vest or confirm a public utility easement.
13 "Document" shall also include a declaration of acquisition
14 required to be presented for recording under section 1102-C.5 of
15 this article.

16 * * *

17 "Real estate."

18 (1) Any lands, tenements or hereditaments [within this
19 Commonwealth], including, without limitation, buildings,
20 structures, fixtures, mines, minerals, oil, gas, quarries,
21 spaces with or without upper or lower boundaries, trees and
22 other improvements, immovables or interests which by custom,
23 usage or law pass with a conveyance of land, but excluding
24 permanently attached machinery and equipment in an industrial
25 plant.

26 (2) A condominium unit.

27 (3) A tenant-stockholder's interest in a cooperative housing
28 corporation, trust or association under a proprietary lease or
29 occupancy agreement.

30 "Real estate company." A corporation or association which

1 [is] meets any of the following:

2 (1) Is primarily engaged in the business of holding, selling
3 or leasing real estate ninety per cent or more of the ownership
4 interest in which is held by thirty-five or fewer persons and
5 which:

6 [(1)] (i) derives sixty per cent or more of its annual gross
7 receipts from the ownership or disposition of real estate; or

8 [(2)] (ii) holds real estate, the value of which comprises
9 ninety per cent or more of the value of its entire tangible
10 asset holdings exclusive of tangible assets which are freely
11 transferable and actively traded on an established market.

12 (2) Ninety percent or more of the ownership interest in the
13 corporation or association is held by thirty-five or fewer
14 persons and the corporation or association owns, as ninety
15 percent or more of the fair market value of its assets, a direct
16 or indirect interest in a real estate company. An indirect
17 ownership interest is an interest in a corporation or
18 association, ninety percent or more of the ownership interest
19 which is held by thirty-five or fewer persons whose purpose is
20 the ownership of a real estate company.

21 * * *

22 "Volunteer emergency medical services agency." The term
23 shall have the same meaning as given to the term "volunteer
24 ambulance service" in 35 Pa.C.S. § 7802 (relating to
25 definitions).

26 "Volunteer fire company." As defined in 35 Pa.C.S. § 7802
27 (relating to definitions).

28 "Volunteer rescue company." As defined in 35 Pa.C.S. § 7802
29 (relating to definitions).

30 Section 25. Section 1102-C of the act, amended July 2, 1986

1 (P.L.318, No.77), is amended to read:

2 Section 1102-C. Imposition of Tax.--Every person who makes,
3 executes, delivers, accepts or presents for recording any
4 document or in whose behalf any document is made, executed,
5 delivered, accepted or presented for recording, shall be subject
6 to pay for and in respect to the transaction or any part
7 thereof, or for or in respect of the vellum parchment or paper
8 upon which such document is written or printed, a State tax at
9 the rate of one per cent of the value of the real estate within
10 this Commonwealth represented by such document, which State tax
11 shall be payable at the earlier of the time the document is
12 presented for recording or within thirty days of acceptance of
13 such document or within thirty days of becoming an acquired
14 company.

15 Section 25.1. Section 1102-C.3 of the act is amended by
16 adding a clause to read:

17 Section 1102-C.3. Excluded Transactions.--The tax imposed by
18 section 1102-C shall not be imposed upon:

19 * * *

20 (23) A transfer of real estate:

21 (i) for no or nominal consideration from the Commonwealth or
22 any of its instrumentalities, agencies or political subdivisions
23 to a volunteer emergency medical services agency, volunteer fire
24 company or volunteer rescue company; or

25 (ii) between two or more volunteer emergency medical
26 services agencies, volunteer fire companies or volunteer rescue
27 companies.

28 Section 26. Section 1102-C.5(a) of the act, amended July 2,
29 2012 (P.L.751, No.85), is amended to read:

30 Section 1102-C.5. Acquired Company.--(a) A real estate

1 company is an acquired company upon a change in the ownership
2 interest in the company, however effected, if the change:

3 (1) does not affect the continuity of the company; and

4 (2) of itself or together with prior changes has the effect
5 of transferring, directly or indirectly, ninety per cent or more
6 of the total ownership interest in the company within a period
7 of three years.

8 (3) For the purposes of paragraph (2), a transfer occurs
9 within a period of three years of another transfer or transfers
10 if, during the period[:

11 (i) the transferring party provides a legally binding
12 commitment, enforceable at a future date, to execute the
13 transfer;

14 (ii) the terms of the transfer are fixed and not subject to
15 negotiation; and

16 (iii) the transferring party receives full consideration, in
17 any form, in exchange for the transfer.], the transferring party
18 provides the transferee a legally binding commitment or option,
19 enforceable at a future date, to execute the transfer.

20 * * *

21 Section 26.1. The act is amended by adding an article to
22 read:

23 ARTICLE XVI-B

24 NONLICENSED CORPORATION PARI-MUTUEL WAGERING TAX

25 Section 1601-B. Scope.

26 This article relates to taxation on the privilege of
27 conducting pari-mutuel wagering in this Commonwealth by
28 nonlicensed corporations.

29 Section 1602-B. Definitions.

30 The following words and phrases when used in this article

1 shall have the same meaning given to them in this section unless
2 the context clearly indicates otherwise:

3 "Advance deposit account wagering." A system by which a
4 wager is debited and a payout is credited to an advance deposit
5 account held by a person on behalf of another person.

6 "Association." A general partnership, limited partnership,
7 limited liability partnership or any other form of
8 unincorporated enterprise, owned or conducted by two or more
9 persons other than a private trust or decedent's estate.

10 "Common pool wagering." The inclusion of a wager placed into
11 a common pari-mutuel pool for the purpose of display of wagering
12 information and calculation of payoffs on winning wagers.

13 "Corporation." A corporation, joint-stock association or
14 business trust which is organized under the laws of this
15 Commonwealth, the United States, or any other state, territory,
16 foreign country or dependency.

17 "Department." The Department of Revenue of the Commonwealth.

18 "Licensed corporation." The term shall have the same meaning
19 as defined in section 102 of the act of December 17, 1981
20 (P.L.435, No.135), known as the Race Horse Industry Reform Act.

21 "Nonlicensed corporation." A person other than a licensed
22 corporation that offers and accepts pari-mutuel wagers made
23 within this Commonwealth, including an advance deposit account
24 wagering, in which the wagers are included in common pool
25 wagering through a pari-mutuel system.

26 "Pari-mutuel system." The hardware, software and
27 communications equipment used to record wagers, calculate
28 payouts for winning wagers and transmit wagering transactions
29 and pari-mutuel pool data for display to patrons and to
30 communicate with other pari-mutuel systems linked to facilitate

1 common pool wagering.

2 "Pari-mutuel wagering." A form of wagering on the outcome of
3 a horse race or harness horse race in which all wagers are
4 pooled and held by a pari-mutuel pool host for distribution of
5 the total amount, minus the deductions authorized by law, to
6 holders of tickets on the winning contestants.

7 "Person." A natural person, association or corporation. The
8 term shall, when used in any provision prescribing and imposing
9 a penalty, include the responsible members or general partners
10 of an association or the officers of a corporation.

11 Section 1603-B. Tax.

12 (a) Imposition.--A tax is imposed on the privilege of
13 conducting pari-mutuel wagering in this Commonwealth by all
14 nonlicensed corporations. A nonlicensed corporation shall pay a
15 tax through the department for deposit into the restricted
16 account established under section 1606-B.

17 (b) Rate.--The tax imposed under subsection (a) shall be a
18 percentage tax of 10% on the amount of pari-mutuel wagers made
19 each day through the nonlicensed corporation where the wagers
20 were placed from within this Commonwealth, including wagers made
21 by an advance deposit account wagering system, in which the
22 wagers are included in common pool wagering through a pari-
23 mutuel system.

24 Section 1604-B. Pari-mutuel tax return.

25 (a) Returns.--A nonlicensed corporation subject to this
26 article shall file with the department, on a form prescribed by
27 the department, a nonlicensed corporation pari-mutuel wagering
28 tax return. The return shall be filed under oath or affirmation
29 of an authorized officer, member or partner reporting the tax
30 due under this part in the prior calendar month. A return shall

1 be due by the 20th day following the end of the reporting
2 period. The return shall set forth all of the following with
3 regard to the nonlicensed corporation:

4 (1) The total amount of pari-mutuel wagers made within
5 this Commonwealth, including wagers made by an advance
6 deposit account wagering system, in which the wagers are
7 included in common pool wagering through a pari-mutuel
8 system, on thoroughbred meets.

9 (2) The total amount of pari-mutuel wagers made within
10 this Commonwealth, including wagers made by an advance
11 deposit account wagering system, in which the wagers are
12 included in common pool wagering through a pari-mutuel
13 system, on harness meets.

14 (3) Calculation of the tax due at 10%.

15 (4) Other information required by the department.

16 (b) Payment of tax.--Each nonlicensed corporation subject to
17 pay the tax under this article shall remit the tax to the
18 department when the return under subsection (a) is due.

19 (c) Penalties and interest.--If a nonlicensed corporation
20 fails to file the return required under subsection (a) or fails
21 to pay the tax imposed under section 1603-B, the department may
22 do any of the following:

23 (1) Assess the amount of tax due.

24 (2) Impose and assess an administrative penalty equal to
25 5% of the tax or \$500, whichever is greater, due but unpaid
26 for each quarter or fraction of the quarter that the tax
27 remains unpaid together with interest at the rate established
28 under section 806 of the act of April 9, 1929 (P.L.343,
29 No.176), known as The Fiscal Code, on the tax from the time
30 when the tax became due. The penalties provided under this

1 paragraph shall be added to the tax and assessed and
2 collected at the same time and in the same manner as a part
3 of the tax. Unless otherwise specified, the tax shall be
4 assessed, collected and enforced by the department under the
5 provisions of Article II.

6 Section 1605-B. Regulations.

7 The department may promulgate regulations to enforce this
8 article, including regulations to provide for licensing and
9 enforcement of this article.

10 Section 1606-B. Advanced Deposit Wagering Collections Account.

11 (a) Advanced Deposit Wagering Collections Account.--There is
12 created within the General Fund a restricted account to be known
13 as the Advanced Deposit Wagering Collections Account. Revenues
14 collected under this article shall be deposited into the
15 account.

16 (b) Transfer.--Of the funds deposited in the Advanced
17 Deposit Wagering Collections Account, beginning fiscal year
18 2013-2014 and each fiscal year thereafter, up to \$5,000,000 is
19 transferred to the State racing commissions in the Department of
20 Agriculture for general government operations of the
21 commissions. For fiscal year 2013-2014, any funds that exceed
22 the \$5,000,000 shall be transferred to the Pennsylvania Race
23 Horse Development Fund.

24 Section 27. Sections 1702-D and 1703-D of the act, amended
25 or added July 25, 2007 (P.L.373, No.55) and July 2, 2012
26 (P.L.751, No.85), are amended to read:

27 Section 1702-D. Definitions.

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

1 "Department." The Department of Community and Economic
2 Development of the Commonwealth.

3 "Film." A feature film, a television film, a television talk
4 or game show series, a television commercial or a television
5 pilot or each episode of a television series which is intended
6 as programming for a national audience. The term does not
7 include a production featuring news, current events, weather and
8 market reports, public programming, sports events, awards shows
9 or other gala events, a production that solicits funds, a
10 production containing obscene material or performances as
11 defined in 18 Pa.C.S. § 5903(b) (relating to obscene and other
12 sexual materials and performances) or a production primarily for
13 private, political, industrial, corporate or institutional
14 purposes.

15 "Minimum stage filming requirements." Include:

16 (1) Taxpayers with a Pennsylvania production expense of
17 less than \$30,000,000 per production must:

18 (i) build at least one set at a qualified production
19 facility;

20 (ii) shoot for a minimum of ten days at a qualified
21 production facility; and

22 (iii) spend or incur a minimum of \$1,500,000 in
23 direct expenditures relating to the use or rental of
24 tangible property or for performance of services provided
25 by a qualified production facility.

26 (2) Taxpayers with a Pennsylvania production expense of
27 at least \$30,000,000 per production must:

28 (i) build at least two sets at a qualified
29 production facility;

30 (ii) shoot for a minimum of 15 days at a qualified

1 production facility; and

2 (iii) spend or incur a minimum of \$5,000,000 in
3 direct expenditures relating to the use or rental of
4 tangible property at or for performance of services
5 provided by a qualified production facility.

6 "Pass-through entity." A partnership as defined in section
7 301(n.0) or a Pennsylvania S corporation as defined in section
8 301(n.1).

9 "Pennsylvania production expense." Production expense
10 incurred in this Commonwealth. The term includes:

11 (1) Compensation paid to an individual on which the tax
12 imposed by Article III will be paid or accrued.

13 (2) Payment to a personal service corporation
14 representing individual talent if the tax imposed by Article
15 IV will be paid or accrued on the net income of the
16 corporation for the taxable year.

17 (3) Payment to a pass-through entity representing
18 individual talent if the tax imposed by Article III will be
19 paid or accrued by all of the partners, members or
20 shareholders of the pass-through entity for the taxable year
21 for which the tax imposed under Article III has been withheld
22 and remitted under the requirements of Article III by the
23 production company.

24 (4) The cost of transportation incurred while
25 transporting to or from a train station, bus depot or
26 airport, located in this Commonwealth.

27 (5) The cost of insurance coverage purchased through an
28 insurance agent based in this Commonwealth.

29 (6) The purchase of music or story rights if any of the
30 following subparagraphs apply:

1 (i) The purchase is from a resident of this
2 Commonwealth.

3 (ii) The purchase is from an entity subject to
4 taxation in this Commonwealth, and the transaction is
5 subject to taxation under Article III, IV or VI.

6 (7) The cost of rental of facilities and equipment
7 rented from or through a resident of this Commonwealth or an
8 entity subject to taxation in this Commonwealth.

9 "Production expense." As follows:

10 (1) The term includes all of the following:

11 (i) Compensation paid to an individual employed in
12 the production of the film.

13 (ii) Payment to a personal service corporation
14 representing individual talent.

15 (iii) Payment to a pass-through entity representing
16 individual talent.

17 (iv) The costs of construction, operations, editing,
18 photography, sound synchronization, lighting, wardrobe
19 and accessories.

20 (v) The cost of leasing vehicles.

21 (vi) The cost of transportation to or from a train
22 station, bus depot or airport.

23 (vii) The cost of insurance coverage.

24 (viii) The costs of food and lodging.

25 (ix) The purchase of music or story rights.

26 (x) The cost of rental of facilities and equipment.

27 (2) The term does not include any of the following:

28 (i) Deferred, leveraged or profit participation paid
29 or to be paid to individuals employed in the production
30 of the film or paid to entities representing an

1 individual for services provided in the production of the
2 film.

3 (ii) Development cost.

4 (iii) Expense incurred in marketing or advertising a
5 film.

6 (iv) Cost related to the sale or assignment of a
7 film production tax credit under section 1705-D(e).

8 "Qualified film production expense." All Pennsylvania
9 production expenses if Pennsylvania production expenses comprise
10 at least 60% of the film's total production expenses. The term
11 shall not include more than \$15,000,000 in the aggregate of
12 compensation paid to individuals or payment made to entities
13 representing an individual for services provided in the
14 production of the film.

15 "Qualified production facility." A film production facility
16 located within this Commonwealth that contains at least one
17 sound stage with a column-free, unobstructed floor space and
18 meets either of the following criteria:

19 (1) Has had a minimum of \$10,000,000 invested in the
20 film production facility in land or a structure purchased or
21 ground-up, purpose-built new construction or renovation of
22 existing improvement.

23 (2) Meets at least three of the following criteria:

24 (i) A sound stage having an industry standard noise
25 criteria rating of 25 or better.

26 (ii) A permanent grid with a minimum point load
27 capacity of no less than 1,000 pounds at a minimum of 25
28 points.

29 (iii) Built-in power supply available at a minimum
30 of 4,000 amps per sound stage without the need for

1 supplemental generators.

2 (iv) A height from sound stage floor to permanent
3 grid of a minimum of 20 feet.

4 (v) A sound stage with a sliding or roll-up access
5 door with a minimum height of 14 feet.

6 (vi) A built-in HVAC capacity during shoot days with
7 a minimum of 50 tons of cooling capacity available per
8 sound stage.

9 (vii) Perimeter security that includes a 24-hour,
10 seven-days-a-week security presence and use of access
11 control identification badges.

12 (viii) On-site lighting and grip department with an
13 available inventory stored at the film production
14 facility with a minimum cost of investment of \$500,000.

15 (ix) A sound stage with contiguous production
16 offices with a minimum of 5,000 square feet per sound
17 stage.

18 "Qualified tax liability." The liability for taxes imposed
19 under Article III, IV, VI, VII or IX. The term shall not include
20 any tax withheld by an employer from an employee under Article
21 III.

22 "Start date." [The first day of principal photography in
23 this Commonwealth.] As follows:

24 (1) the first day of principal photography in this
25 Commonwealth; or

26 (2) an earlier date than the date under subparagraph
27 (i), approved by the Pennsylvania Film Office.

28 "Tax credit." The film production tax credit provided under
29 this article.

