

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1014 Session of 2023

INTRODUCED BY LAUGHLIN, PENNYCUICK AND ARGALL, DECEMBER 18, 2023

SENATOR GEBHARD, COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT, AS AMENDED, FEBRUARY 5, 2024

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 city revitalization and improvement zones,
11 further providing for definitions, for establishment or
12 designation of contracting authority, for approval, for
13 transfers, for restrictions, for transfer of property and for
14 review.

15 The General Assembly of the Commonwealth of Pennsylvania
16 hereby enacts as follows:

17 Section 1. The definitions of "city," "city revitalization
18 and improvement zone," "eligible tax," "municipality" and "pilot
19 zone" in section 1802-C of the act of March 4, 1971 (P.L.6,
20 No.2), known as the Tax Reform Code of 1971, are amended to
21 read:

22 Section 1802-C. Definitions.

23 The following words and phrases when used in this article
24 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 * * *

3 "City." A city of the second class A or third class or a
4 home rule municipality with a population of at least 20,000
5 based on the most recent Federal decennial census. The term does
6 not include a city that is determined to be distressed under the
7 act of July 10, 1987 (P.L.246, No.47), known as the
8 Municipalities Financial Recovery Act.

9 "City revitalization and improvement zone." An area of not
10 more than 130 acres, in a city, municipality, or that may
11 include an area in one or more contiguous municipalities,
12 comprised of parcels designated by the contracting authority,
13 which will provide economic development and job creation within
14 a city or one or more municipalities.

15 * * *

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

17 (1) Corporate net income tax, capital stock and
18 franchise tax, bank shares tax, insurance premiums tax,
19 personal income tax paid by shareholders, members or partners
20 of Subchapter S corporations, limited liability companies,
21 partnerships or sole proprietors on income other than passive
22 activity income as defined under section 469 of the Internal
23 Revenue Code of 1986 (Public Law 99-516, 26 U.S.C. § 1 et
24 seq.) or business privilege tax, calculated and apportioned
25 as to amount attributable to the location within the zone and
26 calculated under section 1904-B(b) and (c).

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

29 (3) Sales and use tax, only to the extent the tax is
30 related to the activity of a qualified business within the

1 zone. The term includes sales and use taxes on material used
2 for construction in the zone and business personal property
3 to be used by the qualified business in the zone.

4 (3.1) The hotel occupancy tax imposed under Part V of
5 Article II.

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

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

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

12 (7) All taxes paid to the Commonwealth, or an amount
13 equal to all of the taxes paid to the Commonwealth, related
14 to the purchase or sale of liquor, wine or malt or brewed
15 beverages by a licensee located in the zone for purchases
16 that occurred outside the zone.

17 The term does not include cigarette tax.

18 * * *

19 "Municipality." An incorporated town, township or borough.

20 The term does not include an incorporated town, township or
21 borough that is determined to be distressed under the
22 Municipalities Financial Recovery Act.

23 * * *

24 "Pilot zone." An area of not more than 100 acres designated
25 by the contracting authority prior to July 1, 2023, following
26 application and approval by the Department of Community and
27 Economic Development, the office and the department which will
28 provide economic development and job creation within one or more
29 municipalities, with a total population of at least 7,000 based
30 on the most recent Federal decennial census.

1 * * *

2 Section 2. Section 1803-C of the act is amended to read:
3 Section 1803-C. Establishment or designation of contracting
4 authority.

5 ~~[(a) Authorization.--{Except as set forth in subsection (b),~~ <--
6 ~~a] A city, municipality or [home rule county] municipalities may~~
7 establish or designate a contracting authority to designate a
8 zone under this article. ~~For the purposes of appointing a~~ <--
9 ~~qualified operating board with diverse skill sets in the areas~~
10 ~~of government, law, finance, banking, economic development,~~
11 ~~community development, planning, project management, project~~
12 ~~engineering, real estate development and environmental~~
13 ~~remediation, the operating board of the contracting authority~~
14 ~~shall include residents of the zone, business owners located in~~
15 ~~the zone and residents, business owners and business~~
16 ~~representatives from the city, municipality or municipalities~~
17 ~~that created the zone.~~

