

No. 2004-226

AN ACT

HB 1321

Providing for economic development districts in cities of the first class; imposing penalties; and conferring powers and duties on the Department of Community and Economic Development and the Department of Revenue.

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

CHAPTER 1 GENERAL PROVISIONS

Section 101. Short title.

This act shall be known and may be cited as the First Class Cities Economic Development District Act.

Section 102. Legislative findings.

The General Assembly finds and declares as follows:

(1) There currently exist in first class cities located within this Commonwealth areas of economic distress characterized by deteriorated property, high unemployment, low investment of new capital and underutilized, obsolete or abandoned industrial or commercial structures.

(2) These areas require coordinated efforts by private and public entities to restore prosperity and enable the areas to make significant contributions to the economic and social life of this Commonwealth.

(3) Long-term economic viability of these areas requires the cooperative involvement of residents, businesses, State and local elected officials and community organizations. It is in the best interest of the Commonwealth to assist and encourage the creation of economic development districts and to provide temporary relief from certain taxes within the economic development districts to accomplish the purposes of this act.

Section 103. Definitions.

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

“Business.” An association, partnership, Subchapter S corporation, corporation, sole proprietorship, limited liability company or limited liability partnership.

“Corporation.” A business subject to the tax imposed by Article IV of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

“Department.” The Department of Community and Economic Development of the Commonwealth.

“Deteriorated property.” An area containing industrial or commercial real property which is abandoned, vacant, undervalued, underutilized or condemned or which contains economically undesirable land use.

“Economic development district.” A clearly defined geographic area comprised of deteriorated property located in a city of the first class which has been designated by the Department of Community and Economic Development under section 301(d) as an economic development district.

“Political subdivision.” A city of the first class or a school district of the first class.

“Qualified business.” A business that receives a certificate under section 303 for the taxable year.

“Qualified pass-through entity.” A partnership, association or Subchapter S corporation which is a qualified business.

“Qualified political subdivision.” A political subdivision which has real property within its jurisdiction which has been designated by the Department of Community and Economic Development as an economic development district.

“Resident.” An individual who is domiciled in an economic development district.

“Tax Reform Code of 1971.” The act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

CHAPTER 3 ECONOMIC DEVELOPMENT DISTRICTS

Section 301. Program.

(a) Establishment.—There is established within the department a program to be known as the First Class Cities Economic Development District Program. The program shall encourage development of deteriorated property by providing the tax exemptions, deductions, abatements or credits provided by this act to persons who own interests in qualified pass-through entities and to residents of and qualified businesses located in economic development districts.

(b) Proposal.—On or before July 15, 2005, the Governor may, by executive order, propose the designation of deteriorated property within cities of the first class as economic development districts. The executive order shall specify the period of time, not to extend beyond December 31, 2018, for which the tax exemptions, deductions, abatements or credits provided by this act may be granted. The department shall immediately notify

the owners of the deteriorated property and the political subdivisions in which the deteriorated property is located.

(c) Application.—Upon receipt of a request from the owners of deteriorated property notified under subsection (b), a city of the first class may apply to the department for approval of the proposal to designate the deteriorated property as an economic development district for the period specified under subsection (b). The application shall be on a form provided by the department and shall include a copy of an ordinance, resolution or other required action from the governing body of the city of the first class consistent with the requirements of section 302.

(d) Designation.—If all political subdivisions within a proposed economic development district submit timely, completed applications, the department shall approve the applications and designate the property as an economic development district. The State tax exemptions, deductions, abatements or credits set forth in this act and the local tax exemptions, deductions, abatements or credits set forth in this act shall take effect on the date the property is designated an economic development district. Qualified businesses and persons who own interests in qualified pass-through entities within the economic development district shall be entitled to the State tax exemptions, deductions, abatements or credits set forth in this act and the local tax exemptions, deductions, abatements or credits set forth in this act for the period for which the economic development district has been designated.

(e) Limitation.—The aggregate amount of deteriorated property proposed by the Governor under subsection (b) may not exceed 85 acres.
Section 302. Local ordinances and resolutions.

(a) City action.—In order for an application to be complete, a city of the first class in which a proposed economic development district is to be located must adopt and provide with its application a copy of an ordinance, resolution or other required action from the governing body of the city of the first class that exempts or provides the deductions, abatements or credits required by Chapter 7 to qualified businesses upon designation of the property as an economic development district. The ordinance, resolution or other required action from the governing body of the city of the first class shall suspend any current abatement of real property taxation authorized under the act of December 1, 1977 (P.L.237, No.76), known as the Local Economic Revitalization Tax Assistance Act, on the deteriorated property which will comprise the proposed economic development district for the period for which the economic development district will be designated. All appropriate ordinances and resolutions shall be effective for the period specified in the executive order and shall be binding and nonrevocable on the city of the first class.