30 "Taxpayer." A film production company subject to tax under

1 Article III, IV or VI. The term does not include contractors or
2 subcontractors of a film production company.

3 Section 1703-D. Credit for qualified film production expenses.

4 (a) Application.--A taxpayer may apply to the department for
5 a tax credit under this section. The application shall be on the
6 form required by the department.

7 (b) Review and approval.--The department shall establish
8 application periods not to exceed 90 days each. All applications
9 received during the application period shall be reviewed and
10 evaluated by the department based on the following criteria:

11 (1) The anticipated number of production days in a
12 qualified production facility.

13 (2) The anticipated number of Pennsylvania employees.

14 (3) The number of preproduction days through
15 postproduction days in Pennsylvania.

16 (4) The anticipated number of days spent in Pennsylvania
17 hotels.

18 (5) The Pennsylvania production expenses in comparison
19 to the production budget.

20 (6) The use of studio resources.

21 (7) Other criteria that the Director of the Pennsylvania
22 Film Office deems appropriate to ensure maximum employment
23 and benefit within this Commonwealth.

24 Upon determining the taxpayer has incurred or will incur
25 qualified film production expenses, the department may approve
26 the taxpayer for a tax credit. Applications not approved may be
27 reviewed and considered in subsequent application periods. The
28 department may approve a taxpayer for a tax credit based on its
29 evaluation of the criteria under this subsection.

30 (c) Contract.--If the department approves the taxpayer's

1 application under subsection (b), the department and the
2 taxpayer shall enter into a contract containing the following:

3 (1) An itemized list of production expenses incurred or
4 to be incurred for the film.

5 (2) An itemized list of Pennsylvania production expenses
6 incurred or to be incurred for the film.

7 (3) With respect to a contract entered into prior to
8 completion of production, a commitment by the taxpayer to
9 incur the qualified film production expenses as itemized.

10 (4) The start date.

11 (5) Any other information the department deems
12 appropriate.

13 (d) Certificate.--Upon execution of the contract required by
14 subsection (c), the department shall award the taxpayer a film
15 production tax credit and issue the taxpayer a film production
16 tax credit certificate.

17 Section 28. Sections 1705-D(g) and 1708-G.1(b) of the act,
18 amended or added July 2, 2012 (P.L.751, No.85), are amended to
19 read:

20 Section 1705-D. Carryover, carryback and assignment of credit.

21 * * *

22 (g) Limited carry forward of tax credits by a purchaser or
23 assignee.--A purchaser or assignee may carry forward all or any
24 unused portion of a tax credit purchased or assigned in
25 [calendar]:

26 (1) Calendar year 2010 against qualified tax liabilities
27 incurred in taxable years 2011 and 2012.

28 (2) Calendar year 2013 against qualified tax liabilities
29 incurred in taxable yeas 2014.

30 (3) Calendar year 2014 against qualified tax liabilities

1 incurred in taxable year 2015.

2 Section 1708-G.1. Scholarships.

3 * * *

4 (b) Award.--A scholarship organization may award a
5 scholarship to an applicant who resides within the attendance
6 boundary of a low-achieving school to attend a participating
7 public school or a participating nonpublic school selected by
8 the parent of the applicant. If an applicant who received an
9 educational opportunity scholarship under this article for the
10 prior school year resides within the attendance boundary of a
11 school that was removed from the list of low-achieving schools
12 provided by the department under subsection (a), the applicant
13 may receive an educational opportunity scholarship. The
14 scholarship may be for each year of enrollment in a
15 participating public school or participating nonpublic school
16 for up to the lesser of five years or until completion of grade
17 12 provided the applicant otherwise remains eligible. In
18 awarding scholarships, a scholarship organization shall give
19 preference to any of the following:

20 (1) An applicant who received a scholarship for the
21 prior school year.

22 (2) An applicant of a household with a household income
23 that does not exceed 185% of the Federal poverty level for
24 the school year preceding the school year for which the
25 application is being made.

26 (3) An applicant of a household with a household income
27 that does not exceed 185% of the Federal poverty level for
28 the school year preceding the school year for which the
29 application is being made and who resides within any of the
30 following:

1 (i) a first class school district;
2 (ii) a school district with an average daily
3 membership greater than 7,500 and that receives an
4 advance of its basic education subsidy at any time; or
5 (iii) a school district that receives an advance of
6 its basic education subsidy at any time and is either
7 subject to a declaration of financial distress under
8 section 691 of the Public School Code of 1949 or engaged
9 in litigation against the Commonwealth in which the
10 school district seeks financial assistance from the
11 Commonwealth to allow the school district to continue to
12 operate.

13 * * *

14 Section 29. Article XVIII-A of the act, added May 12, 1999
15 (P.L.26, No.4), is repealed:

16 [ARTICLE XVIII-A

17 COAL WASTE REMOVAL AND ULTRACLEAN FUELS

18 TAX CREDIT

19 Section 1801-A. Short Title.--This article shall be known
20 and may be cited as the "Coal Waste Removal and Ultraclean Fuels
21 Act."

22 Section 1802-A. Definitions.--The following words, terms and
23 phrases, when used in this article, shall have the meanings
24 ascribed to them in this section, except where the context
25 clearly indicates a different meaning:

26 "Department" means the Department of Revenue of the
27 Commonwealth.

28 "Developer" means the owner-operator of a facility, as
29 defined in this section, or the operator of the facility that
30 has sold the facility in new condition to a third party from

1 whom that operator has simultaneously leased back the facility
2 for a minimum period of twelve years.

3 "Facility" includes all plant and equipment purchased or
4 constructed by or on behalf of the developer which is used
5 within this Commonwealth by the developer to produce one or more
6 qualified fuels.

7 "Internal Revenue Code" means the Internal Revenue Code of
8 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.).

9 "Qualified fuels" means those fuels produced from
10 nontraditional coal culm and silt feedstocks as defined in
11 section 29(c) of the Internal Revenue Code of 1986 (Public Law
12 99-514, 26 U.S.C. § 29(c)).

13 "Qualifying property" means tangible personal property and
14 other forms of tangible property which qualify for investment
15 tax credit treatment and which meet all of the following
16 requirements:

17 (1) Be acquired through a purchase, as defined under section
18 179(d)(2) of the Internal Revenue Code (26 U.S.C. § 179(d)(2)),
19 or constructed by the developer for its own use.

20 (2) Be depreciable under section 167 of the Internal Revenue
21 Code (26 U.S.C. § 167).

22 (3) Have a useful life of greater than or equal to four
23 years.

24 (4) Be located within this Commonwealth.

25 (5) Be used by the developer in the production of qualified
26 fuels.

27 (6) Be acquired by purchase or constructed on or after
28 January 1, 2000, and before January 1, 2013.

29 (7) Not be the subject of any tax credit otherwise available
30 to the developer under this act.

1 "Tax credit base" means only the cost or other basis of
2 qualifying property that is properly transferred to the
3 facility's basis for depreciation for Federal income tax
4 purposes between January 1, 2000, and December 31, 2012.

5 Section 1803-A. Investment Tax Credits Program.--(a) A
6 developer of a new facility for the production of one or more
7 qualified fuels shall be allowed an investment tax credit
8 against the taxes imposed under Articles II, IV and VI of this
9 act. The amount of the credit shall be computed as a percentage
10 applied to the cost or other basis for Federal income tax
11 purposes of qualifying property.

12 (b) (1) The investment tax credit shall be computed as
13 fifteen per cent of the tax credit base.

14 (2) The maximum investment tax credit available for
15 application, whether claimed by one or more taxpayers, shall not
16 exceed fifteen per cent of the capital cost of the facility.

17 (3) Any amount of allowable investment tax credit not used
18 in the tax year for which the credit was claimed can be carried
19 forward by the claiming taxpayer to succeeding years until the
20 full amount of allowable credit has been used.

21 (c) (1) The developer, upon notice to the department as
22 specified by the department, may sell or assign, in whole or in
23 part, any investment tax credit afforded under this section to
24 one or more taxpayers if no claim for allowance of such credit
25 has been filed.

26 (2) A taxpayer recipient by purchase or assignment of any
27 portion of the developer's investment tax credit under paragraph
28 (1) shall initially claim such credit, upon notice to the
29 department of the derivative basis of the credit in compliance
30 with procedures specified by the department, for the tax year in

1 which the purchase or assignment is made, but in no event
2 subsequent to the filing of an income tax return for the year
3 2012.

4 (3) Any taxpayer who acquires any portion of the developer's
5 investment tax credit by sale or assignment for value and
6 without notice by the developer of any irregularity or
7 invalidity shall not suffer any disallowance of the credit or
8 the imposition of any adjustment or fraud penalty attributable
9 to conduct by the developer.

10 (d) (1) If prior to the expiration of any qualifying
11 property's useful life, as used to calculate depreciation for
12 Federal income tax purposes, the developer, upon mandatory
13 notice to the department in compliance with procedures specified
14 by the department, disposes of any qualifying property, in a
15 transaction other than a sale-leaseback transaction, upon which
16 the department has previously allowed an investment tax credit
17 claimed by any taxpayer, a portion of all such credit shall be
18 recaptured and added to the developer's tax liability for the
19 tax year in which the qualifying property is disposed.

20 (2) The portion of the investment tax credit previously
21 allowed, which is subject to recapture from the developer, shall
22 be equal to a fraction whose numerator is the number of years
23 remaining to fully depreciate for Federal income tax purposes
24 the qualifying property disposed and whose denominator is the
25 total number of years over which the property otherwise would
26 have been subject to depreciation by the developer.

27 (3) In calculating the recapture percentage, the year of
28 disposition of the qualifying property is considered a year of
29 remaining depreciation.

30 (e) The department shall verify the validity of any claim

1 for allowance of any investment tax credit afforded under this
2 section and, in the case of a fraudulent claim, may assess
3 against the developer a penalty of one hundred and twenty-five
4 per cent of the credit improperly claimed.

5 (f) The tax credits authorized by this section shall not
6 exceed eighteen million dollars (\$18,000,000) in the aggregate
7 during any year.

8 Section 1804-A. Contract Required.--(a) In order for a
9 developer to claim investment tax credits under this article,
10 the developer must enter into a contract with the Commonwealth
11 that provides as follows:

12 (1) The term of the contract shall be twenty-five years,
13 beginning with the first tax year in which the investment tax
14 credits are claimed.

15 (2) The developer shall make periodic payments to the
16 Commonwealth, which payments may not exceed in the aggregate
17 forty-six million eight hundred thousand dollars (\$46,800,000)
18 over the term of the contract.

19 (3) The periodic payments shall occur every five years and
20 each payment shall be nine million three hundred sixty thousand
21 dollars (\$9,360,000), except as provided in paragraphs (4), (5)
22 and (6).

23 (4) For the first five-year period, the amount specified in
24 paragraph (3) shall be reduced by:

25 (i) An amount equal to the business losses of the developer,
26 if any, relating to the facility that are sustained in the first
27 and second years of the contract, provided such amount does not
28 exceed three million seven hundred forty-four thousand dollars
29 (\$3,744,000) for both years.

30 (ii) Allowable offsets identified in subsection (b),

1 provided that such offsets do not exceed nine million three
2 hundred sixty thousand dollars (\$9,360,000).

3 (5) For the remaining five-year periods, the amount
4 specified in paragraph (3) shall be reduced by the amount of
5 allowable offsets identified in subsection (b), provided that
6 such offsets do not exceed nine million three hundred sixty
7 thousand dollars (\$9,360,000) during any five-year period.

8 (6) To the extent the amount of allowable offsets during any
9 five-year period exceeds nine million three hundred sixty
10 thousand dollars (\$9,360,000), the excess may be carried over
11 and added to the allowable offsets taken in the following five-
12 year period, provided that the excess is applied first.

13 (b) For purposes of this section, "allowable offset"
14 includes all of the following:

15 (1) An amount equal to the corporate net income tax, capital
16 stock and franchise tax and personal income tax related to the
17 construction, ownership and operation of the facility.

18 (2) An amount equal to all personal income tax withheld from
19 the developer's employees.

20 (3) An amount equal to all sales and use tax related to the
21 operation and construction of the facility.

22 (4) The amount paid by the developer of any new tax enacted
23 by the Commonwealth following the effective date of this
24 article.

25 Section 1805-A. Requirements.--Tax credits authorized by
26 this article shall not be granted unless the developer has
27 obtained an investment tax credit from the Federal Government or
28 an investment by a person other than an agency or
29 instrumentality of the Commonwealth, or any combination thereof,
30 in an amount equal to or greater than the tax credit granted by

1 this article.]

2 Section 29.1. Section 1804-B(d) of the act, amended July 2,
3 2012 (P.L.751, No.85), is amended to read:

4 Section 1804-B. Tax credits.

5 * * *

6 (d) Tax credit term.--

7 (1) A company may claim the job creation tax credit for each
8 new job created, as approved by the department, for a one-year,
9 two-year or three-year period as authorized by the department,
10 except that no tax credit may be claimed for more than five
11 years from the date the company first submits a job creation tax
12 credit certificate.

13 (2) Notwithstanding the provisions of paragraph (1), nothing
14 in this article shall be construed to prohibit the Department of
15 Community and Economic Development from awarding the total
16 amount of tax credit authorized for a multiple year tax credit
17 in the first year in which the new job is created and the tax
18 credit earned.

19 * * *

20 Section 30. Article XVIII-C heading of the act, added July
21 9, 2008 (P.L.922, No.66), is amended to read:

22 ARTICLE XVIII-C

23 [(RESERVED)]

24 CITY REVITALIZATION AND IMPROVEMENT ZONES

25 Section 31. The act is amended by adding sections to read:
26 Section 1801-C. Scope of article.

27 This article relates to city revitalization and improvement
28 zones.

29 Section 1802-C. Definitions.

30 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Baseline year." The calendar year in which a zone was
4 established.

5 "Bond." The term includes any note, instrument, refunding
6 note or other evidence of indebtedness or obligation.

7 "City." A city of the third class with a population of at
8 least 30,000 based on the most recent Federal decennial census.
9 The term shall not include a city that has had a receiver
10 appointed under Chapter 7 of the act of July 10, 1987 (P.L.246,
11 No.47), known as the Municipalities Financial Recovery Act.

12 "City revitalization and improvement zone." An area of not
13 more than 130 acres, comprised of parcels designated by the
14 contracting authority, which will provide economic development
15 and job creation within a city.

16 "Contracting authority." An authority established under 53
17 Pa.C.S. Ch. 56 (relating to municipal authorities) by a city or
18 home rule county for the purpose of:

19 (1) designating zones; and

20 (2) engaging in the construction, including related site
21 preparation and infrastructure, reconstruction or renovation
22 of facilities.

23 "Department." The Department of Revenue of the Commonwealth.

24 "Earned income tax." A tax imposed on earned income within a
25 zone under the act of December 31, 1965 (P.L.1257, No.511),
26 known as The Local Tax Enabling Act, which a city, or a school
27 district contained entirely within the boundaries of or
28 coterminous with the city, is entitled to receive.

29 "Eligible tax." Any of the following taxes:

30 (1) Corporate net income tax, capital stock and

1 franchise tax, bank shares tax or business privilege tax,
2 calculated and apportioned as to amount attributable to the
3 location within the zone and calculated under section
4 1904-B(b) and (c).

5 (2) Amusement tax, only to the extent the tax is
6 related to the activity of a qualified business within the
7 zone.

8 (3) Sales and use tax, only to the extent the tax is
9 related to the activity of a qualified business within the
10 zone.

11 (4) Personal income tax withheld from its employees by a
12 qualified business for work performed in the zone.

13 (5) Local services tax withheld from its employees by a
14 qualified business for work performed in the zone.

15 (6) Earned income tax withheld from its employees by a
16 qualified business for work performed in the zone.

17 (7) Tax paid to the Commonwealth on the sale of liquor,
18 wine or malt or brewed beverages in the zone.

19 The term does not include cigarette tax.

20 "Facility." A structure or complex of structures to be used
21 for commercial, sports, exhibition, hospitality, conference,
22 retail, community, office, recreational or mixed-use purposes.

23 "Office." The Office of the Budget.

24 "Pilot zone." An area of not more than 130 acres designated
25 by the authority following application and approval by the
26 Department of Community and Economic Development, the office and
27 the department which will provide economic development and job
28 creation within a township or borough, with a population of at
29 least 7,000 based on the most recent Federal decennial census.

30 "Qualified business." As follows:

1 (1) An entity located or partially located in a zone
2 which meets the requirements of all of the following:

3 (i) Has conducted an active trade or business in the
4 zone.

5 (ii) Appears on the timely filed list under section
6 1807-C(a).

7 (2) A construction contractor engaged in construction,
8 including infrastructure or site preparation, reconstruction
9 or renovation of a facility located in or partially in the
10 zone.

11 (3) The term does not include an agent, broker or
12 representative of a business.

13 "Zone." Any of the following:

14 (1) A city revitalization and improvement zone.

15 (2) A pilot zone.

16 "Zone Fund." A city revitalization and improvement zone fund
17 established under section 1808-C.

18 Section 1803-C. Establishment of contracting authority.

19 (a) Cities.--Except as set forth in subsection (b), a city
20 may establish a contracting authority to designate a zone under
21 this article.