18 ~~(a.1) Membership.~~

19 ~~(1) The operating board shall consist of an odd number~~
20 ~~of members with an equal number being appointed by each of~~
21 ~~the following:~~

22 ~~(i) The mayor of the city, incorporated town or~~
23 ~~borough or the board of commissioners of a township.~~

24 ~~(ii) Any member of the Senate representing the city,~~
25 ~~municipality or municipalities.~~

26 ~~(iii) Any member of the House of Representatives~~
27 ~~representing the city, municipality or municipalities.~~

28 ~~(2) If there is an even number of members, the final~~
29 ~~member shall be chosen by majority vote of the appointed~~
30 ~~board members.~~

1 [(b) Distressed cities.--A city that is a distressed city
2 under the act of July 10, 1987 (P.L.246, No.47), known as the
3 Municipalities Financial Recovery Act, and is located in a home
4 rule county may not establish a contracting authority under this
5 article.]

6 (c) Counties.--The home rule county where a distressed city
7 under the Municipalities Financial Recovery Act is located may
8 establish a contracting authority to designate a zone under this
9 article within the distressed city.]

10 ~~Section 3. Section 1804 C(c) and (d) of the act are amended <--~~
11 ~~to read:~~

12 SECTION 3. SECTION 1804-C(D) OF THE ACT IS AMENDED AND THE <--
13 SECTION IS AMENDED BY ADDING A SUBSECTION TO READ:

14 Section 1804-C. Approval.

15 * * *

16 ~~(c) [Approval schedule. The Department of Community and <--~~
17 ~~Economic Development shall develop a schedule for the approval~~
18 ~~of applications under this section as follows:~~

19 ~~(1) Following the effective date of this paragraph,~~
20 ~~applications for two initial city revitalization and~~
21 ~~improvement zones and one pilot zone may be approved.~~

22 ~~(2) Beginning in 2016, applications for two additional~~
23 ~~zones may be approved each calendar year.] Approval.~~

24 ~~Applications for up to three zones may be approved in any~~
25 ~~given calendar year, which may comprise:~~

26 ~~(1) Up to two zones for one or more cities or~~
27 ~~municipalities with a population between 7,000 and 19,999~~
28 ~~based on the most recent Federal decennial census.~~

29 ~~(2) Up to two zones for one or more cities or~~
30 ~~municipalities with a population of 20,000 or more based on~~

1 ~~the most recent Federal decennial census.~~

2 * * *

3 (C.2) SINGLE APPROVAL.--AN APPLICATION FOR ONE ZONE LOCATED <--
4 IN A CITY OF THE THIRD CLASS WITH A POPULATION BETWEEN 94,000
5 AND 95,000 BASED ON THE MOST RECENT DECENNIAL CENSUS AND THAT IS
6 LOCATED IN A HOME RULE COUNTY OF THE THIRD CLASS SHALL BE
7 APPROVED IN THE FIRST YEAR AFTER THE EFFECTIVE DATE OF THIS
8 SUBSECTION. THE FOLLOWING SHALL APPLY:

9 (1) A BOARD OF DIRECTORS FOR THE ZONE APPROVED UNDER
10 THIS SUBSECTION SHALL CONSIST OF NINE MEMBERS WITH THREE
11 MEMBERS BEING APPOINTED BY EACH OF THE FOLLOWING:

12 (I) THE MAYOR OF THE CITY, INCORPORATED TOWN OR
13 BOROUGH OR THE BOARD OF COMMISSIONERS OF A TOWNSHIP.

14 (II) ANY MEMBERS OF THE SENATE REPRESENTING THE
15 CITY, MUNICIPALITY OR MUNICIPALITIES.

16 (III) ANY MEMBERS OF THE HOUSE OF REPRESENTATIVES
17 REPRESENTING THE CITY, MUNICIPALITY OR MUNICIPALITIES.