(b) School district action.—In addition to the completed application and the ordinance, resolution or other required action required by subsection (a), the city of the first class must submit a copy of an ordinance, resolution or

other required action from the governing body of the school district in which the proposed economic development district is located that approves the ordinance, resolution or other required action of the city of the first class exempting or providing the deductions, abatement or credits required under Chapter 7. All appropriate ordinances and resolutions shall be effective for the period specified in the executive order and shall be binding and nonrevocable on the political subdivisions.

(c) Preemption.—If deteriorated property is designated an economic development district under this act, no political subdivision with taxing jurisdiction over the deteriorated property may impose additional taxes on or provide additional tax exemptions, deductions, abatements or credits for the deteriorated property for the period for which the deteriorated property has been designated an economic development district.

Section 303. Qualified businesses.

(a) Qualifications.—In order to qualify each year for the tax exemptions, deductions, abatements or credits provided under this act, a business shall submit a statement to the department stating that the business owns or leases real property in an economic development district and that the business actively conducts a trade, profession or business on the real property. An agent, broker or representative of a business is not engaged in the active conduct of a trade, profession or business for the business. The department shall review the statement. Upon being satisfied that the business is located and is in the active conduct of a trade, profession or business within the economic development district, the department shall, subject to subsection (b), if applicable, grant the business a certificate. The business shall obtain annual renewal of the certification from the department to continue to qualify for the tax exemptions, deductions, abatements or credits provided under this act.

(b) Relocation.—If a business located in this Commonwealth relocates from outside an economic development district into an economic development district, the business shall not receive the exemptions, deductions, abatements or credits provided under this act unless the business has entered into a lease agreement for property located within the economic development district consistent with all of the following:

(1) The net present value of the lease agreement is at least \$50,000,000.

(2) The lease agreement is for at least 500,000 square feet of property.

(3) The term of the lease agreement is at least equivalent to the balance of the duration of the designation of the property as an economic development district.

(4) Aggregate payment under the lease agreement to support new capital investment is at least equivalent to 5% of the gross revenues of the business in the immediately preceding calendar or fiscal year.

(5) The property will be used for food distribution.

(6) The property consists of at least 85 acres.

(7) The property is publicly owned.

Section 304. Residency.

In order to qualify each year for a tax exemption, deduction, abatement or credit under this act, an individual must be domiciled and must reside in an economic development district for a period of 184 consecutive days during each taxable year beginning on the date the person first resides within the economic development district.

Section 305. Reporting.

The department and the Department of Revenue shall report annually to the General Assembly on the economic effects of this act.

CHAPTER 5
STATE TAXES

SUBCHAPTER A
STATE TAXES GENERALLY

Section 501. State taxes.

(a) General rule.—A qualified business or a person who owns an interest in a qualified pass-through entity shall receive the exemptions, deductions, abatements or credits as provided in this chapter for the duration of the economic development district designation. Exemptions, deductions, abatements or credits shall expire on the date of expiration of the economic development district designation.

(b) Construction.—The Department of Revenue shall administer, construe and enforce the provisions of this chapter in conjunction with Articles II, III and IV of the Tax Reform Code of 1971.

(c) Limitation.—A qualified business or a person who owns an interest in a qualified pass-through entity may not apply an exemption from income or a credit under this chapter for any class of income against any other classes of income or gain.

SUBCHAPTER B
PARTICULAR STATE TAXES

Section 511. Sales and use tax.

(a) Exemption.—Sales at retail of services or tangible personal property, other than motor vehicles, to a qualified business for the exclusive use, consumption and utilization of the tangible personal property or service by the qualified business at its facility located within an economic development district are exempt from the sales and use tax imposed under Article II of the Tax Reform Code of 1971. No exemption shall be allowed for activities conducted on the real property prior to designation of the real property as an economic development district.

(b) Construction contracts.—For a construction contract performed in an economic development district, the exemption provided in subsection (a) shall only apply to the sale at retail of building machinery and equipment to a qualified business, or to a construction contractor pursuant to a construction

contract with a qualified business, for the exclusive use, consumption and utilization by the qualified business at its facility located within the economic development district. For the purposes of this subsection, building machinery and equipment shall include distribution equipment purchased for the exclusive use, consumption and utilization by the qualified business at its facility located within the economic development district.

Section 512. Personal income tax.

(a) General rule.—For tax years that begin on or after January 1 of the tax years following the date an economic development district is designated, a resident or person who owns an interest in a qualified pass-through entity or who owns a qualified business which is a sole proprietorship shall be allowed an exemption for:

(1) Net income, except as provided in paragraphs (2) and (3), from the operation of the qualified business received by the person which is attributable to business activity conducted by the qualified business within an economic development district except that any qualified business which operates both within and outside this Commonwealth, before computing its economic development district exemption, shall first determine its Pennsylvania activity over its activity everywhere by applying the three-factor apportionment formula as set forth in Department of Revenue personal income tax regulations applicable to income apportionment in connection with a business, trade or profession carried on both within and outside this Commonwealth.