22 (b) Distressed cities.--A city that is a distressed city
23 under the act of July 10, 1987 (P.L.246, No.47), known as the
24 Municipalities Financial Recovery Act, and is located in a home
25 rule county may not establish a contracting authority under this
26 article.

27 (c) Counties.--The home rule county where a distressed city
28 under the Municipalities Financial Recovery Act is located may
29 establish a contracting authority to designate a zone under this
30 article within the distressed city.

1 Section 1804-C. Approval.

2 (a) Submission.--A contracting authority may apply to the
3 Department of Community and Economic Development for approval of
4 a zone plan. The application must include all of the following:

5 (1) A plan to establish one or more facilities which
6 will promote economic development.

7 (2) An economic development plan.

8 (3) Specific information relating to the facility which
9 will be constructed, including infrastructure and site
10 preparation, reconstructed or renovated as part of the plan.

11 (4) Other information as required by the Department of
12 Community and Economic Development, the office or the
13 department.

14 (5) A designation of the specific geographic area,
15 including parcel numbers and a map of the zone with parcel
16 numbers, of which the zone will consist.

17 (b) Agencies.--The Department of Community and Economic
18 Development, the office and the department must approve each
19 application.

20 (c) Approval schedule.--The Department of Community and
21 Economic Development shall develop a schedule for the approval
22 of applications under this section as follows:

23 (1) Following the effective date of this paragraph,
24 applications for two initial zones may be approved.

25 (2) Beginning in 2016, applications for two additional
26 zones may be approved each calendar year.

27 (3) Following the effective date of this paragraph, the
28 Department of Community and Economic Development, the office
29 and the department, may approve one pilot zone.

30 (d) Time.--An application under this section shall be

1 approved or disapproved within 90 days of the postmark date of
2 submission. An application which is not disapproved within the
3 time period under this subsection shall be deemed to be
4 approved.

5 (e) Reapplication.--If an application is not approved under
6 this section, the applicant may revise the application and plan
7 and reapply for approval.

8 Section 1805-C. Exclusions.

9 A part of a zone may not include a keystone opportunity zone,
10 keystone opportunity expansion zone, keystone opportunity
11 improvement zone, keystone innovation zone, keystone special
12 development zone, neighborhood improvement zone or strategic
13 development area.

14 Section 1806-C. Functions of contracting authorities.

15 (a) Powers.--The contracting authority may do all of the
16 following:

17 (1) Designate a zone where a facility may be
18 constructed, including infrastructure and site preparation,
19 reconstructed or renovated.

20 (2) Provide or borrow money for any of the following
21 purposes:

22 (i) Development or improvement within a zone.

23 (ii) Construction, including infrastructure and site
24 preparation, reconstruction or renovation of a facility
25 within a zone which will result in economic development
26 in accordance with the contracting authority's plan.

27 (b) Money from fund.--A member of the contracting authority
28 may not receive money directly or indirectly from the fund.

29 Section 1807-C. Qualified businesses.

30 (a) List.--By June 1 following the end of the baseline year,

1 and for every year thereafter, each contracting authority shall
2 file with the department a complete list of all businesses
3 located in the zone and all construction contractors engaged in
4 construction, reconstruction or renovation of a facility in the
5 zone in the prior calendar year. The list shall include for each
6 business address, State tax identification number and parcel
7 number and a map of the zone with parcel numbers.

8 (b) Time.--If the list under subsection (a) is not timely
9 provided to the department, no eligible State tax shall be
10 certified by the department for the prior calendar year.

11 (c) Audit.--The contracting authority shall hire an
12 independent auditing firm to perform an annual audit verifying
13 all of the following:

14 (1) The correct amount of the eligible local tax was
15 submitted to the local taxing authorities.

16 (2) The local taxing authorities transferred the correct
17 amount of eligible local tax to the State Treasurer.

18 (3) The moneys transferred to the fund were properly
19 expended.

20 (4) Verify the correct amount was requested under
21 section 1812-C(c).

22 Section 1808-C. Funds.

23 (a) Notice.--Following the designation of a zone, the
24 contracting authority shall notify the State Treasurer.

25 (b) Establishment.--Upon receipt of notice under subsection
26 (a), the State Treasurer shall establish for each zone a special
27 fund for the benefit of the contracting authority to be known as
28 the City Revitalization and Improvement Zone Fund. Interest
29 income derived from investment of money in a fund shall be
30 credited by the State Treasury to the fund.

1 Section 1809-C. Reports.

2 (a) State zone report.--By June 15 following the baseline
3 year and each year thereafter, each qualified business shall
4 file a report with the department in a form or manner required
5 by the department which includes all of the following:

6 (1) Amount of each eligible tax which was paid to the
7 Commonwealth by the qualified business in the prior calendar
8 year.

9 (2) Amount of each eligible tax refund received from the
10 Commonwealth in the prior calendar year by the qualified
11 business.

12 (b) Local zone report.--By June 15 following the baseline
13 year and for each year thereafter, each qualified business shall
14 file a report with the local taxing authority which includes all
15 of the following:

16 (1) Amount of each eligible tax which was paid to the
17 local taxing authority by the qualified business in the prior
18 calendar year.

19 (2) Amount of each eligible tax refund received from the
20 local taxing authority in the prior calendar year by the
21 qualified business.

22 (c) Penalties.--

23 (1) Failure to file a timely and complete report under
24 subsection (a) or (b) may result in the imposition of a
25 penalty of the lesser of:

26 (i) ten percent of all eligible tax due the taxing
27 authority in the prior calendar year; or

28 (ii) one thousand dollars.

29 (2) A penalty for a violation of subsection (a) shall be
30 imposed, assessed and collected by the department under

1 procedures set forth in Article II. Money collected under
2 this paragraph shall be deposited in the General Fund.

3 (3) A penalty for a violation of subsection (b) shall be
4 imposed, assessed and collected by the political subdivision
5 under procedures for imposing penalties under local tax
6 collection laws.

7 (4) If a local taxing authority imposes the penalty, the
8 money shall be transferred to the State Treasurer for deposit
9 in the fund of the contracting authority.

10 Section 1810-C. Calculation of baseline.

11 (a) Baseline tax.--By October 15 following the end of the
12 baseline year and for each year thereafter, the department shall
13 verify the State baseline tax amount which consists of the
14 following:

15 (1) For qualified businesses that file timely zone State
16 reports under section 1809-C(a), the amount of eligible State
17 tax paid, less eligible State tax refunds.

18 (2) For qualified businesses not included under
19 paragraph (1) but located or partially located in the zone as
20 determined by the department or included in the information
21 received by the department under section 1809-C(a), the
22 amount of eligible State tax paid, less eligible State tax
23 refunds.

24 (b) Moves and noninclusions.--

25 (1) This subsection applies to a qualified business
26 that:

27 (i) moves into a zone from within this Commonwealth
28 after the baseline year; or

29 (ii) is in a zone but not included in the
30 calculation of the State baseline tax under subsection

1 (a).

2 (2) A qualified business subject to paragraph (1) shall
3 file a State zone report under section 1809-C following the
4 end of the first full calendar year in which the qualified
5 business conducted business in the zone and each calendar
6 year thereafter. The amount of eligible State tax verified by
7 the department for the qualified business for the prior
8 calendar year shall be added to the State baseline tax amount
9 for the zone for the prior calendar year and each year
10 thereafter.

11 (3) The calculation under this section may not include
12 the eligible taxes of a qualifying business moving into the
13 zone from outside this Commonwealth.

14 Section 1811-C. Certification.

15 (a) Amounts.--By the October 15 following the baseline year,
16 and each year thereafter, the department shall do all of the
17 following for the prior calendar year:

18 (1) Make the following calculation for qualified
19 businesses which file State zone reports under section 1809-
20 C(a), separately for each zone:

21 (i) Subtract:

22 (A) the amount of eligible State tax refunds
23 received; from

24 (B) the amount of eligible State tax paid.

25 (ii) Subtract:

26 (A) the State tax baseline amount for the zone;
27 from

28 (B) the difference under subparagraph (i).

29 (2) Certify to the office the difference under paragraph
30 (1) (ii).

1 (b) Content.---

2 (1) The certification may include the following:

3 (i) Adjustment made to timely filed zone reports by
4 the department for eligible State tax actually paid by a
5 qualified business in the prior calendar year.

6 (ii) Eligible State tax refunds paid to a qualified
7 business in the zone in a prior calendar year.

8 (iii) State tax penalties paid by a qualified
9 business in the prior year under section 1809-C(c).

10 (2) The certification shall not include the following:

11 (i) Tax paid by a qualified business that did not
12 file a timely State zone report under section 1809-C(a).

13 (ii) Tax paid by a qualified business whose tax was
14 not included in the State tax baseline amount calculation
15 under section 1810-C.

16 (iii) Tax paid by a qualifying business not
17 appearing on a timely filed list under section 1807-C(a).

18 (c) Submission.--The following shall apply:

19 (1) An entity collecting an eligible local tax within the
20 zone shall, by October 15 following the baseline year, and each
21 year thereafter, submit the following to the State Treasurer for
22 transfer to the fund:

23 (i) the eligible local tax collected in the prior
24 calendar year;

25 (ii) less the amount of eligible local tax refunds
26 issued in the prior calendar year; and

27 (iii) less the amount of local baseline tax for the
28 zone.

29 (2) The information under this subsection shall also be
30 certified by the local taxing authority to the Department of

1 Community and Economic Development, the office and the
2 department.

3 Section 1812-C. Transfers.

4 (a) Office.--Within ten days of receiving the certification
5 from the department under section 1811-C, the office shall
6 direct the State Treasurer to transfer the amount of certified
7 eligible State zone tax from the General Fund to each fund of a
8 contracting authority.

9 (b) State Treasurer.--Within ten days of receiving direction
10 under subsection (a), the State Treasurer shall pay into the
11 fund the amount directed under subsection (a) until bonds issued
12 to finance the construction, including related infrastructure
13 and site preparation, reconstruction or renovation of a facility
14 or other eligible project in the zone are retired.

15 (c) Notification.--The following shall apply:

16 (1) If the transfers under subsection (a) and section
17 1811-C(c) are insufficient to make payments on the bonds
18 issued under section 1813-C(a)(1) for the calendar year when
19 the transfers are made, the contracting authority shall
20 notify the Department of Community and Economic Development,
21 the office and the department of the amount of additional
22 money necessary to make payments on the bonds.

23 (2) The notification under paragraph (1) must be
24 accompanied by a detailed account of the contracting
25 authority's expenditures and the calculation which resulted
26 in the request for additional money. The Department of
27 Community and Economic Development, the office or the
28 department may request additional information from the
29 contracting authority and shall jointly verify the proper
30 amount of money necessary to make the payments on the bonds.

1 (3) Notwithstanding 53 Pa.C.S. § 5607(e), (relating to
2 purposes and powers), within 90 days of the date of the
3 notification request, the office shall direct the State
4 Treasurer to establish a restricted account within the
5 General Fund. The office shall direct the State Treasurer to
6 transfer the amount verified under paragraph (2) from the
7 General Fund to the restricted account for the use of the
8 contracting authority to make payments on the bonds issued
9 under section 1813-C(a)(1).

10 (4) Money transferred under paragraph (3):

11 (i) shall be limited to 50% of the State tax
12 baseline amount for the calendar year prior to the date
13 the amount is verified under paragraph (2), not to exceed
14 \$10,000,000; and

15 (ii) must occur in the first seven calendar years
16 following the baseline year.

17 (4.1) Under extraordinary circumstances, a contracting
18 authority may request money in excess of the limitations in
19 paragraph (4)(i). The Department of Community and Economic
20 Development, the office and the department shall determine
21 whether the circumstances merit additional money and the
22 amount to be transferred. The money shall be transferred
23 under the procedure under this section.

24 (5) Money transferred under paragraph (4) shall be
25 repaid to the General Fund by the contracting authority. If
26 money transferred under paragraph (3) is not repaid to the
27 General Fund by the contracting authority by the date of the
28 final payment on the bonds originally issued under section
29 1813-C(a)(1), the city or county which established the
30 contracting authority shall pay the money not repaid to the

1 General Fund plus an additional penalty of 10% of the amount
2 outstanding on the date of the final payment on the bonds
3 originally issued under section 1813-C(a)(1).

4 Section 1813-C. Restrictions.

5 (a) Utilization.--If the use was approved in an application
6 filed under section 1804-C, money transferred under section
7 1812-C may only be utilized for the following:

8 (1) Payment of debt service on bonds issued for the
9 construction, including related infrastructure and site
10 preparation, reconstruction or renovation of a facility in
11 the zone.

12 (2) Construction, including related infrastructure and
13 site preparation, reconstruction or renovation of all or a
14 part of a facility.

15 (3) Replenishment of amounts in debt service reserve
16 funds established to pay debt service on bonds.

17 (4) Employment of an independent auditing firm to
18 perform the duties under section 1807-C(c).

19 (5) Improvement or development of all or part of a zone.

20 (6) Improvement projects, including fixtures and
21 equipment for a facility owned by a public authority.

22 (b) Prohibition.--Money transferred under section 1812-C may
23 not be utilized for maintenance or repair of a facility.

24 (c) Excess money.--

25 (1) If the amount of money transferred to the fund under
26 sections 1811-C(c) and 1812-C in any one calendar year
27 exceeds the money utilized under this section in that
28 calendar year, the contracting authority shall submit by
29 January 15 following the end of the calendar year the excess
30 money to the State Treasurer for deposit into the General

1 Fund.

2 (2) At the time of submission to the State Treasurer,
3 the contracting authority shall submit to the State
4 Treasurer, the office and department a detailed accounting of
5 the calculation resulting in the excess money.

6 (3) The excess money shall be credited to the
7 contracting authority and applied to the amount required to
8 be repaid under section 1812-C(c) (5) until there is full
9 repayment.

10 (d) Matching funds.--

11 (1) The amount of money transferred from the fund
12 utilized for the construction, including related site
13 preparation and infrastructure, reconstruction or renovation
14 of facilities shall be matched by private money at a ratio of
15 five fund dollars to one private dollar.

16 (2) By April 1, following the baseline year and for each
17 year thereafter, the contracting authority shall file an
18 annual report with the Department of Community and Economic
19 Development, the office and the department that contains
20 detailed account of the fund money expenditures and the
21 private money expenditures and a calculation of the ratio in
22 paragraph (1) for the prior calendar year. The agencies shall
23 determine whether sufficient private money was utilized.

24 (3) If it is determined that insufficient private money
25 was utilized under paragraph (1), the amount of fund money
26 utilized under paragraph (1) in the prior calendar year shall
27 be deducted from the next transfer of the fund.

28 Section 1814-C. Transfer of property.

29 (a) Property.--Portions of a zone where a facility has not
30 been constructed, reconstructed or renovated using money under

1 this article may be transferred out of the zone. Additional
2 acreage, not to exceed the acreage transferred out of the zone,
3 may be added to the zone.

4 (b) Approval.--A transfer under subsection (a) must be
5 approved by the Department of Community and Economic
6 Development, in consultation with the office and the department.
7 Section 1815-C. Duration.

8 A zone shall be in effect for a period equal to the length of
9 time for the repayment of debt incurred for the zone, including
10 bonds issued. Bonds shall be paid, and all zones shall cease no
11 later than 30 years following the initial issuance of the bonds.
12 Section 1816-C. Commonwealth pledges.

13 (a) Pledge.--If and to the extent the contracting authority
14 pledges amounts required to be transferred to its fund under
15 section 1812-C for payment of bonds issued by the contracting
16 authority, until all bonds secured by the pledge of the
17 contracting authority, together with interest on the bonds, are
18 fully paid or provided for, the Commonwealth pledges to and
19 agrees with any person, firm, corporation or government agency,
20 in this Commonwealth or elsewhere, and pledges to and agrees
21 with any Federal agency subscribing to or acquiring the bonds of
22 the contracting authority that the Commonwealth itself will not,
23 nor will it authorize any government entity to, do any of the
24 following:

25 (1) Abolish or reduce the size of the zone.

26 (2) Amend or repeal section 1810-C or 1811-C.

27 (3) Limit or alter the rights vested in the contracting
28 authority in a manner inconsistent with the obligations of
29 the contracting authority with respect to the bonds issued by
30 the contracting authority.

1 (4) Impair revenue to be paid under this article to the
2 contracting authority necessary to pay debt service on bonds.

3 (b) Limitation.--Nothing in this section shall limit the
4 authority of the Commonwealth or a political subdivision
5 government entity to change the rate, base or subject of a
6 specific tax or to repeal or enact any tax.

7 Section 1817-C. Confidentiality.

8 (a) Sole use.--A zone report or certification under this
9 article shall only be used by the contracting authority to
10 verify the amount of the State tax baseline amount calculated
11 under section 1810-C and State tax certification under section
12 1811-C.

13 (b) Prohibition.--Use of a zone report other than as set
14 forth in subsection (a) is prohibited and shall be subject to
15 the law applicable to the confidentiality of tax records.

