



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1342

PRINTERS NO. 3370

PRIME SPONSOR: Rader

SUMMARY: House Bill 1342, Printer's Number 3370, is an omnibus amendment to the Tax Reform Code making various changes implementing the fiscal year 2022-23 Commonwealth Budget.

ANALYSIS: Below is a description of the various tax and revenue provisions included in this legislation along with the corresponding fiscal impact:

REVENUE INCREASE / (DECREASE)

PROVISION	FY2021-22	FY2022-23
	\$ Millions	
Corporate Tax Reform (Corporate Net Income Tax)		
<u>Rate Reduction</u> - Reduces CNIT rate to 4.99% using the following schedule: 8.99% for tax year 2023 8.49% for tax year 2024 7.99% for tax year 2025 Another 0.5% annual reduction thereafter until rate is 4.99% in 2031.		
<u>Market Sourcing</u> - Changes the sourcing for sales of certain intangible property to where the benefit is received (market-based) instead of where the income producing activity is performed (cost-of-performance). <i>Effective for tax years beginning after December 31, 2022.</i>	\$0.0	(\$202.3)
<u>Economic Nexus</u> - Corporations, with no physical presence, and sales of \$500,000 or more per year sourced to PA shall be deemed to have nexus in PA. (Codifies Corporation Tax Bulletin 2019-04, which was in response to the U.S. Supreme Court decision in Wayfair v. South Dakota). <i>Effective for tax years beginning after December 31, 2022.</i>		
Small Business Tax Reform (Personal Income Tax)		
Federal conformity to IRC Section 179 expense deductions. PA current limitation is \$25,000; IRS limitation is \$1.08 million. <i>Effective for tax years beginning after December 31, 2022.</i>	\$0.0	(\$3.0)
Federal conformity to IRC Section 1031 like-kind exchanges. Allows deferral of gains / losses when exchanged for like-kind property. <i>Effective for tax years beginning after December 31, 2022.</i>	\$0.0	(\$12.6)

PROVISION	FY2021-22	FY2022-23
	\$ Millions	
Pennsylvania Child and Dependent Care Enhancement Program		
Provides a refundable tax credit for eligible taxpayers who receive the Federal Child and Dependent Care Tax credit. The amount of the tax credit is equal to 30% of the Federal tax credit. The tax credit shall be applied against a taxpayer's personal income tax liability. <i>Effective for tax years beginning after December 31, 2021.</i>	\$0.0	(\$24.6)
Inheritance Tax Exemption for Decedent Active Military Members		
Exempts the transfer of property from the decedent of a military member who died as a result of injury or illness received while on active duty.	\$0.0	nominal
Stability for Fire Insurance Tax Fund and Municipal Pension Aid Fund		
Ensures stability in the amount of Insurance Premiums Tax revenue annually deposited into the Fire Insurance Tax Fund and Municipal Pension Aid Fund. Beginning with fiscal year 2022-23, all insurance premiums tax collections will be deposited into the General Fund and the following annual transfers will occur to the special funds: (1) the greater of \$85 million, or 8.5%, will be transferred to the Fire Insurance Tax Fund; and (2) the greater of \$345 million, or 38%, will be transferred to the Municipal Pension Aid Fund.	\$0.0	nominal
Computer Data Center Equipment Incentive Program		
Extends the Computer Data Center sales tax exemption qualification period from 15 years to 25 years for qualified purchases of equipment installed in the computer data center.	\$0.0	\$0.0
Peer-to-Peer (P2P) Car-Sharing		
Clarifies that P2P car-sharing is subject to sales and use tax whether through a shared vehicle owner, marketplace facilitator, or rental company. Requires P2P marketplace facilitators to collect and remit applicable taxes on behalf of the vehicle owner using their platform. Provides an exclusion for P2P car-sharing from the 2% vehicle rental tax. <i>Effective January 1, 2023.</i>	\$0.0	\$0.3
Clarifies that P2P car-sharing is subject to the \$2 per day motor vehicle rental fee. Alters the fee schedule as follows: rentals less than 2 hours - \$0.25; rentals for 2 hours but less than 3 hours - \$0.50; rentals for 3 hours but less than 6 hours - \$1.25; rentals for 6 hours or longer - \$2.00. <i>(Revenues are deposited in the Public Transportation Assistance Fund)</i> <i>Effective January 1, 2023.</i>	\$0.0	\$1.0