(2) Net gains or income, less net losses, derived from the sale, exchange or other disposition of tangible personal property located within an economic development district, as determined in accordance with accepted accounting principles and practices, received by the person which is attributable to business activity conducted by the qualified business within the economic development district. The exemption provided for in this subparagraph shall not apply to the sale, exchange or other disposition of any stock or goods, merchandise or inventory or any operational assets unless the transfer is in connection with the sale, exchange or other disposition of all of the assets in complete liquidation of a qualified business located in an economic development district. The exemption provided for in this paragraph shall apply to intangible personal property employed in a trade, profession or business within the economic development district by the qualified business but only when transferred in connection with a sale, exchange or other disposition of all of the assets in complete liquidation of the qualified business. The exemption provided for in this paragraph shall be prorated based on the percentage of time, based on calendar days, the property was held by the person during the time period the economic development district was in effect in relation to the total time the property was held.

(3) Net gains or income derived from or in the form of rents from the rental of tangible personal property which is allocable to an economic

development district received by the person which is attributable to business activity conducted by the qualified business within the economic development district. For purposes of calculating this exemption, all of the following shall apply:

(i) Net rents derived from tangible personal property located within the economic development district are allocable to the economic development district.

(ii) If the tangible personal property was used both within and outside the economic development district during the taxable year, only the net rents attributable to use within the economic development district is exempt. The net rents shall be multiplied by a fraction, the numerator of which is the number of days the property was used within the economic development district and the denominator of which is the total days of use.

(b) Pass-through.—

(1) A partner or member of a qualified pass-through entity shall be entitled to the exemptions under this section for the partner's or member's share, whether or not distributed, of the income or gain received by the partnership or association for its taxable year.

(2) A shareholder of a qualified pass-through entity shall be entitled to the exemptions under this section for the shareholder's pro rata share, whether or not distributed, of the income or gain received by the Subchapter S corporation for its taxable year ending within or with the shareholder's taxable year.

(c) Limitations.—

(1) No exemption shall be allowed for activities conducted on the real property prior to designation of the real property as an economic development district.

(2) A partnership, association, Subchapter S corporation or person may not carry back or carry forward any exemption under this section from year to year. The credit allowed under this section shall not exceed the tax liability of the person under Article III of the Tax Reform Code of 1971 for the tax year.

(d) Section not applicable to certain entities.—Any portion of net income or gain which is attributable to the operation of a railroad, truck, bus or airline company, pipeline or natural gas company, water transportation company or entity which would qualify as a regulated investment company under Article IV of the Tax Reform Code of 1971 or would qualify as a holding company under Article VI of the Tax Reform Code of 1971 shall not be used to calculate an exemption under this section.

Section 513. Corporate net income tax.

(a) Credits.—For tax years that begin on or after January 1 of the tax years following the date an economic development district is designated, a corporation which is a qualified business may claim a credit against the tax imposed by Article IV of the Tax Reform Code of 1971 for tax liability

attributable to business activity conducted within the economic development district in the taxable year. No credit may be claimed for activities conducted on the real property prior to designation of the real property as an economic development district. The business activity must be conducted directly by the corporation in the economic development district in order for the corporation to claim the tax credit.

(b) Tax liability determinations.—A corporation's tax liability which is attributable to business activity conducted within an economic development district shall be determined by multiplying the corporation's taxable income which is attributable to business activity conducted within the economic development district by the rate of tax imposed under Article IV of the Tax Reform Code of 1971 for the taxable year and shall be computed, construed, administered and enforced in conformity with Article IV of the Tax Reform Code of 1971 in accordance with all of the following:

(1) If the entire business of the corporation in this Commonwealth is transacted wholly within the economic development district, the taxable income attributable to business activity within the economic development district shall consist of the Pennsylvania taxable income as determined under Article IV of the Tax Reform Code of 1971.

(2) If the entire business of the corporation in this Commonwealth is not transacted wholly within the economic development district, the taxable income of the corporation within the economic development district shall be determined upon the portion of the Pennsylvania taxable income of the corporation attributable to business activity conducted within the economic development district and apportioned in accordance with subsection (c).

(c) Income apportionment.—The taxable income of a corporation which is a qualified business shall be apportioned to the economic development district by multiplying the Pennsylvania taxable income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is three, in accordance with all of the following:

(1) The property factor is a fraction, the numerator of which is the average value of the corporation's real and tangible personal property owned or rented and used within the economic development district during the tax period and the denominator of which is the average value of all the corporation's real and tangible personal property owned or rented and used in this Commonwealth during the tax period but shall not include the security interest of the corporation as seller or lessor in personal property sold or leased under a conditional sale, bailment lease, chattel mortgage or other contract providing for the retention of a lien or title as security for the sales price of the property.