16 Section 1818-C. Guidelines.

17 By October 31, 2013, the Department of Community and Economic
18 Development, the office and the department shall develop and
19 publish guidelines necessary to implement this article.

20 Section 32. The act is amended by adding articles to read:

21 ARTICLE XVIII-E

22 MOBILE TELECOMMUNICATIONS BROADBAND

23 INVESTMENT TAX CREDIT

24 Section 1801-E. Definitions.

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

28 "Mobile telecommunication services." As defined in section
29 201(aaa).

30 "Qualified broadband equipment." Machinery and equipment

1 located in this Commonwealth that is used by a mobile
2 telecommunication services provider to provide Internet access
3 service and is capable of sending, receiving, storing,
4 transmitting, retransmitting, amplifying, switching or routing
5 data, video or other electronic information. The term does not
6 include machinery or equipment that is used to provide voice
7 communication service.

8 "Tax credit." The credit provided under this article.

9 Section 1802-E. Tax credit.

10 (a) General rule.--For tax years beginning after December
11 31, 2013, and ending before January 1, 2024, a taxpayer that is
12 a provider of mobile communications services shall be allowed a
13 tax credit against the tax imposed under Article IV for
14 investment in qualified broadband equipment placed into service
15 in this Commonwealth during a taxable year.

16 (b) Amount.--

17 (1) The amount of the tax credit shall be 5% of the
18 purchase price of the qualified broadband equipment under
19 subsection (a).

20 (2) The amount of the tax credit that may be taken in a
21 taxable year is limited to an amount not greater than 50% of
22 the taxpayer's liability under section 402.

23 (3) Any credit claimed under this article, but not used
24 in the taxable year, may be carried forward for not more than
25 five consecutive taxable years. The tax credit may not be
26 used to obtain a refund.

27 Section 1803-E. Pass-through entity.

28 (a) Transfer.--If a pass-through entity has any unused tax
29 credit under this section, the entity may elect, in writing,
30 according to the department's procedures, to transfer all or a

1 portion of the credit to shareholders, members or partners in
2 proportion to the share of the entity's distributive income to
3 which the shareholder, member or partner is entitled.

4 (b) Additional tax credit.--The tax credit provided under
5 subsection (a) shall be in addition to any tax credit to which a
6 shareholder, member or partner of a pass-through entity is
7 otherwise entitled under this article, except that a pass-
8 through entity and a shareholder, member or partner of a pass-
9 through entity may not claim a tax credit under this article for
10 the same qualified broadband equipment.

11 (c) Claim.--A shareholder, member or partner of a pass-
12 through entity to whom credit is transferred under subsection
13 (a) must immediately claim the credit in the taxable year in
14 which the transfer is made. The shareholder, member or partner
15 may not carry forward, carry back, obtain a refund of or sell or
16 assign the tax credit.

17 Section 1804-E. Procedure.

18 (a) Application.--A taxpayer who purchased and placed into
19 service qualified broadband equipment in a taxable year may
20 apply for a tax credit as provided in this article. By October
21 15, 2015, and every October 15 thereafter, a taxpayer must
22 submit an application to the department for the purchase price
23 of qualified broadband equipment placed into service in the
24 taxable year that ended in the prior calendar year.

25 (b) Notification.--By December 15, 2015, and of the calendar
26 year following the close of the taxable year during which the
27 qualified broadband equipment was placed into service and every
28 December 15 thereafter, the department shall notify the taxpayer
29 of the amount of the taxpayer's tax credit approved by the
30 department.

1 Section 1805-E. Limitation.

2 (a) Total.--The total amount of tax credits approved by the
3 department shall not exceed \$5,000,000 in any fiscal year.

4 (b) Allocation.--If the total amount of tax credits applied
5 for by all taxpayers exceeds the limitation on the amount of tax
6 credits in subsection (a) in a fiscal year, the tax credit to be
7 received by each application shall be the product of the
8 allocated amount multiplied by the quotient of the tax credit
9 applied for by the applicant divided by the total of all tax
10 credits applied for by all applicants, the algebraic equivalent
11 of which is:

12 taxpayer's tax credit = amount allocated for those tax
13 credits X (tax credit applied for by the applicant/total
14 of all tax credits applied for by all applicants).

15 ARTICLE XVIII-F

16 INNOVATE IN PA TAX CREDIT

17 Section 1801-F. Scope of article.

18 This article relates to the Innovate in PA Tax Credit.

19 Section 1802-F. Legislative intent.

20 It is the intent of this article to invest in innovation as a
21 catalyst for economic growth. Investment, in the Ben Franklin
22 Technology Development Authority, the Ben Franklin Technology
23 Partners, regional biotechnology research centers, the
24 department and venture capital funds will advance the
25 competitiveness of this Commonwealth's companies in the global
26 economy. ~~It is the goal of this article to maximize the~~ <--
27 ~~available funding from a minimum amount of \$131,250,000 and up~~
28 ~~to and exceeding \$147,800,000.~~

29 Section 1803-F. Definitions.

30 The following words and phrases when used in this article

1 shall have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Allocation amount." The total amount of tax credits
4 purchased by a qualified taxpayer.

5 "Authority." The Ben Franklin Technology Development
6 Authority established to manage and fund programs in this
7 Commonwealth that support the development of technology as
8 described in the act of June 22, 2001 (P.L.569, No.38), known as
9 The Ben Franklin Technology Development Authority Act.

10 "Ben Franklin Technology Partners Program." A program under
11 the Ben Franklin Technology Development Authority that funds
12 four regionally based economic development organizations
13 dedicated to a common mission of technology commercialization.

14 "Capital." The amount of money that a purchaser invests
15 under the Innovate in PA Program.

16 "Department." The Department of Community and Economic
17 Development of the Commonwealth.

18 "Fund." The Innovate in PA Fund.

19 "Impact investment." An investment intended to solve social
20 or environmental challenges while generating financial profit.
21 Impact investing recognizes that investments have social and
22 environmental returns in addition to financial returns and
23 attempts to maximize the three returns rather than one at the
24 expense of others.

25 "Insurance premiums tax liability." Any liability incurred
26 by an insurance company under Article IX.

27 "Program." The Innovate in PA Program.

28 "Qualified taxpayer." Any of the following that has
29 insurance premiums tax liability and contributes capital to
30 purchase premiums tax credits under this article:

1 (1) An insurance company authorized to do business in
2 this Commonwealth.

3 (2) A holding company that has at least one insurance
4 company subsidiary authorized to do business in this
5 Commonwealth.

6 "Recipient." An entity that receives a distribution of funds
7 under section 1811-F(c).

8 "Regional biotechnology research center." A regional
9 biotechnology center established under Chapter 17 of the act of
10 June 26, 2001 (P.L.755, No.77), known as the Tobacco Settlement
11 Act.

12 "Tax credit." A credit against insurance premiums tax
13 liability offered to or held by a qualified taxpayer under this
14 article.

15 "Venture Investment Program." A program under the Ben
16 Franklin Technology Development Authority dedicated to
17 increasing the availability of venture capital in this
18 Commonwealth.

19 Section 1804-F. Tax credit.

20 A qualified taxpayer may purchase tax credits from the
21 department in accordance with this article and may apply the tax
22 credits against its insurance premiums tax liability in
23 accordance with this article.

24 Section 1805-F. Duties.

25 (a) Sale of tax credits.--The department shall have the
26 authority to sell up to ~~\$175,000,000~~ \$100,000,000 in tax credits <--
27 to qualified taxpayers. The sale of the tax credits shall be in
28 accordance with section 1808-F.

29 (b) Time of sale.--The sale authorized under subsection (a)
30 may not occur before October 1, 2013.

1 (c) Transfers of amounts.--In a fiscal year in which a tax
2 credit is claimed under this article, the State Treasurer shall,
3 prior to June 30 of the fiscal year, do all of the following:

4 (1) Transfer an amount from the General Fund equal to
5 the amount of premiums tax credits claimed by a foreign fire
6 insurance company against taxes that otherwise would be
7 distributed in accordance with Chapter 7 of the act of
8 December 18, 1984 (P.L.1005, No.205), known as the Municipal
9 Pension Plan Funding Standard and Recovery Act, to the fund
10 as defined in section 702 of the Municipal Pension Plan
11 Funding Standard and Recovery Act.

12 (2) Transfer from the General Fund an amount equal to
13 the amount of a premiums tax credit claimed by a foreign
14 casualty insurance company against taxes that otherwise would
15 be distributed and used for police pension, retirement or
16 disability purposes as provided by the act of May 12, 1943
17 (P.L.259, No.120), referred to as the Foreign Casualty
18 Insurance Premium Tax Allocation Law, for distribution in
19 accordance with the Foreign Casualty Insurance Premium Tax
20 Allocation Law.

21 Section 1806-F. Use of tax credits by qualified taxpayers.

22 (a) Use against insurance premiums tax liability.--A
23 qualified taxpayer that purchases tax credits under section
24 1805-F may claim the credits beginning in calendar year 2017
25 against insurance premiums tax liability incurred for a taxable
26 year that begins on or after January 1, 2016.

27 (b) Application to department.--A qualified taxpayer seeking
28 to use purchased tax credits may submit an application to the
29 department in a manner prescribed by the department.

30 (c) Construction.--The following shall apply:

1 (1) A qualified taxpayer may not be required to reduce
2 the amount of insurance premiums tax included by the taxpayer
3 in connection with rate making for any insurance contract
4 written in this Commonwealth because of a reduction of the
5 taxpayer's insurance premiums tax liability derived from the
6 tax credit purchased under this article.

7 (2) If, under the insurance laws of this Commonwealth,
8 the assets of the qualified taxpayer are examined or
9 considered, the taxpayer's balance of tax credits shall be
10 treated as an admitted asset subject to the same financial
11 rating as held by the Commonwealth.

12 (d) Limitations.--The following shall apply:

13 (1) The total amount of tax credits applied against
14 insurance premiums tax liability by all qualified taxpayers
15 in a fiscal year may not exceed ~~\$35,000,000~~ \$20,000,000 per <--
16 year beginning in calendar year 2017.

17 (2) The credit to be applied in any one year may not
18 exceed the insurance premium tax liability of the qualified
19 taxpayer for that taxable year.

20 Section 1807-F. Sale, carryover and carryback.

21 (a) Carryover.--If the qualified taxpayer cannot use the
22 entire amount of the tax credit for the taxable year in which
23 the taxpayer is eligible for the credit, the excess may be
24 carried over to succeeding taxable years and used as a credit
25 against the qualified tax liability of the taxpayer for those
26 taxable years, provided that the credit may not be carried over
27 to any taxable year that begins after December 31, 2025.

28 (b) Sale.--No sooner than 30 days after providing the
29 Insurance Department and the department written notice of the
30 intent to transfer tax credits, a qualified taxpayer may

1 transfer tax credits held without restriction to any entity that
2 is a qualified taxpayer in good standing with the Insurance
3 Department and that agrees to assume all of the transferor's
4 obligations with respect to the tax credit.

5 (c) Carryback.--A qualified taxpayer may not carry back a
6 tax credit.

7 Section 1808-F. Sale of tax credits to qualified taxpayers.

8 (a) Conduct of sale.--The sale of tax credits authorized
9 under section 1805-F(a) shall be conducted in accordance with
10 this section.

11 (b) Process.--The department may sell the tax credits
12 authorized under this article or may contract with an
13 independent third party to conduct a bidding process among
14 qualified taxpayers to purchase the credits. In raising capital
15 for the program, the department shall have the discretion to
16 distribute credits using a market-driven approach or any
17 approach that maximizes the yield to the Commonwealth.

18 (c) Application.--A qualified taxpayer seeking to purchase
19 tax credits may apply to the department in the manner prescribed
20 by the department.

21 (d) Bidding process.--Using procedures adopted by the
22 department or, if applicable, by an independent third party,
23 each qualified taxpayer that submits an application shall make a
24 timely and irrevocable offer, subject only to the department's
25 issuance to the taxpayer of tax credit certificates, to make
26 specified contributions of capital to the department on dates
27 specified by the department.

28 (e) Contents of offer.--The offer under subsection (d) must
29 include all of the following:

30 (1) The requested amount of tax credits, which may not

1 be less than \$500,000.

2 (2) The qualified taxpayer's capital contribution for
3 each tax credit dollar requested, which may not be less than
4 the greater of either of the following:

5 (i) Seventy-five percent of the requested dollar
6 amount of tax credits.

7 (ii) The percentage of the requested dollar amount
8 of tax credits that the department and, if applicable,
9 the independent third party, determines to be consistent
10 with market conditions as of the offer date.

11 (3) Any other information the department or, if
12 applicable, independent third party requires.

13 (f) Notice of approval.--Each qualified taxpayer that
14 submits an application under this section shall receive a
15 written notice from the department indicating whether or not it
16 has been approved as a purchaser of tax credits and, if so, the
17 amount of tax credits allocated.

18 (g) Limitation.--No tax credits may be sold if the bidding
19 process, upon completion, has failed to yield at least
20 \$40,000,000 in revenue.

21 Section 1809-F. Payment for tax credits purchased and
22 certificates.

23 (a) Payment of capital.--Capital committed by a qualified
24 taxpayer shall be paid to the department for deposit into the
25 fund. Nothing under this section shall prohibit the department
26 from establishing an installment payment schedule for capital
27 payments to be made by the qualified taxpayer.

28 (b) Issuance of tax credit certificates.--On receipt of
29 payment of capital, the department shall issue to each qualified
30 taxpayer a tax credit certificate representing a fully vested

1 credit against insurance premium tax liability.

2 (c) Certificate issued in accordance with bidding process.--

3 The department shall issue tax credit certificates to qualified
4 taxpayers in accordance with the bidding process selected by the
5 department or the independent third party.

6 (d) Contents.--The tax credit certificate shall state all of
7 the following:

8 (1) The total amount of premiums tax credits that the
9 qualified taxpayer may claim.

10 (2) The amount of capital that the qualified taxpayer
11 has contributed or agreed to contribute in return for the
12 issuance of the tax credit certificate.

13 (3) The dates on which the tax credits will be available
14 for use by the qualified taxpayer.

15 (4) Any penalties or other remedies for noncompliance.

16 (5) The procedures to be used for transferring the tax
17 credits.

18 (6) Any other requirements the department considers
19 necessary.

20 Section 1810-F. Failure to make contribution of capital and
21 reallocation.

22 (a) Prohibition.--A tax credit certificate under section
23 1809-F may not be issued to any qualified taxpayer that fails to
24 make a contribution of capital within the time the department
25 specifies.

26 (b) Penalty.--A qualified taxpayer that fails to make a
27 contribution of capital within the time the department specifies
28 shall be subject to a penalty equal to 10% of the amount of
29 capital that remains unpaid. The penalty shall be paid to the
30 department within 30 days after demand.

1 (c) Reallocation.--The department may offer to reallocate
2 the defaulted capital among other qualified taxpayers, so that
3 the result after reallocation is the same as if the initial
4 allocation had been performed without considering the tax credit
5 allocation to the defaulting qualified taxpayer.

6 (d) Contribution.--If the reallocation of capital under
7 subsection (c) results in the contribution by another qualified
8 taxpayer of the amount of capital not contributed by the
9 defaulting qualified taxpayer, the department may waive the
10 penalty provided under subsection (b).

11 (e) Transfer.--A qualified taxpayer that fails to make a
12 contribution of capital within the time specified may avoid the
13 imposition of the penalty by transferring the allocation of tax
14 credits to a new or existing qualified taxpayer within 30 days
15 after the due date of the defaulted installment. Any transferee
16 of an allocation of tax credits of a defaulting qualified
17 taxpayer under this subsection shall agree to make the required
18 contribution of capital within 30 days after the date of the
19 transfer.

20 Section 1811-F. Innovate in PA Program.

21 (a) Establishment.--The Innovate in PA Program is
22 established within the authority.

23 (b) Fund.--The authority shall have the power and duty to
24 establish the Innovate in PA Fund within this authority.

25 (c) Distribution.--The department shall distribute the net
26 proceeds received by the department as a result of the sale of
27 tax credits under section 1805-F(a) as follows:

28 (1) Fifty percent shall be distributed to the Ben
29 Franklin Technology Partners Program for use according to
30 program guidelines.

1 (2) Forty-five percent shall be distributed to the
2 Venture Investment Program for use according to program
3 guidelines, including traditional venture investments or
4 impact investments. The authority may consider impact
5 investments based on performance. Impact investments may not
6 exceed 15% of the Venture Investment Program distribution
7 under this paragraph.

8 (3) Five percent to the three regional biotechnology
9 research centers for distribution in equal proportions to
10 each regional biotechnology research center.

11 Section 1812-F. Guidelines.

12 The department, in consultation with the authority and each
13 regional biotechnology research center, shall promulgate
14 guidelines implementing this article.

15 Section 1813-F. Report.

16 (a) Duties.--On or before January 1, 2015, and January 1 of
17 each subsequent year, the department, in consultation with the
18 authority and each regional biotechnology research center, shall
19 do the following:

20 (1) Submit a report on the implementation of the program
21 to all of the following:

22 (i) The Governor.

23 (ii) The chairman and minority chairman of the
24 Appropriations Committee of the Senate.