18 (2) FOR THE PURPOSES OF APPOINTING A QUALIFIED BOARD OF
19 DIRECTORS WITH DIVERSE SKILL SETS IN THE AREAS OF GOVERNMENT,
20 LAW, FINANCE, BANKING, ECONOMIC DEVELOPMENT, COMMUNITY
21 DEVELOPMENT, PLANNING, PROJECT MANAGEMENT, PROJECT
22 ENGINEERING, REAL ESTATE DEVELOPMENT AND ENVIRONMENTAL
23 REMEDICATION, THE BOARD OF DIRECTORS OF THE CONTRACTING
24 AUTHORITY SHALL INCLUDE RESIDENTS OF THE ZONE, BUSINESS
25 OWNERS LOCATED IN THE ZONE AND RESIDENTS, BUSINESS OWNERS AND
26 BUSINESS REPRESENTATIVES FROM THE CITY, MUNICIPALITY OR
27 MUNICIPALITIES THAT CREATED THE ZONE.

28 (d) [Time] Schedule.--The Department of Community and
29 Economic Development shall establish [and publish] application
30 deadlines [in the Pennsylvania Bulletin and] and publish the

1 deadlines on its publicly accessible Internet website.

2 * * *

3 Section 4. Section 1812-C(c) of the act is amended to read:

4 Section 1812-C. Transfers.

5 * * *

6 [(c) Notification.--The following shall apply:

7 (1) If the transfers under subsection (a) and section
8 1811-C(c) are insufficient to make payments on the bonds
9 issued under section 1813-C(a)(1) for the calendar year when
10 the transfers are made, the contracting authority shall
11 notify the Department of Community and Economic Development,
12 the office and the department of the amount of the deficiency
13 and may request the additional money necessary to make
14 payments on the bonds.

15 (2) The notification under paragraph (1) must be
16 accompanied by a detailed account of the contracting
17 authority's expenditures and the calculation which resulted
18 in the request for additional money. The Department of
19 Community and Economic Development, the office or the
20 department may request additional information from the
21 contracting authority and shall jointly verify the proper
22 amount of money necessary to make the payments on the bonds.

23 (3) Notwithstanding 53 Pa.C.S. § 5607(e) (relating to
24 purposes and powers), within 90 days of the date of the
25 notification request, the office shall direct the State
26 Treasurer to establish a restricted account within the
27 General Fund. The office shall direct the State Treasurer to
28 transfer the amount verified under paragraph (2) from the
29 General Fund to the restricted account for the use of the
30 contracting authority to make payments on the bonds issued

1 under section 1813-C(a) (1) .

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

3 (i) shall be limited to 50% of the State tax
4 baseline amount for the calendar year prior to the date
5 the amount is verified under paragraph (2), not to exceed
6 \$7,500,000; and

7 (ii) must occur in the first seven calendar years
8 following the baseline year.

9 (4.1) Under extraordinary circumstances, a contracting
10 authority may request money in excess of the limitations in
11 paragraph (4) (i). The Department of Community and Economic
12 Development, the office and the department shall determine
13 whether the circumstances merit additional money and the
14 amount to be transferred. The money shall be transferred
15 under the procedure under this section.

16 (5) Money transferred under paragraph (3) shall be
17 repaid to the General Fund by the contracting authority. If
18 money transferred under paragraph (3) is not repaid to the
19 General Fund by the contracting authority within 12 calendar
20 years following the baseline year, the city, municipality or
21 home rule county which established or designated the
22 contracting authority shall pay the money not repaid to the
23 General Fund plus an additional penalty of 10% of the amount
24 outstanding on the date of the final payment on the bonds
25 originally issued under section 1813-C(a) (1) .]

26 Section 5. Section 1813-C(a) (3) and (c) (1) of the act are
27 amended and the subsections are amended by adding paragraphs to
28 read:

29 Section 1813-C. Restrictions.

30 (a) Utilization.--Money transferred under section 1812-C may

1 only be utilized for the following:

2 * * *

3 (3) Replenishment of amounts in debt service reserve
4 funds established to pay debt service on bonds or on
5 privately obtained financing through a lending institution
6 for a project in a zone.

7 * * *

8 (8) Payment of debt service on loans secured privately
9 by a qualified business, property owner or developer for the
10 acquisition, development, construction, including related
11 infrastructure and site preparation, reconstruction,
12 renovation or refinancing of a facility in the zone.