PROVISION	FY2021-22	FY2022-23
	\$ Millions	
Tax Credits and Zones		
<u>Research and Development Tax Credit</u> - Increases annual cap to \$60 million, a \$5 million increase, with \$1 million of the increase allocated to small businesses.	\$0.0	(\$5.0)
<u>Film Production Tax Credit</u> - Increases annual cap to \$100 million, a \$30 million increase, with \$5 million of the increase reserved for PA Film Producers. Makes technical cleanups to the multifilm provisions added as part of Act 25 of 2021.	\$0.0	(\$30.0)
<u>Entertainment Economic Enhancement Program</u> - Increases annual cap to \$24 million, a \$16 million increase.	\$0.0	(\$16.0)
<u>Waterfront Development Tax Credit</u> - Increases annual cap to \$5 million, a \$3.5 million increase.	\$0.0	(\$3.5)
<u>Airport Land Development Zones</u> - Establishes the Airport Land Development Zone program encouraging and promoting economic growth and job creation at or around airports on undeveloped or vacant land and buildings owned by airports within the Commonwealth. Employers in the zone are eligible for a tax credit equal to \$2,100 for each full-time job created in the zone.	\$0.0	(\$4.0)
<u>3-Year Freeze on annual Tax Credit cap amounts</u> - Adds a new section providing that the amount of tax credits issued for the following programs shall remain at the amount allocated in fiscal year 2022-23 for three years through fiscal year 2024-25: (1) Research and Development Tax Credit; (2) Film Production Tax Credit; (3) Entertainment Economic Enhancement Program; (4) Waterfront Development Tax Credit; and (5) The amount of tax credit per job located within the Airport Land Development Zones.	\$0.0	\$0.0
<u>City Revitalization and Improvement Zones (CRIZ)</u> - Adds language requiring the department to notify the contracting authority of reporting violations by qualified businesses located in the zone. Additionally, allows the contracting authority to provide financial assistance to qualified businesses in the form of a grant or loan.	\$0.0	\$0.0
<u>City Revitalization and Improvement Zones (CRIZ)</u> <u>Neighborhood Improvement Zones (NIZ)</u> - Provides that a contracting authority shall have access to state and local tax information contained in the reports and certifications filed by qualified businesses within the zone to determine the amount allocated for use by the authority.	\$0.0	\$0.0
<u>Keystone Opportunity Zones (KOZ)</u> - Adds language clarifying that an affiliate of a qualified business locating within the zone is entitled to the same tax exemptions, deductions, abatements and credits provided to the qualified business. Provides a one-year extension for a political subdivision or its designee to apply for a zone designation originally authorized by Act 13 of 2019.	\$0.0	\$0.0

PROVISION	FY2021-22	FY2022-23
	<i>\$ Millions</i>	
Other Administrative and Technical Changes		
Continues the deposit of table games tax revenues into the General Fund.	\$0.0	\$133.5
Makes technical changes to the current sales tax exclusion for flight simulators, parts and software enacted as part of Act 25-2021.	\$0.0	\$0.0
Adds language codifying the personal income tax exemption for PPP loans and Economic Stimulus Payments into the TRC and repeals same language added to the Fiscal Code by Act 1-2021.	\$0.0	\$0.0
Repeals language from the TRC aligning the local earned income tax filing deadline to the state personal income tax filing deadline. Act 17-2022 added same language in Local Tax Enabling Act.	\$0.0	\$0.0

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House Appropriations Committee (R)

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Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.