25 (iii) The chairman and minority chairman of the
26 Appropriations Committee of the House of Representatives.

27 (2) Publish the report under paragraph (1) on the
28 department's publicly accessible Internet website.

29 (b) Contents.--The report under subsection (a) shall include
30 the following:

1 (1) The name of the purchaser of premiums tax credits.

2 (2) The amount of premiums tax credits allocated to the
3 purchaser.

4 (3) The amount of capital the purchaser contributed for
5 the issuance of the tax credit certificate.

6 (4) The amount of any tax credits that have been
7 transferred under section 1810-F(e).

8 (5) The amount of funds received by the recipients
9 during the previous year.

10 (6) The cumulative amount of capital received by the
11 department in connection with the sale of the tax credits.

12 (7) The amount of capital remaining uninvested at the
13 end of the preceding calendar year.

14 (8) The names and locations of businesses receiving
15 capital from the recipients, the reason for the investment
16 and the amount of the investment.

17 (9) The total number of jobs created in this
18 Commonwealth by the investment and the average wages paid for
19 the jobs.

20 (10) The total number of jobs retained in this
21 Commonwealth as a result of the investment and the average
22 wages paid for the jobs.

23 ARTICLE XIX-B

24 NEIGHBORHOOD IMPROVEMENT ZONES

25 Section 1901-B. Scope of article.

26 This article relates to neighborhood improvement zones.

27 Section 1902-B. Definitions.

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

1 "Bonds." Includes notes, instruments, refunding notes and
2 bonds and other evidences of indebtedness or obligations.

3 "Capital Facilities Debt Enabling Act." The act of February
4 9, 1999 (P.L.1, No.1), known as the Capital Facilities Debt
5 Enabling Act.

6 "City." A city of the third class with, on the date of the
7 designation of a neighborhood improvement zone by the
8 contracting authority, a population of at least 106,000, based
9 on the most recent Federal decennial census.

10 "Contracting authority." An authority created under 53
11 Pa.C.S. Ch. 56 (relating to municipal authorities) for the
12 purpose of designating a neighborhood improvement zone and
13 constructing a facility or other authority created under the
14 laws of this Commonwealth which is eligible to apply for and
15 receive redevelopment assistance capital grants under Chapter 3
16 of the act of February 9, 1999 (P.L.1, No.1), known as the
17 Capital Facilities Debt Enabling Act.

18 "Department." The Department of Revenue of the Commonwealth.

19 "Earned income tax." A tax or portion of a tax imposed on
20 earned income within a neighborhood improvement zone under the
21 act of December 31, 1965 (P.L.1257, No.511), known as The Local
22 Tax Enabling Act, which a city, or a school district contained
23 entirely within the boundaries of or coterminous with the city,
24 is entitled to receive.

25 "Facility." A stadium, arena or other structure owned or
26 leased by a professional sports organization at which
27 professional athletic events are conducted in the presence of
28 individuals who pay admission to view the event constructed or
29 operated by the contracting authority.

30 "Facility complex." A development or complex of residential,

1 commercial, exhibition, hospitality, conference, retail and
2 community uses which includes a stadium arena or other place
3 owned, leased or utilized by a professional sports organization
4 at which a professional athletic event or other events are
5 conducted in the presence of individuals who pay admission to
6 view the event.

7 "Fund." A Neighborhood Improvement Zone Fund established
8 under section 1904-B.

9 "Neighborhood improvement zone." A neighborhood improvement
10 zone designated by the contracting authority for the purposes of
11 neighborhood improvement and development within a city.

12 "Professional sports organization." A sole proprietorship,
13 corporation, limited liability company, partnership or
14 association that meets all of the following:

15 (1) Owns a professional sports franchise.

16 (2) Conducts professional athletic events of the sports
17 franchise at a facility.

18 "Qualified business." An entity authorized to conduct
19 business in this Commonwealth which is located or partially
20 located within a neighborhood improvement zone and is engaged in
21 the active conduct of a trade or business for the taxable year.
22 An agent, broker or representative of a business shall not be
23 considered to be in the active conduct of trade or business for
24 the business.

25 Section 1903-B. Facility.

26 The contracting authority may designate a neighborhood
27 improvement zone of not greater than 130 acres in which a
28 facility or facility complex may be constructed and may borrow
29 funds for the purpose of improvement and development within the
30 neighborhood improvement zone and construction of a facility or

1 facility complex within the zone.

2 Section 1904-B. Neighborhood Improvement Zone Funds.

3 (a) Special funds.--Following the designation of a
4 neighborhood improvement zone, the contracting authority shall,
5 within ten days of making the designation or, in the case of a
6 neighborhood improvement zone designated prior to July 1, 2012,
7 within ten days of July 2, 2012, notify the State Treasurer of
8 the designation. Upon the notice, the State Treasurer shall
9 establish a special fund for the benefit of each contracting
10 authority to be known as the "Neighborhood Improvement Zone
11 Fund." Interest income derived from investment of the money in
12 each fund shall be credited by the Treasury Department to the
13 fund.

14 (a.1) Certification.--

15 (1) Within 30 days of the end of each calendar year,
16 each qualified business shall file a report with the
17 department which complies with all of the following:

18 (i) States each State tax, calculated in accordance
19 with subsection (b), which was paid by the qualified
20 business in the prior calendar year.

21 (ii) Lists each State tax refund which complies with
22 all of the following:

23 (A) The refund is for a tax:

24 (I) set forth in subsection (b); and

25 (II) certified as paid under subsection (b).

26 (B) The refund was received in the prior
27 calendar year by the qualified business.

28 (iii) Is in a form and manner required by the
29 department.

30 (2) In addition to any penalties imposed under this act

1 for failure to timely pay State taxes, failure to file a
2 timely and complete report under paragraph (1) shall result
3 in the imposition of a penalty of 10% of all State taxes,
4 calculated in accordance with subsection (b), which were
5 payable by the qualified business in the prior calendar year.

6 (3) Any penalty imposed under this subsection shall be
7 imposed, assessed and collected by the department under the
8 provisions for imposing, assessing and collecting penalties
9 under Article II of this act. When the penalty is received,
10 the money shall be transferred from the General Fund to the
11 fund of the contracting authority that designated the
12 neighborhood improvement zone in which the qualifying
13 business is located.

14 (4) Within 30 days of the end of each calendar year,
15 each qualified business shall file a report with the local
16 taxing authority reporting all local taxes, calculated in
17 accordance with subsection (b), which were paid by the
18 qualified business in the prior calendar year. The report
19 from each qualified business shall also list any local tax
20 refunds of taxes set forth in subsection (b) received in the
21 prior calendar year by the qualified business and any refunds
22 related to the local taxes as calculated in accordance with
23 subsection (b). The report shall be in a form and manner
24 required by the department.

25 (a.2) Transition.--

26 (1) Subject to paragraphs (3) and (4), within 15 days of
27 July 2, 2012, the State Treasurer shall:

28 (i) determine the amount of money in the
29 Neighborhood Improvement Zone Fund existing on July 2,
30 2012, which is attributable to each neighborhood

1 improvement zone; and

2 (ii) transfer the amount of money in the
3 Neighborhood Improvement Zone Fund existing on July 2,
4 2012, to the fund for each contracting authority for
5 which money was deposited.

6 (2) An entity collecting a local tax that, on July 2,
7 2012, is in possession of money attributable to a local tax
8 not included in the amount to be calculated and certified
9 under subsection (b) shall promptly remit that money to the
10 local taxing authority entitled to receive the money.

11 (3) Transfer and repayment is subject to the following:

12 (i) Before making the transfer under paragraph (1),
13 the State Treasurer shall:

14 (A) determine the amount of money deposited in
15 the fund which was attributable to earned income
16 taxes that a contracting authority is not entitled to
17 receive under subsection (b); and

18 (B) deduct the amount of money determined under
19 clause (A) from the money to be transferred under
20 paragraph (1).

21 (ii) If any amount of the money under subparagraph
22 (i)(A) has already been transferred to a contracting
23 authority, the State Treasurer shall take action as
24 necessary to recover the money from the contracting
25 authority, including by way of setoff from money to be
26 paid to the contracting authority under paragraph (1).
27 The contracting authority shall comply with a demand made
28 by the State Treasurer for the repayment of money under
29 this paragraph.

30 (4) As to the money deducted or recovered under

1 paragraph (3), the State Treasurer shall:

2 (i) identify the local taxing authorities that were
3 entitled to receive the money which was deposited in the
4 fund;

5 (ii) determine the amount to which each local taxing
6 authority was entitled; and

7 (iii) remit the amount under subparagraph (ii) to
8 the proper local taxing authority.

9 (b) Calculation.--Within 60 days of the end of each calendar
10 year, the department shall certify separately for each
11 neighborhood improvement zone the amounts of State taxes paid,
12 less any State tax refunds received, by the qualified businesses
13 filing reports under subsection (a.1)(1) to the Office of the
14 Budget. Beginning in the first full calendar year following the
15 designation of a neighborhood improvement zone and in each
16 calendar year thereafter, by November 1, the department shall
17 calculate, in accordance with this subsection, amounts of State
18 taxes actually received by the Commonwealth from each qualified
19 business that filed a report under subsection (a.1)(1) in the
20 prior calendar year, and the department shall certify the
21 amounts received to the office. An entity collecting a local tax
22 within the neighborhood improvement zone shall, within 30 days
23 of the end of each calendar year, submit all of the local taxes
24 that are to be calculated under this subsection and which were
25 paid in the prior calendar year, less any certified local tax
26 refunds received by a qualified business in the prior calendar
27 year, to the State Treasurer to be deposited in the fund under
28 subsection (d) of the contracting authority that established the
29 neighborhood improvement zone. This subsection shall not apply
30 to any taxes subject to a valid pledge or security interest

1 entered into in order to secure debt service on bonds if the
2 pledge or security interest was entered into prior to May 1,
3 2011, or in the case of the neighborhood improvement zone
4 designated after July 1, 2011, on the date of the designation,
5 and is still in effect. The following shall be the amounts
6 calculated and certified separately for each neighborhood
7 improvement zone:

8 (1) An amount equal to all corporate net income tax,
9 capital stock and franchise tax, personal income tax,
10 business privilege tax, business privilege licensing fees and
11 earned income tax related to the ownership and operation of a
12 professional sports organization conducting professional
13 athletic events at the facility or facility complex.

14 (2) An amount equal to all of the following:

15 (i) All personal income tax, earned income tax and
16 local services tax withheld from its employees by a
17 professional sports organization conducting professional
18 athletic events at the facility or facility complex.

19 (ii) All personal income tax, earned income tax and
20 local services tax withheld from the employees of any
21 provider of events at or services to, or any operator of
22 an enterprise in, the facility or facility complex.

23 (iii) All personal income tax, earned income tax and
24 local services tax to which the Commonwealth would be
25 entitled from performers or other participants, including
26 visiting teams, at an event or activity at the facility
27 or facility complex.

28 (3) An amount equal to all sales and use tax related to
29 the operation of the professional sports organization and the
30 facility and enterprises developed as part of the facility

1 complex. This paragraph shall include sales and use tax paid
2 by any provider of events or activities at or services to the
3 facility or facility complex, including sales and use tax
4 paid by vendors and concessionaires and contractors at the
5 facility or facility complex.

6 (4) An amount equal to all tax paid to the Commonwealth
7 related to the sale of any liquor, wine or malt or brewed
8 beverage in the facility or facility complex.

9 (5) The amount paid by the professional sports
10 organization or by any provider of events or activities at or
11 services to the facility or facility complex of any new tax
12 enacted by the Commonwealth following October 9, 2009.

13 (6) An amount equal to all personal income tax, earned
14 income tax and local services tax withheld from personnel by
15 the professional sports organization or by a contractor or
16 other entity involved in the construction of the facility or
17 facility complex.

18 (7) An amount equal to all sales and use tax paid on
19 materials and other construction costs, whether withheld or
20 paid by the professional sports organization or other entity,
21 directly related to the construction of the facility or
22 facility complex.

23 (8) An amount equal to all of the following:

24 (i) All corporate net income tax, capital stock and
25 franchise tax, personal income tax, business privilege
26 tax, business privilege licensing fees and earned income
27 tax related to the ownership and operation of any
28 qualified business within the neighborhood improvement
29 zone.

30 (ii) All personal income tax, earned income tax and

1 local services tax withheld from its employees by a
2 qualified business within the neighborhood improvement
3 zone.

4 (iii) All personal income tax, earned income tax and
5 local services tax withheld from the employees of a
6 qualified business that provides events, activities or
7 services in the neighborhood improvement zone.

8 (iv) All personal income tax, earned income tax and
9 local services tax to which the Commonwealth would be
10 entitled from performers or other participants at an
11 event or activity in the neighborhood improvement zone.

12 (v) All sales and use tax related to the operation
13 of a qualified business within the neighborhood
14 improvement zone. This subparagraph shall include sales
15 and use tax paid by a qualified business that provides
16 events, activities or services in the neighborhood
17 improvement zone.

18 (vi) All tax paid by a qualified business to the
19 Commonwealth related to the sale of any liquor, wine or
20 malt or brewed beverage within the neighborhood
21 improvement zone.

22 (vii) The amount paid a qualified business within
23 the neighborhood improvement zone of any new tax enacted
24 by the Commonwealth following October 9, 2009.

25 (viii) All personal income tax, earned income tax
26 and local services tax withheld from personnel by a
27 qualified business involved in the improvement,
28 development or construction of the neighborhood
29 improvement zone.

30 (ix) All sales and use tax paid on materials and

1 other construction costs, whether withheld or paid by the
2 professional sports organization or other qualified
3 business, directly related to the improvement,
4 development or construction of the neighborhood
5 improvement zone.

6 (x) An amount equal to any amusement tax paid by a
7 qualified business operating in the neighborhood
8 improvement zone. No political subdivision or other
9 entity authorized to collect amusement taxes may impose
10 or increase the rate of any tax on admissions to places
11 of entertainment, exhibition, amusement or upon athletic
12 events in the neighborhood improvement zone which are not
13 in effect on the date the neighborhood improvement zone
14 is designated by the contracting authority.

15 (9) Except for a tax levied against real property and
16 notwithstanding any other law, an amount equal to any tax
17 imposed by the Commonwealth or any of its political
18 subdivisions on a qualified business engaged in an activity
19 within the neighborhood improvement zone or directly or
20 indirectly on any sale or purchase of goods or services,
21 where the point of sale or purchase is within the
22 neighborhood improvement zone.

23 (c) State tax liability apportionment.--For the purpose of
24 making the calculations under subsection (b), the State tax
25 liability of a qualified business shall be apportioned to the
26 neighborhood improvement zone by multiplying the Pennsylvania
27 State tax liability by a fraction, the numerator of which is the
28 property factor plus the payroll factor plus the sales factor
29 and the denominator of which is three, in accordance with the
30 following:

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

13 (2) The following apply:

14 (i) The payroll factor is a fraction, the numerator
15 of which is the total amount paid in the neighborhood
16 improvement zone during the tax period by the taxpayer
17 for compensation and the denominator of which is the
18 total compensation paid in this Commonwealth during the
19 tax period.

20 (ii) Compensation is paid in the neighborhood
21 improvement zone if:

22 (A) the person's service is performed entirely
23 within the neighborhood improvement zone;

24 (B) the person's service is performed both
25 within and without the neighborhood improvement zone,
26 but the service performed without the neighborhood
27 improvement zone is incidental to the person's
28 service within the neighborhood improvement zone; or

29 (C) some of the service is performed in the
30 neighborhood improvement zone and the base of

1 operations or, if there is no base of operations, the
2 place from which the service is directed or
3 controlled is in the neighborhood improvement zone,
4 or the base of operations or the place from which the
5 service is directed or controlled is not in any
6 location in which some part of the service is
7 performed, but the person's residence is in the
8 neighborhood improvement zone.

9 (3) The sales factor is a fraction, the numerator of
10 which is the total sales of the taxpayer in the neighborhood
11 improvement zone during the tax period and the denominator of
12 which is the total sales of the taxpayer in this Commonwealth
13 during the tax period.

14 (i) Sales of tangible personal property are in the
15 neighborhood improvement zone if the property is
16 delivered or shipped to a purchaser that takes possession
17 within the neighborhood improvement zone regardless of
18 the F.O.B. point or other conditions of the sale.

19 (ii) Sales other than sales of tangible personal
20 property are in the neighborhood improvement zone if:

21 (A) the income-producing activity is performed
22 in the neighborhood improvement zone; or

23 (B) the income-producing activity is performed
24 both within and without the neighborhood improvement
25 zone and a greater proportion of the income-producing
26 activity is performed in the neighborhood improvement
27 zone than in any other location, based on costs of
28 performance.

29 (d) Transfers.--

30 (1) Within ten days of receiving certification under

1 subsection (b), the Secretary of the Budget shall direct the
2 State Treasurer to, notwithstanding any other law, transfer
3 the amounts certified under subsection (b) for each
4 neighborhood improvement zone from the General Fund to the
5 fund of the contracting authority that established the
6 neighborhood improvement zone. Beginning in the second
7 calendar year following the designation of a neighborhood
8 improvement zone and in each year thereafter, the amounts
9 certified by the secretary to the State Treasurer and the
10 amounts transferred by the State Treasurer to the fund of
11 each contracting authority shall be determined as follows:

12 (i) Add amounts certified by the department under
13 subsection (b) for the prior calendar year.