13 * * *

14 (c) Excess money.--

15 (1) Except as set forth in [paragraph (4),] paragraph
16 (4) or (5), for the first five calendar years of the zone
17 designated after July 1, 2023, if the amount of money
18 transferred to the fund under sections 1811-C(c) and 1812-C
19 in any one calendar year exceeds the money utilized, budgeted
20 or appropriated by official resolution of the contracting
21 authority under this section in that calendar year, the
22 contracting authority may carry forward any excess up to a
23 total sum of \$3,000,000 for the five-year calendar period.
24 For the sixth calendar year and each calendar year
25 thereafter, if the amount of money transferred to the fund
26 under sections 1811-C(c) and 1812-C in any one calendar year
27 exceeds the money utilized, budgeted or appropriated by
28 official resolution of the contracting authority under this
29 section in that calendar year, the contracting authority
30 shall submit by April 15 following the end of the calendar

1 year any money not utilized, budgeted or appropriated by
2 official resolution of the contracting authority to the State
3 Treasurer for deposit into the General Fund.

4 * * *

5 (5) Other than a zone described in paragraph (1) or (4),
6 for a zone designation prior to July 1, 2023, if the amount
7 of money transferred to the fund under section 1811-C(c), in
8 any one calendar year exceeds the money utilized, budgeted or
9 appropriated by official resolution of the contracting
10 authority under this section in that calendar year, the
11 contracting authority shall submit any money not utilized,
12 budgeted or appropriated by official resolution to the State
13 Treasurer for deposit into the General Fund by April 15 of
14 the following calendar year.

15 * * *

16 Section 6. Section 1814-C(a) and (b) of the act are amended
17 and the section is amended by adding a subsection to read:
18 Section 1814-C. Transfer of property.

19 (a) Property.--[Parcels in a zone where] A parcel or parcels
20 in a zone where no zone fund dollars were expended upon the
21 parcel or parcels or where a facility has not been constructed,
22 reconstructed or renovated using money under this article may be
23 transferred out of the zone, if the contracting authority
24 provides a notarized certification, confirmed in the annual
25 audit required under section 1807-C(c), that no fund dollars
26 were used on the [property] parcel or parcels. Additional
27 acreage, not to exceed the acreage transferred out of the zone,
28 may be added to the zone.

29 * * *

30 (a.3) Returned property.--A parcel or parcels in a zone

1 where zone fund dollars were expended upon the parcel or parcels
2 or where a facility has been constructed, reconstructed or
3 renovated using money under this article may be transferred out
4 of the zone for the purpose of returning a parcel or parcels to
5 State and local tax rolls prior to the duration established
6 under section 1815-C. Additional acreage, not to exceed the
7 acreage transferred out of the zone, may be added to the zone.
8 Each local taxing authority shall pass a resolution or ordinance
9 in support of the transfer of the parcel or parcels.

10 (b) [Approval.--A transfer under subsections (a) and (a.2)
11 must be] Review and approval.--A transfer must be reviewed and
12 approved by the Department of Community and Economic Development
13 in consultation with the office and the department. The
14 contracting authority shall submit a written request to the
15 Department of Community and Economic Development to approve the
16 transfer of a parcel or parcels. In addition to the written
17 request, the contracting authority shall submit the following to
18 the Department of Community and Economic Development:

19 (1) The certification under subsection (a).

20 (2) A resolution of the contracting authority board
21 approving the transfer of the parcel or parcels.

22 (3) Any additional information as required by the
23 Department of Community and Economic Development, the office
24 or the department.

25 Section 7. Section 1819-C(a) introductory paragraph of the
26 act is amended to read:

27 Section 1819-C. Review.

28 (a) Department of Community and Economic Development.--By
29 December 31, 2021, and annually each March 31 thereafter, the
30 Department of Community and Economic Development shall, in

1 cooperation with the office and the department, complete a
2 review and analysis of all active zones. The review shall
3 include an analysis of:

4 * * *

5 Section 8. This act shall take effect in 60 days.