14 (ii) Subtract from the sum under subparagraph (i)
15 any State tax refunds paid as certified by the department
16 under subsection (b).

17 (iii) Add to the difference under subparagraph (ii)
18 any amounts certified under subsection (b) with respect
19 to the second prior calendar year.

20 (iv) Subtract from the sum under subparagraph (iii)
21 any amounts certified under subsection (b) which are less
22 than the amounts previously certified under subsection
23 (b) with respect to the second prior calendar year.

24 (2) The State Treasurer shall provide an annual transfer
25 to the contracting authority until the bonds issued to
26 finance and refinance the improvement and development of the
27 neighborhood improvement zone and the construction of the
28 facility or facility complex are retired. Each annual
29 transfer to the contracting authority shall be equal to the
30 balance of the fund of the contracting authority on the date

1 of the transfer under paragraph (1).

2 (e) Restriction on use of money.--Money transferred under
3 subsection (d) is subject to the following:

4 (1) The money may only be utilized as follows:

5 (i) For payment of debt service, directly or
6 indirectly through a multitiered ownership structure or
7 other structure authorized by a contracting authority to
8 facilitate financing mechanisms, on bonds or on
9 refinancing loans used to repay bonds issued to finance
10 or refinance:

11 (A) the improvement and development of all or
12 any part of the neighborhood improvement zone; and

13 (B) the construction of all or part of a
14 facility or facility complex.

15 (ii) For payment of debt service on bonds issued to
16 refund those bonds.

17 (iii) For replenishment of amounts required in any
18 debt service reserve funds established to pay debt
19 service on bonds.

20 (1.1) The term of a bond to be refunded shall not exceed
21 the maximum term permitted for the original bond issued for
22 the improvement or development of the neighborhood
23 improvement zone and the construction of a facility or
24 facility complex.

25 (2) The money may not be utilized for purposes of
26 renovating or repairing a facility or facility complex,
27 except for capital maintenance and improvement projects.

28 (f) Ticket surcharge.--The entity operating the facility may
29 collect a capital repair and improvement ticket surcharge, the
30 proceeds of which shall be deposited into the fund of each

1 contracting authority. The fund of each contracting authority
2 shall be maintained and utilized as follows:

3 (1) The money deposited under this subsection may not be
4 encumbered for any reason and shall be transferred to the
5 entity for capital repair and improvement projects upon
6 request from the entity.

7 (2) Upon the expiration of the neighborhood improvement
8 zone under section 1906-B, any and all portions of the fund
9 attributable to the ticket surcharge shall be immediately
10 transferred to the contracting authority to be held in escrow
11 where they shall be unencumbered and maintained by the
12 contracting authority in the same manner as the fund. Upon
13 the transfer, any ticket surcharge collected by the operating
14 entity shall thereafter be deposited in the account
15 maintained by the contracting authority and dispersed for a
16 capital repair and improvement project upon request by the
17 operating entity.

18 (g) Excess money.--Within 30 days of the end of each
19 calendar year, any money remaining in the fund of each
20 contracting authority at the end of the prior calendar year
21 after the required payments under subsection (d)(2) were made in
22 the prior calendar year shall be refunded in the following
23 manner:

24 (1) Money shall first be returned to the General Fund to
25 the extent that the excess money is part of the transfer
26 under subsection (d)(1).

27 (2) Money shall next be paid to the contracting
28 authority to the extent that the amounts paid under
29 subsection (d)(2) consisted of local taxes. The contracting
30 authority shall return the money to the appropriate entities

1 collecting local tax who submitted the local taxes to the
2 State Treasurer under subsection (b).

3 Section 1905-B. Keystone Opportunity Zone.

4 Within four months following the designation of a
5 neighborhood improvement zone, a city may apply to the
6 Department of Community and Economic Development to decertify
7 and remove the designation of all or part of the Keystone
8 Opportunity Zone on behalf of all political subdivisions. The
9 provisions of section 309 of the act of October 6, 1998
10 (P.L.705, No.92), known as the Keystone Opportunity Zone,
11 Keystone Opportunity Expansion Zone and Keystone Opportunity
12 Improvement Zone Act shall be deemed satisfied as to all
13 political subdivisions. The Department of Community and Economic
14 Development shall act on the application within 30 days.

15 Section 1906-B. Duration.

16 The neighborhood improvement zone shall be in effect for a
17 period equal to one year following retirement of all bonds
18 issued to finance or refinance the improvement and development
19 of the neighborhood improvement zone or the construction of the
20 facility or the facility complex. The maximum term of the bond,
21 including the refunding of the bond, shall not exceed 30 years.

22 Section 1907-B. Commonwealth pledges.

23 If and to the extent that the contracting authority pledges
24 amounts required to be transferred to the fund of the
25 contracting authority under section 1904-B for the payment of
26 bonds issued by the contracting authority, until all bonds
27 secured by the pledge of the contracting authority, together
28 with the interest on the bonds, are fully paid or provided for,
29 the Commonwealth pledges to and agrees with any person, firm,
30 corporation or government agency, whether in this Commonwealth

1 or elsewhere, and to and with any Federal agency subscribing to
2 or acquiring the bonds issued by the contracting authority that
3 the Commonwealth itself will not, nor will it authorize any
4 government entity to, abolish or reduce the size of the
5 neighborhood improvement zone; to amend or repeal section 1904-
6 B(a.1), (b) or (d); to limit or alter the rights vested in the
7 contracting authority in a manner inconsistent with the
8 obligations of the contracting authority with respect to the
9 bonds issued by the contracting authority; or to otherwise
10 impair revenues to be paid under this article to the contracting
11 authority necessary to pay debt service on bonds. Nothing in
12 this section shall limit the authority of the Commonwealth or
13 any government entity to change the rate, tax bases or any
14 subject of any specific tax or repealing or enacting any tax.
15 Section 1908-B. Confidentiality.

16 Notwithstanding any law providing for the confidentiality of
17 tax records, the contracting authority and the local taxing
18 authorities shall have access to any reports and certifications
19 filed under this article, and the contracting authority shall
20 have access to any State or local tax information filed by a
21 qualified business in the Neighborhood Improvement Zone solely
22 for the purpose of documenting the certifications required by
23 this article. Any other use of the tax information shall be
24 prohibited as provided under law.

25 ARTICLE XIX-C

26 KEYSTONE SPECIAL DEVELOPMENT ZONE PROGRAM

27 Section 1901-C. Scope of article.

28 This article relates to the Keystone Special Development Zone
29 program.

30 Section 1902-C. Definitions.

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

4 "Affiliate." As follows:

5 (1) an entity which is part of the same "affiliated
6 group," as defined in section 1504(a) of the Internal Revenue
7 Code of 1986 (Public Law 99-514, 26 U.S.C. § 1504(a)), as a
8 Keystone Special Development Zone employer; or

9 (2) an entity that would be part of the same "affiliated
10 group" except that the entity or the Keystone Special
11 Development employer is not a corporation.

12 "Department." The Department of Community and Economic
13 Development of the Commonwealth.

14 "Employee." An individual who:

15 (1) is employed in this Commonwealth by a Keystone
16 Special Development Zone employer, or its predecessor, after
17 June 30, 2011;

18 (2) is employed for at least 35 hours per week by a
19 Keystone Special Development Zone employer; and

20 (3) spends at least 90% of his or her working time for
21 the Keystone Special Development Zone employer at the
22 Keystone Special Development Zone location.

23 "Full-time equivalent employee." The whole number of
24 employees, rounded down, that equals the sum of:

25 (1) the total paid hours, including paid time off and
26 family leave under the Family and Medical Leave Act of 1993
27 (Public Law 103-3, 29 U.S.C. § 2601 et seq.), of all of a
28 Keystone Special Development Zone employer's employees
29 classified as nonexempt during the Keystone Special
30 Development Zone employer's tax year divided by 2000; and

1 (2) a total number arrived at by adding, for each
2 Keystone Special Development Zone employer's employee
3 classified as exempt scheduled to work at least 35 hours per
4 week, the fraction equal to the portion of the year the
5 exempt employee was paid by the Keystone Special Development
6 Zone employer. Whether an employee shall be classified as
7 exempt or nonexempt shall be determined under the Fair Labor
8 Standards Act of 1938 (52 Stat. 1060, 29 U.S.C. § 201 et
9 seq.).

10 The calculation under this definition excludes employees
11 previously employed by an affiliate and employees previously
12 employed by the Keystone Special Development Zone employer
13 outside of a Keystone Special Development Zone.

14 "Keystone Special Development Zone." A parcel of real
15 property that meets all of the following:

16 (1) On July 1, 2011, was within a special industrial
17 area, as described in section 305(a) of the act of May 19,
18 1995 (P.L.4, No.2), known as the Land Recycling and
19 Environmental Remediation Standards Act, for which the
20 Department of Environmental Protection has executed a special
21 industrial area consent order and agreement, as provided
22 under section 502(a) of the Land Recycling and Environmental
23 Remediation Standards Act.

24 (2) On July 1, 2011:

25 (i) had no permanent vertical structures affixed to
26 it; or

27 (ii) had a permanent vertical structure affixed to
28 it which has been deteriorated or abandoned for at least
29 20 years.

30 (3) Is certified by the Department of Environmental

1 Protection as meeting the requirements of paragraphs (1) and
2 (2).

3 "Keystone Special Development Zone employer." A person or
4 entity subject to the taxes imposed under Article III, IV, VI,
5 VII, VIII or XV, who employs one or more employees at a Keystone
6 Special Development Zone. The term shall include a pass-through
7 entity. The term shall not include any of the following:

8 (1) An employer who, after January 1, 1990,
9 intentionally or negligently caused or contributed to, in any
10 material respect, a level of regulated substance above the
11 cleanup standards in the act of May 19, 1995 (P.L.4, No.2),
12 known as the Land Recycling and Environmental Remediation
13 Standards Act, on, in or under the Keystone Special
14 Development Zone at which an employee is employed.

15 (2) An employer engaged in construction improvements on
16 a Keystone Special Development Zone.

17 "Pass-through entity." A partnership as defined in section
18 301(n.0), or a Pennsylvania S corporation as defined in section
19 301(n.1).

20 "Qualified tax liability." Any tax owed by a Keystone
21 Special Development Zone employer attributable to a business
22 activity conducted within a Keystone Special Development Zone
23 for a tax year under Article III, IV, VI, VII, VIII or XV.
24 Section 1903-C. Keystone Special Development Zone tax credit.

25 (a) Tax credit.--A Keystone Special Development Zone
26 employer shall be entitled to claim a tax credit against its
27 qualified tax liability as provided in this article.

28 (b) Process.--

29 (1) A Keystone Special Development Zone employer shall
30 notify the department of its qualification for a tax credit

1 under this article by February 1 for tax credits earned
2 during a taxable year ending in the prior calendar year.

3 (2) The notification shall contain the following:

4 (i) The name, address and taxpayer identification
5 number of the Keystone Special Development Zone employer.

6 (ii) Verification that it is a Keystone Special
7 Development Zone employer located in a Keystone Special
8 Development Zone.

9 (iii) The names, addresses and Social Security
10 numbers of all employees for which the credit is claimed.

11 (iv) Verification that each employee identified in
12 subparagraph (iii) spent at least 90% of the employee's
13 working time for the Keystone Special Development Zone
14 employer at the employer's Keystone Special Development
15 Zone location.

16 (v) Any other information required by the
17 department.

18 (3) To qualify for the credit, the Department of Revenue
19 must certify that the Keystone Special Development Zone
20 employer is current with all tax liabilities.

21 (4) By March 1 of each year, the department shall send
22 the Keystone Special Development Zone employer who submitted
23 the notification a certificate of its qualification for the
24 credit, which certificate the Keystone Special Development
25 Zone employer shall present to the Department of Revenue when
26 filing its return claiming the credit.

27 (c) Amount.--The amount of the tax credit a Keystone Special
28 Development Zone employer may earn in any tax year shall be
29 equal to \$2,100 for each full-time equivalent employee in excess
30 of the number of full-time equivalent employees employed by the

1 Keystone Special Development Zone employer prior to January 1,
2 2012.

3 (d) Application of tax credits.--A Keystone Special
4 Development Zone employer must first use its Keystone Special
5 Development Zone tax credit against its qualified tax liability.

6 (d.1) Sale or assignment of tax credit.--

7 (1) If the Keystone Special Development Zone employer is
8 entitled to a credit in any year that exceeds its qualified
9 tax liability for that year, upon application to and approval
10 by the department, a Keystone Special Development Zone
11 employer which has been awarded a tax credit may sell or
12 assign, in whole or in part, the tax credit granted to the
13 Keystone Special Development Zone employer. The application
14 must be on the form required by the department and must
15 include or demonstrate all of the following:

16 (i) The applicant's name and address.

17 (ii) A copy of the tax credit certificate previously
18 issued by the department.

19 (iii) A statement as to whether any part of the tax
20 credit has been applied to tax liability of the applicant
21 and the amount so applied.

22 (iv) Any other information required by the
23 department.

24 (2) The department shall review the application and,
25 upon being satisfied that all requirements have been met,
26 shall approve the application and shall notify the Department
27 of Revenue.

28 (3) The purchaser or assignee of all or a portion of a
29 Keystone Special Development Zone tax credit under this
30 section shall claim the credit in the taxable year in which

1 the purchase or assignment is made. The purchaser or assignee
2 of a tax credit may use the tax credit against any tax
3 liability of the purchaser or assignee under Article III, IV,
4 VI, VII, VIII or XV. The amount of the tax credit used may
5 not exceed 75% of the purchaser's or assignee's tax liability
6 for the taxable year. The purchaser or assignee may not carry
7 over, carry back, obtain a refund of or assign the Keystone
8 Special Development Zone credit. The purchaser or assignee
9 shall notify the department and the Department of Revenue of
10 the seller or assignor of the Keystone Special Development
11 Zone tax credit in compliance with procedures specified by
12 the department.

13 (e) Use and carryforward.--

14 (1) A Keystone Special Development Zone employer may
15 earn the tax credit allowed under this article beginning in
16 any tax year beginning in 2012 and for a period of up to ten
17 tax years during the 15-year period beginning July 1, 2012,
18 and ending June 30, 2026.

19 (2) A Keystone Special Development Zone employer may
20 carry forward for up to ten years a tax credit earned under
21 this article:

22 (i) which it is unable to use; or

23 (ii) which it does not sell or assign.

24 (3) Tax credits carried forward under paragraph (2)
25 shall be used on a first-in-first-out basis.

26 (f) Dual-use prohibited.--In a given year, a Keystone
27 Special Development Zone employer may only earn tax credits
28 under subsection (c) or (d) or under the act of October 6, 1998
29 (P.L.705, No.92), known as the Keystone Opportunity Zone,
30 Keystone Opportunity Expansion Zone and Keystone Opportunity

1 Improvement Zone Act. A Keystone Special Development Zone
2 employer may not claim a credit under both this section and
3 Article XVIII-B.

4 (g) Pass-through entities.--

5 (1) If a Keystone Special Development Zone employer is a
6 pass-through entity and it has any unused tax credit under
7 subsection (c), (d) or (e), it may elect in writing,
8 according to procedures established by the Department of
9 Revenue, to transfer all or a portion of the credit to
10 shareholders, members or partners in proportion to the share
11 of the entity's distributive income to which the shareholder,
12 member or partner is entitled.

13 (2) A Keystone Special Development Zone employer that is
14 a pass-through entity and a shareholder, member or partner of
15 that Keystone Special Development Zone employer may not both
16 claim the Keystone Special Development Zone tax credit earned
17 by the Keystone Special Development Zone employer for any tax
18 year.

19 (3) A shareholder, member or partner of a Keystone
20 Special Development Zone employer that is a pass-through
21 entity to whom a credit is transferred under this subsection
22 shall immediately claim the credit in the taxable year in
23 which the transfer is made.

24 (h) Transfer.--Any tax credit or tax credit carryforward
25 that a Keystone Special Development Zone employer is entitled to
26 use may be transferred to a successor entity of the Keystone
27 Special Development Zone employer.

28 (i) Penalties.--The following shall apply:

29 (1) A company which receives Keystone Special
30 Development Zone tax credits and fails to substantially

1 maintain the operations related to the Keystone Special
2 Development Zone tax credits in this Commonwealth for a
3 period of five years from the date the company first submits
4 a Keystone Special Development Zone tax credit certificate to
5 the Department of Revenue shall be required to refund to the
6 Commonwealth the total amount of credits granted, with
7 interest and a penalty of 20% of the amount of credits
8 granted.

9 (2) The department may waive the penalties in subsection
10 (a) if it is determined that a company's operations were not
11 maintained or the new jobs were not created because of
12 circumstances beyond the company's control. Circumstances
13 include natural disasters, unforeseen industry trends or a
14 loss of a major supplier or market.

15 Section 1904-C. Tax liability attributable to Keystone Special
16 Development Zone.

17 (a) Determinations of attributable tax liability.--Tax
18 liability attributable to business activity conducted within a
19 Keystone Special Development Zone shall be computed, construed,
20 administered and enforced in conformity with Article III, IV,
21 VI, VII, VIII or XV, whichever is applicable, and with specific
22 reference to the following:

23 (1) If the entire business of the employer in this
24 Commonwealth is transacted wholly within the Keystone Special
25 Development Zone, the tax liability attributable to business
26 activity within a Keystone Special Development Zone shall
27 consist of the Pennsylvania income as determined under
28 Article III, IV, VI, VII, VIII or XV, whichever is
29 applicable.

30 (2) If the entire business of the employer in this

1 Commonwealth is not transacted wholly within the Keystone
2 Special Development Zone, the tax liability of an employer in
3 a Keystone Special Development Zone shall be determined upon
4 such portion of the Pennsylvania tax liability of such
5 employer attributable to business activity conducted within
6 the Keystone Special Development Zone and apportioned in
7 accordance with subsection (b).

8 (b) Tax liability apportionment.--The tax liability of an
9 employer shall be apportioned to the Keystone Special
10 Development Zone by multiplying the Pennsylvania tax liability
11 by a fraction, the numerator of which is the property factor
12 plus the payroll factor and the denominator of which is two, in
13 accordance with the following:

14 (1) The property factor is a fraction, the numerator of
15 which is the average value of the employer's real and
16 tangible personal property owned or rented and used in the
17 Keystone Special Development Zone during the tax period and
18 the denominator of which is the average value of the
19 employer's real and tangible personal property owned or
20 rented and used in this Commonwealth during the tax period
21 but shall not include the security interest of any employer
22 as seller or lessor in personal property sold or leased under
23 a conditional sale, bailment lease, chattel mortgage or other
24 contract providing for the retention of a lien or title as
25 security for the sale price of the property.

26 (2) The payroll factor is a fraction, the numerator of
27 which is the total amount paid in the Keystone Special
28 Development Zone during the tax period by the employer to an
29 employee as compensation and the denominator of which is the
30 total compensation paid by the employer in this Commonwealth

1 during the tax period.

2 Section 33. (Reserved).

3 Section 34. Section 2111 of the act is amended by adding a
4 subsection to read:

5 Section 2111. Transfers Not Subject to Tax.--* * *

6 (t) A qualified family-owned business. The following shall
7 apply:

8 (1) A transfer of a qualified family-owned business interest
9 to one or more qualified transferees is exempt from inheritance
10 tax, if the qualified family-owned business interest:

11 (i) continues to be owned by a qualified transferee for a
12 minimum of seven years after the decedent's date of death; and

13 (ii) is reported on a timely filed inheritance tax return.

14 (2) A qualified family-owned business interest that was
15 exempted from inheritance tax under this subsection that is no
16 longer owned by a qualified transferee at any time within seven
17 years after the decedent's date of death shall be subject to
18 inheritance tax due the Commonwealth under section 2107, in an
19 amount equal to the inheritance tax that would have been paid or
20 payable on the value of the qualified family-owned business
21 interest using the valuation authorized under section 2121 for
22 nonexempt transfers of property. Interest shall accrue from the
23 payment date established under section 2142 at the rate
24 established under section 2143.

25 (2.1) The exemption under this subsection shall not apply to
26 property transferred by the decedent into the qualified family-
27 owned business within one year of the death of the decedent,
28 unless the property was transferred for a legitimate business
29 purpose.

30 (3) Inheritance tax due under section 2107 as a result of

1 disqualification under paragraphs (2) or (4), plus interest on
2 the inheritance tax, shall be a lien in favor of the
3 Commonwealth on the real and personal property of the owner of
4 the qualified family-owned business interest at the time of the
5 transaction or occurrence that disqualified the qualified
6 family-owned business interest from the exemption provided under
7 this subsection. The inheritance tax due and interest shall be
8 collectible in the manner provided for by law for the collection
9 of delinquent taxes and shall be the personal obligation of the
10 owner of the qualified family-owned business interest at the
11 time of the transaction or occurrence that disqualified the
12 qualified family-owned business interest from the exemption
13 provided under this subsection. The lien shall remain until the
14 inheritance tax and accrued interest are paid in full.

15 (4) Each owner of a qualified family-owned business interest
16 exempted from inheritance tax under this subsection shall
17 certify to the department, on an annual basis, for seven years
18 after the decedent's date of death, that the qualified family-
19 owned business interest continues to be owned by a qualified
20 transferee and shall notify the department within thirty days of
21 any transaction or occurrence causing the qualified family-owned
22 business interest to fail to qualify for the exemption. Each
23 year the department shall inform all owners of a qualified
24 family-owned business interest exempted from inheritance tax
25 under this subsection of their obligation to provide an annual
26 certification under this paragraph. The certification and
27 notification shall be completed in the form and manner as
28 provided by the department. An owner's failure to comply with
29 the certification or notification requirements shall result in
30 the loss of the exemption and the qualified family-owned

1 business interest shall be subject to inheritance tax due the
2 Commonwealth under section 2107, in an amount equal to the
3 inheritance tax that would have been paid or payable on the
4 value of the qualified family-owned business interest using the
5 valuation authorized under section 2121 for nonexempt transfers
6 of property. Interest shall accrue from the payment date
7 established in section 2142 at the rate established in section
8 2143.

9 (5) For purposes of this subsection, the following terms
10 shall have the meanings given to them in this paragraph:

11 "Qualified transferee." A decedent's:

12 (i) husband or wife;

13 (ii) lineal descendants;

14 (iii) siblings and the sibling's lineal descendants; and

15 (iv) ancestors and the ancestor's siblings.

16 "Qualified family-owned business interest." As follows:

17 (i) an interest as a proprietor in a trade or business
18 carried on as a proprietorship, if the proprietorship has fewer
19 than fifty full-time equivalent employees as of the date of the
20 decedent's death, the proprietorship has a net book value of
21 assets totaling less than five million dollars (\$5,000,000) as
22 of the date of the decedent's death, and has been in existence
23 for five years prior to the date the decedent's death; or

24 (ii) an interest in an entity carrying on a trade or
25 business, if:

26 (A) the entity has fewer than fifty full time equivalent
27 employees as of the date of the decedent's death;

28 (B) the entity has a net book value of assets totaling less
29 than five million dollars (\$5,000,000) as of the date of the
30 decedent's death;

1 (C) as of the date of decedent's death, the entity is wholly
2 owned by the decedent or by the decedent and members of the
3 decedent's family that meet the definition of a qualified
4 transferee;

5 (D) the entity is engaged in a trade or business the
6 principal purpose of which is not the management of investments
7 or income-producing assets owned by the entity; and

8 (E) the entity has been in existence for five years prior to
9 the decedent's date of death.

10 Section 35. Section 2112 of the act, amended or added August
11 4, 1991 (P.L.97, No.22), June 16, 1994 (P.L.279, No.48) and June
12 30, 1995 (P.L.139, No.21), is repealed:

13 [Section 2112. Exemption for Poverty.--(a) The General
14 Assembly, in recognition of the powers contained in section 2(b)
15 (ii) of Article VIII of the Constitution of Pennsylvania which
16 provides therein for the establishing as a class or classes of
17 subjects of taxation the property or privileges of persons who
18 because of poverty are determined to be in need of special tax
19 provisions or tax exemptions, hereby declares as its legislative
20 intent and purpose to implement such powers under such
21 Constitutional provision by establishing a tax exemption as
22 hereinafter provided in this section.

23 (b) The General Assembly, having determined that there are
24 persons within this Commonwealth the value of whose incomes and
25 estates are such that the imposition of an inheritance tax under
26 this article would cause them hardship and economic burden and
27 having further determined that poverty is a relative concept
28 inextricably joined with the ability to maintain assets
29 inherited upon the death of a spouse, deems it to be a matter of
30 public policy to provide an exemption from taxation for

1 transfers of property to or for the use of that class of persons
2 hereinafter designated in order to relieve their hardship and
3 economic burden.

4 (c) Any claim for a tax exemption hereunder shall be
5 determined in accordance with the following:

6 (1) The transferee is the spouse of the decedent at the date
7 of death of the decedent.

8 (2) The value of the estate of the decedent does not exceed
9 two hundred thousand dollars (\$200,000) after reduction for
10 actual liabilities of the decedent as evidenced by a written
11 agreement.

12 (3) The average of the joint exemption income of the
13 decedent and the transferee for the three taxable years, as
14 defined in Article III, immediately preceding the date of death
15 of the decedent does not exceed forty thousand dollars
16 (\$40,000).

17 (d) Notwithstanding any other provision of this article,
18 transfers of property to or for the use of any eligible
19 transferee who meets the standards of eligibility established by
20 this section as the test for poverty shall be deemed a separate
21 class subject to taxation and, as such, shall be entitled to the
22 benefit of the following exemptions from taxation on transfers
23 of property as a credit against the tax imposed by this article:

24 (1) For decedents dying on or after January 1, 1992, and
25 before January 1, 1993, the lesser of:

26 (i) Two per cent of the taxable value of the property of the
27 decedent transferred to or for the use of the transferee.

28 (ii) Two per cent of one hundred thousand dollars (\$100,000)
29 of the taxable value of the property of the decedent transferred
30 to or for the use of the transferee.

1 (2) For decedents dying on or after January 1, 1993, and
2 before January 1, 1994, the lesser of:

3 (i) Four per cent of the taxable value of the property of
4 the decedent transferred to or for the use of the transferee.

5 (ii) Four per cent of one hundred thousand dollars
6 (\$100,000) of the taxable value of the property of the decedent
7 transferred to or for the use of the transferee.

8 (3) For decedents dying on or after January 1, 1994, and
9 before January 1, 1995, the lesser of:

10 (i) Six per cent of the taxable value of the property of the
11 decedent transferred to or for the use of the transferee.

12 (ii) Six per cent of one hundred thousand dollars (\$100,000)
13 of the taxable value of the property of the decedent transferred
14 to or for the use of the transferee.

15 (e) For nonresident decedents, the credit provided in this
16 section shall bear the same ratio as that of the decedent's
17 estate in this Commonwealth bears to the decedent's total estate
18 without regard to situs.

19 (f) The credit provided in this section shall not be greater
20 than the tax imposed.

21 (g) This section shall not apply to the estates of decedents
22 dying on or after January 1, 1995.]

23 Section 35.1. Section 2129 of the act, added August 4, 1991
24 (P.L.97, No.22), is amended to read:

25 Section 2129. Liabilities.--(a) [All] Except as set forth
26 in section 2130(5), all liabilities of the decedent shall be
27 deductible subject to the limitations set forth in this section.

28 (b) Except as otherwise provided in subsections (h) and (i),
29 the deductions for indebtedness of the decedent, when founded
30 upon a promise or agreement, shall be limited to the extent that

1 it was contracted bona fide and for an adequate and full
2 consideration in money or money's worth.

3 (c) Except as provided by subclause (4) of section 2130,
4 indebtedness owing by the decedent upon a secured loan is
5 deductible whether or not the security is a part of the gross
6 taxable estate.

7 (d) Except as provided by subclause (4) of section 2130, the
8 decedent's liability (net of all collectible contribution) on a
9 joint obligation is deductible whether or not payment of the
10 obligation is secured by entireties property or property which
11 passes to another under the right of survivorship.

12 (e) Indebtedness arising from a contract for the support of
13 the decedent is deductible.

14 (f) Decedent's obligation is deductible whether or not
15 discharged by testamentary gift.

16 (g) Decedent's debt, which is unenforceable because of any
17 statute of limitations, is deductible if paid by the estate.

18 (h) A pledge to a transferee exempt under the provisions of
19 subsection (c) of section 2111 is deductible if paid by the
20 estate, whether or not it is legally enforceable.

21 (i) Liabilities arising from the decedent's tort or from
22 decedent's status as an accommodation endorser, guarantor or
23 surety are deductible, except to the extent that it can be
24 reasonably anticipated that decedent's estate will be exonerated
25 or reimbursed by others primarily liable or subject to
26 contribution.

27 (j) The fact that a surviving spouse is legally liable and
28 financially able to pay any item which, if the deceased spouse
29 were unmarried, would qualify as a deduction under this part
30 shall not result in the disallowance of such item as a

1 deduction.

2 (k) Obligations for decedent's medical expenses are not
3 deductible to the extent decedent's estate will be exonerated or
4 reimbursed for such expenses from other sources.

5 Section 35.2. Section 2130 of the act, reenacted and amended
6 June 30, 1995 (P.L.139, No.21), is amended to read:

7 Section 2130. Deductions Not Allowed.--The following are not
8 deductible:

9 (2) Claims of a former spouse, or others, under an agreement
10 between the former spouse and the decedent, insofar as they
11 arise in consideration of a relinquishment or promised
12 relinquishment of marital or support rights.

13 (3) Litigation expenses of beneficiaries.

14 (4) Indebtedness secured by real property or tangible
15 personal property, all of which has its situs outside of this
16 Commonwealth, except to the extent the indebtedness exceeds the
17 value of the property.

18 (5) Expenses, debts, obligations and liabilities incurred in
19 connection with a qualified family-owned business interest
20 exempted from inheritance under section 2111(t).

21 Section 36. Section 2701 of the act, added October 18, 2006
22 (P.L.1149, No.119), is amended to read:

23 Section 2701. Definitions.

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

27 "Board." The Board of Finance and Revenue.

28 "Department." The Department of Revenue of the Commonwealth.

29 "Party." The term includes both a taxpayer and the
30 department.

1 "Petitioner." A taxpayer.

2 "Return." The term includes a tax report.

3 "Secretary." The Secretary of Revenue of the Commonwealth.

4 Section 37. Section 2702(b) of the act, amended July 2, 2012
5 (P.L.751, No.85), is repealed:

6 Section 2702. Petition for reassessment.

7 * * *

8 [(b) Special rule for shares taxes.--Notwithstanding any
9 provision of law to the contrary, section 1104.1 of the act of
10 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, shall
11 constitute the exclusive method by which an appeal from the
12 assessment of the tax imposed by Article VII or VIII may be
13 made.]

14 * * *

15 Section 38. The act is amended by adding a section to read:

16 Section 2703.1. Board.

17 (a) Membership.--Notwithstanding any other law to the
18 contrary, the Board of Finance and Revenue shall consist of the
19 the following members:

20 (1) the State Treasurer or the State Treasurer's
21 designee; and

22 (2) two members nominated by the Governor and approved
23 by the Senate.

24 The State Treasurer or the State Treasurer's designee shall have
25 one vote on the board and the other two members shall each have
26 one vote on the board.

27 (b) Terms.--Members nominated by the Governor and approved
28 by the Senate shall serve an initial term of four and six years
29 respectively as designated by the Governor at the time of
30 nomination and until their successors have qualified. After the

1 initial terms, members nominated by the Governor and approved by
2 the Senate shall serve for a term of six years and until a
3 successor has qualified.

4 (c) Member Qualifications.--Each member nominated by the
5 Governor and each member who is a designee of the State
6 Treasurer must satisfy and maintain the following criteria:

7 (1) Be a citizen of the United States.

8 (2) Be a resident of the Commonwealth of Pennsylvania.

9 (3) Be an attorney in good standing before the Supreme
10 Court of Pennsylvania or be a certified public accountant in
11 good standing before the State Board of Accountancy.

12 (4) Have at least ten years of experience in a position
13 requiring substantial knowledge of Pennsylvania tax law.

14 (5) Devote full time to the duties of the office and,
15 while a member, may not engage in any other gainful
16 employment or business, nor hold another office or position
17 of profit in a government of this Commonwealth, any other
18 state or the United States. Nothing in this section may be
19 interpreted to prohibit members of the board from serving in
20 the National Guard and the reserves of the armed forces of
21 the United States while a member of the board.

22 (d) Initial term.--The initial term of the members nominated
23 by the Governor and approved by the Senate shall begin January
24 1, 2014.

25 (e) Nomination and approval.--The Governor may nominate and
26 the Senate may approve the two board members referred to in
27 subsection (a) (2) as of the effective date of this section.

28 (f) Renomination.--A member may be renominated upon the
29 expiration of the member's term.

30 (g) Vacancies.--Any vacancy shall be filled for the

1 unexpired term in the same manner as set forth in this section.

2 (h) Salary.--Each of the members of the board who are
3 nominated by the Governor and approved by the Senate shall
4 receive an annual salary to be determined by the executive board
5 commensurate with the annual salary received by other boards and
6 commissions.

7 (i) Operation of Board.--Two members of the board shall
8 constitute a quorum. The board shall elect a secretary, who need
9 not be a member of the board. The State Treasurer shall be the
10 chairman of the board and shall, in consultation with the other
11 members, select and appoint the counsel, clerks and other
12 employees as may be necessary to administer the responsibilities
13 of the board and for the proper conduct of its work.

14 (j) Oath of office.--Before entering upon the duties of
15 office, a member shall take and subscribe to an oath or
16 affirmation to faithfully discharge the duties of the office.

17 (k) Actions of board.--The board may take any action that is
18 necessary to properly exercise the duties, functions and powers
19 given the board upon the effective date of this section.

20 (l) Need for majority.--The powers and duties vested in and
21 imposed upon the board shall in all cases be exercised or
22 performed by a majority of the board.

23 (m) Powers.--The board is authorized to promulgate and adopt
24 all rules, regulations and forms as may be necessary or
25 appropriate.

26 Section 39. Section 2704 of the act, added October 18, 2006
27 (P.L.1149, No.119), is amended to read:

28 Section 2704. Review by board.

29 (a) Petition for review of a decision and order.--Within 90
30 days after the mailing date of the department's notice of

1 decision and order on a petition filed with it, a taxpayer may
2 petition the board to review the decision and order of the
3 department.

4 (b) Petition for review of denial by department's failure to
5 act.--A petition for review may be filed with the board within
6 90 days after the mailing date of the department's notice to the
7 petitioner of its failure to dispose of the petition within the
8 time periods prescribed by section 2703(d) or (e).

9 (c) Contents of petition.--

10 (1) A petition for review of the department's decision
11 and order on a petition for reassessment shall state all of
12 the following:

13 (i) The tax type and tax periods included within the
14 petition.

15 (ii) The amount of the tax that the taxpayer claims
16 to have been erroneously assessed.

17 (iii) The basis upon which the taxpayer claims that
18 the assessment is erroneous.

19 (2) A petition for review of the department's decision
20 and order on a petition for refund shall state all of the
21 following:

22 (i) The tax type and tax periods included within the
23 petition.

24 (ii) The amount of the tax that the taxpayer claims
25 to have been overpaid.

26 (iii) The basis of the taxpayer's claims for refund.

27 (2.1) All petitions for review shall identify a mailing
28 address to which all correspondence and decisions can be
29 mailed and received and, if so desired, an e-mail address to
30 which all correspondence and decisions can be electronically

1 sent. The board shall be permitted to rely upon the accuracy
2 of the address provided by the taxpayer, and it shall be the
3 duty of the taxpayer to notify the board if there is any
4 change in an address provided to the board.

5 (3) A petition may satisfy the requirements of
6 paragraphs (1)(iii) or (2)(iii) by incorporating by reference
7 the petition filed with the department in which the basis of
8 the taxpayer's claim is specifically stated.

9 (d) Affidavit.--A petition shall be supported by an
10 affidavit by the petitioner or the petitioner's authorized
11 representative that the petition is not made for the purpose of
12 delay and that the facts set forth in the petition are true.

13 (d.1) Representation.--

14 (1) Appearances in tax appeal proceedings conducted by
15 the board may be by the taxpayer or by an attorney,
16 accountant or other representative provided the
17 representation does not constitute the unauthorized practice
18 of law as administered by the Pennsylvania Supreme Court.

19 (2) The department shall have the right to be
20 represented in all tax appeal proceedings before the board.
21 The secretary, or the secretary's designee, shall notify the
22 board as to whom copies of all communications, notices and
23 decisions should be sent on behalf of the department.

24 Communications with the department's appointed representative
25 shall be by electronic means.

26 (d.2) Evidence.--The petitioner and the department shall be
27 entitled to present oral and documentary evidence in support of
28 their positions. The petitioner and the department will be
29 provided the opportunity to comment upon any submitted evidence
30 and provide written and oral argument to support their

1 positions.

2 (d.3) Ex parte communications.--The members or staff of the
3 board shall not participate in any ex parte communications with
4 the petitioner or the department or their representatives
5 regarding the merits of any tax appeal pending before the board.
6 Any information or documentation provided to the members or
7 staff of the board by the petitioner or the department or their
8 representatives in a communication regarding the merits of any
9 appeal pending before the board shall also be promptly provided
10 to the other party.

11 (d.4) Access to department's database.--The board shall be
12 provided access to the department's records relating to a
13 petition before the board.

14 (d.5) Request for hearing.--Upon written request of the
15 petitioner or the department or when deemed necessary by the
16 board, the board shall schedule a hearing to review a petition.
17 The petitioner and the department shall be notified by the board
18 of the date, time and place where the hearing will be held.

19 (d.6) Hearing practice.--Hearings shall be open to the
20 public and shall be conducted in accordance with such rules of
21 practice and procedure as the board may adopt and promulgate. On
22 request of either party or on its own accord, the board may
23 conduct part or all of the hearing as an executive session to
24 the extent that if held in public it would violate a lawful
25 privilege or lead to the disclosure of information or
26 confidentiality protected by law.

27 (d.7) Compromise settlement.--The board shall establish
28 procedures to facilitate the compromise settlement of issues on
29 appeal. A compromise settlement shall be ordered by the board
30 only with the agreement of both the petitioner and the

1 department. The provisions of section 2707(c) shall be
2 applicable to compromise settlements under this section.

3 (e) Decision and order.--The board shall issue a decision
4 and order in writing disposing of a petition on any basis as it
5 deems to be in accordance with law and equity. A decision and
6 order shall include the conclusions reached and the facts on
7 which the decision was based. The decision and order shall be
8 approved by a majority of the board. A copy of the decision and
9 order and any dissenting opinion shall be sent to the petitioner
10 utilizing the method identified by the petitioner and by
11 electronic means to the department.

12 (f) Time limit for decision and order.--

13 (1) Except as provided in [paragraph] paragraphs (2) and
14 (3), the board shall issue a decision and order disposing of
15 a petition within six months after receipt of the petition.
16 Upon the request of the petitioner or the department, the
17 board may extend the time period for the board to dispose of
18 the petition for one additional six-month period.

19 (2) If at the time of the filing of a petition
20 proceedings are pending in a court of competent jurisdiction
21 in which any claim made in the petition may be established,
22 the board, upon the written request of the petitioner, may
23 defer consideration of the petition until the final judgment
24 determining the question or questions involved in the
25 petition has been decided. If consideration of the petition
26 is deferred, the board shall issue a decision and order
27 disposing of the petition within six months after the final
28 judgment.

29 (3) If a matter pending before the board would be
30 materially affected by an audit or other proceeding before

1 the Internal Revenue Service or by an audit or other
2 proceeding conducted by another state, the board, upon the
3 written request of the petitioner, may defer consideration of
4 the petition until such time as the other audit or proceeding
5 is completed. If consideration of the petition is deferred,
6 the board shall issue a decision and order disposing of the
7 petition within six months after the audit or other
8 proceeding is final.

9 (g) Failure of board to take action.--The failure of the
10 board to dispose of the petition within the time period provided
11 for by subsection (f) shall act as a denial of the petition.
12 Notice of the board's failure to take action and the denial of
13 the petition shall be issued to the petitioner and the
14 department. The mailing date of the notice shall begin the time
15 for filing any appeal.

16 (h) Publication of decisions.--

17 (1) The board shall publish each decision, along with
18 any dissenting opinion, which grants or denies in whole or in
19 part a petition for review or a petition for refund.

20 (2) Prior to publication of a decision, the board shall
21 edit the decision to redact the following:

22 (i) Information identified by the petitioner as and
23 that meets the definition of a trade secret or
24 confidential proprietary information as defined in
25 section 102 of the act of February 14, 2008 (P.L.6,
26 No.3), known as the Right-to-Know Law.

27 (ii) An individual's Social Security number, home
28 address, driver's license number, personal financial
29 information as defined in section 102 of the act of
30 February 14, 2008, known as the Right-to-Know Law, home,

1 cellular or personal telephone numbers, personal e-mail
2 addresses, employee number or other confidential personal
3 identification number and a record identifying the name,
4 home address or date of birth of a child 17 years of age
5 or younger.

6 (iii) Specific dollar amounts of tax.

7 (iv) Information pursuant to the act of February 14,
8 2008, known as the Right-to-Know Law.

9 (3) The disclosure of any remaining information,
10 including the name of the taxpayer and the nature of the
11 taxpayer's business, shall be deemed not to violate any
12 provision of law to the contrary, including:

13 (i) Sections 274, 353 and 408.

14 (ii) 18 Pa.C.S. § 7326 (relating to disclosure of
15 confidential tax information).

16 (iii) Section 731 of the act of April 9, 1929
17 (P.L.343, No.176), known as the Fiscal Code.

18 (4) Decisions shall be indexed and published on a
19 publicly accessible Internet website maintained by the board.

20 (i) Appeals.--An appeal from a decision of the board shall
21 be to the Commonwealth Court and shall be de novo.

22 Section 40. (Reserved).

23 Section 41. Repeals are as follows:

24 (1) The General Assembly declares that the repeal under
25 paragraph (2) is necessary to effectuate the amendment or
26 repeal of sections 701, 701.1, 701.4, 701.5 and 2702(b) of
27 the act.

28 (2) Section 1104.1 of the act of April 9, 1929 (P.L.343,
29 No.176), known as The Fiscal Code, is repealed.

30 (3) Section 207 and 302 of the act of October 15, 1980

1 (P.L.950, No.164), known as the Commonwealth Attorneys Act,
2 are repealed insofar as they are inconsistent with the
3 addition of section 2703.1 of the act.

4 (4) The General Assembly declares that the repeal under
5 paragraph (5) is necessary to effectuate the amendment of
6 section 2704(h) of the act.

7 (5) Section 503.1 of The Fiscal Code is repealed.

8 (6) The General Assembly declares that the repeal under
9 paragraph (7) is necessary to effectuate the addition of
10 section 2703.1 of the act.

11 (7) Section 405 of the act of April 9, 1929 (P.L.177,
12 No.175), known as The Administrative Code of 1929, is
13 repealed.

14 (8) The General Assembly declares that the repeal under
15 paragraph (9) is necessary to effectuate the addition of
16 Article XIX-B of the act.

17 (9) Article XVI-B of The Fiscal Code is repealed.

18 (10) The General Assembly declares that the repeal under
19 paragraph (11) is necessary to effectuate the addition of
20 Article XIX-C of the act.

21 (11) Article XVI-F of The Fiscal Code is repealed.

22 Section 42. The following shall apply:

23 (1) A tax credit may not be granted under section 206(b)
24 of the act after June 30, 2013.

25 (1.1) The amendment of sections 1702-D and 1703-D of the
26 act shall apply to tax credits awarded after June 30, 2013.

27 (2) The amendment or addition of the following
28 provisions of the act shall apply to tax years beginning
29 after December 31, 2013:

30 (i) Section 301(d.2), (n.2), (o.4) and (t).

- 1 (ii) Section 303(a)(2) and (a.8).
- 2 (iii) Section 306.
- 3 (iv) Section 306.1.
- 4 (v) Section 306.2.
- 5 (vi) Section 307.8(a) and (f).
- 6 (vii) Section 314(a).
- 7 (viii) Section 315.10.
- 8 (ix) Section 315.11.
- 9 (x) Section 324.
- 10 (xi) Section 330.1.
- 11 (xii) Section 335.
- 12 (xiii) Section 401(3)2(a)(16.1) and (17) and (e).
- 13 (xiv) Section 403(d).

14 (2.1) The amendment or addition of sections 701, 701.1,
15 701.4 and 701.5 of the act shall apply to the calendar year
16 beginning on January 1, 2014, and to each calendar year
17 thereafter.

18 (3) The addition of section 1102-C.3(23) of the act
19 shall apply to transactions occurring on or after November 1,
20 2011.

21 (4) The addition of section 2111(t) of the act shall
22 apply to the estates of decedents who die on or after July 1,
23 2013.

24 (5) The amendment or repeal of sections 2701 and 2704 of
25 the act shall apply to:

26 (i) All petitions filed with the Board of Finance
27 and Revenue and all other business of the Board of
28 Finance and Revenue on or after April 1, 2014.

29 (ii) All petitions filed with the Board of Finance
30 and Revenue prior to April 1, 2014, that have not been

1 the subject of a final and irrevocable decision by the
2 Board of Finance and Revenue as of April 1, 2014.

3 (5.1) The repeal of section 2702(b) and section 1101.4
4 of the act of April 9, 1929 (P.L.343, No.176), known as The
5 Fiscal Code, shall apply to a petition for reassessment filed
6 with the Department of Revenue on or after the effective date
7 of this paragraph.

8 (6) Section 2703.1 of the act shall apply on April 1,
9 2014, or when the two Board of Finance and Revenue members
10 referred to in section 2703.1(a)(2) have been sworn in,
11 whichever is later. The members of the Board of Finance and
12 Revenue in office before April 1, 2014, shall continue their
13 terms until at least two members of the board under section
14 2703.1 have been sworn in.

15 (7) The addition of Article XIX-B of the act is a
16 continuation of Article XVI-B of the act of April 9, 1929
17 (P.L.343, No.176), known as The Fiscal Code. Except as
18 otherwise provided in Article XIX-B of the act, all
19 activities initiated under Article XVI-B of The Fiscal Code
20 shall continue and remain in full force and effect and may be
21 completed under Article XIX-B of the act. Orders,
22 regulations, rules and decisions which were made under the
23 Article XVI-B of The Fiscal Code and which are in effect on
24 the effective date of section 41(9) of this act shall remain
25 in full force and effect until revoked, vacated or modified
26 under Article XIX-B of the act. Contracts, obligations and
27 collective bargaining agreements entered into under Article
28 XVI-B of The Fiscal Code are not affected nor impaired by the
29 repeal of Article XVI-B of The Fiscal Code and shall remain
30 in full force and effect under the terms of the contracts,

1 obligations and collective bargaining agreements.

2 (8) The addition of Article XIX-C of the act is a
3 continuation of Article XVI-F of The Fiscal Code. Except as
4 otherwise provided in Article XIX-C of the act, all
5 activities initiated under Article XVI-F of The Fiscal Code
6 shall continue and remain in full force and effect and may be
7 completed under Article XIX-C of the act. Orders,
8 regulations, rules and decisions which were made under
9 Article XVI-F of The Fiscal Code and which are in effect on
10 the effective date of section 41(11) of this act shall remain
11 in full force and effect until revoked, vacated or modified
12 under Article XIX-C of the act. Contracts, obligations and
13 collective bargaining agreements entered into under Article
14 XVI-F of The Fiscal Code are not affected nor impaired by the
15 repeal of Article XVI-F of The Fiscal Code.

16 Section 43. The following shall apply:

17 (1) Within 18 months of the effective date of this
18 section, the Department of Revenue, working jointly with the
19 Secretary of Banking and Securities and representatives from
20 the banking industry in this Commonwealth, shall submit a
21 detailed report to the chairman and minority chairman of the
22 Appropriations Committee of the Senate, the chairman and
23 minority chairman of the Finance Committee of the Senate, the
24 chairman and minority chairman of the Appropriations
25 Committee of the House of Representatives and the chairman
26 and minority chairman of the Finance Committee of the House
27 of Representatives ascertaining whether the adjustment, under
28 the amendment or repeal of sections 701, 701.1, 701.4, 701.5
29 and 2702(b) of the act, to the rate of tax under Article VII
30 of the act sufficiently addresses the significant changes in

1 the structure and regulatory environment within the banking
2 industry. The report shall include recommendations with
3 regard to all of the following:

4 (i) An appropriate tax base on which to calculate
5 tax liabilities, which shall include recognition of the
6 effect of a final court decision and pending litigation
7 on the tax base.

8 (ii) An appropriate rate of tax necessary to provide
9 fair, stable and predictable tax revenues to the
10 Commonwealth to ensure that the total amount of tax
11 imposed on an institution subject to the tax under
12 Article VII of the act and the rate of growth of the tax
13 liabilities will be competitive with taxes imposed by
14 other states, particularly those adjacent to this
15 Commonwealth. Consideration shall be given to the
16 adjustment to the rate of tax under the amendment or
17 repeal of sections 701, 701.1, 701.4, 701.5 and 2702(b)
18 of the act in order to determine whether future
19 adjustments are warranted.

20 (iii) An appropriate methodology to allocate and
21 apportion the tax base in instances where the entire
22 business of a taxpayer subject to Article VII of the act
23 is not conducted in this Commonwealth.

24 (iv) Proposed draft legislation concerning the
25 implementation of recommended changes to Article VII of
26 the act.

27 (2) (Reserved).

28 Section 44. This act shall take effect as follows:

29 (1) The following provisions shall take effect January
30 1, 2014, or immediately, whichever is later:

1 (i) The amendment of the definitions of "document,"
2 "real estate" and "real estate company" in section 1101-C
3 of the act.

4 (ii) The amendment of sections 1102-C and
5 1102-C.5(a) of the act.

6 (2) The following provisions shall take effect April 1,
7 2014:

8 (i) The amendment of section 2701 of the act.

9 (ii) The addition of section 2703.1 of the act.

10 (iii) The amendment of section 2704 of the act.

11 (3) The addition of section 401(8), (9) and (10) of the
12 act shall take effect January 1, 2015.

13 (4) The following provisions shall take effect in 60
14 days:

15 (i) The addition of section 278 of the act.

16 (ii) The addition of Article XVIII-F of the act.

17 (5) The addition of section 204(69) of the act shall
18 take effect in 90 days.

19 (5.1) The addition of Article II-B of the act shall take
20 effect July 1, 2014, or immediately, whichever is later.

21 (6) The remainder of this act shall take effect
22 immediately.