(2) The payroll factor is a fraction, the numerator of which is the total compensation paid by the corporation in the economic development district during the tax period by the corporation for compensation and the

denominator of which is the total compensation paid by the corporation in this Commonwealth during the tax period. Compensation is paid in the economic development district if:

- (i) the employee's service is performed entirely within the economic development district;
- (ii) the employee's service is performed both within and outside the economic development district, but the service performed outside the economic development district is incidental to the employee's service within the economic development district; or
- (iii) some of the employee's service is performed in the economic development district; and the base of operations, or, if there is no base of operations, the place from which the employee's service is directed or controlled, is located within the economic development district or the base of operations or the place from which the employee's service is directed or controlled is not in any location in which some part of the service is performed, but the employee's residence is in the economic development district.

(3) The sales factor is a fraction, the numerator of which is the total sales of the corporation in the economic development district during the tax period and the denominator of which is the total sales of the corporation in this Commonwealth during the tax period. The following shall apply:

(i) Sales of tangible personal property are in the economic development district if the property is delivered or shipped to a purchaser within the economic development district regardless of the F.O.B. point or other conditions of the sale.

(ii) Sales other than sales of tangible personal property are in the economic development district if:

(A) the income-producing activity is performed within the economic development district; or

(B) the income-producing activity is performed both within and outside the economic development district and a greater proportion of the income-producing activity is performed within the economic development district than in any other location, based on costs of performance.

(d) Computation.—A corporation shall compute its Commonwealth taxable income in conformity with Article IV of the Tax Reform Code of 1971 with no adjustments or subtractions for economic development district taxable income.

(e) Limitation on amount of credit.—The credit allowed under subsection (a) shall not exceed the tax liability of the corporation under Article IV of the Tax Reform Code of 1971 for the tax year.

(f) Section not applicable to certain businesses.—Any portion of the corporation's taxable income which is attributable to the operation of a railroad, truck, bus or airline company, pipeline or natural gas company,

water transportation company, a corporation which qualifies as a regulated investment company under Article IV of the Tax Reform Code of 1971 or as a holding company as defined in Article VI of the Tax Reform Code of 1971 shall not be used to calculate a credit under this section.

CHAPTER 7
LOCAL TAXES

SUBCHAPTER A
LOCAL TAXES GENERALLY

Section 701. Local taxes.

Every qualified political subdivision shall exempt, deduct, abate or credit local taxes in accordance with ordinances and resolutions adopted in accordance with section 302. Violation of this section shall result in the revocation of the economic development district designation.

SUBCHAPTER B
PARTICULAR LOCAL TAXES

Section 711. Business privilege taxes.

If a qualified political subdivision has enacted a tax on the privilege of engaging in a business or profession within the boundaries of an economic development district pursuant to the act of May 30, 1984 (P.L.345, No.69), known as the First Class City Business Tax Reform Act, the qualified political subdivision shall provide an exemption, deduction, abatement or credit from the imposition and operation of the local tax ordinance or resolution for the privilege of engaging in a business or profession within the economic development district by a qualified business. No exemption deduction, abatement or credit may be granted for operations conducted on the real property prior to designation of the real property as an economic development district.

Section 712. Local sales and use tax.

(a) Exemption.—A qualified political subdivision shall exempt the sale at retail of services or tangible personal property, other than motor vehicles, to a qualified business for the exclusive use, consumption and utilization of the tangible personal property or service by the qualified business at its facility located within an economic development district from a city or county tax on purchase price authorized under the act of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class. No exemption may be granted for sales occurring on the real property prior to designation of the real property as an economic development district.

(b) Construction contracts.—For a construction contract performed in an economic development district, the exemption provided in subsection (a) shall only apply to the sale at retail of building machinery and equipment to a qualified business, or to a construction contractor pursuant to a construction contract with a qualified business, for the exclusive use, consumption and

utilization by the qualified business at its facility located within the economic development district.

(c) Definitions.—As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

“Building machinery and equipment.” Includes distribution equipment purchased for the exclusive use, consumption and utilization within an economic development district facility.

“Sale at retail.” As defined in section 201(k) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

“Tangible personal property.” As defined in section 201(m) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971. Section 713. Real property tax.

(a) General rule.—Notwithstanding the act of May 22, 1933 (P.L.853, No.155), known as The General County Assessment Law, a qualified political subdivision shall, by ordinance or resolution, abate 100% of the real property taxation which is not dedicated to a school district on the assessed valuation of real property in an area designated as an economic development district for the period the real property is designated an economic development district beginning on or after January 1 of the tax years following the date the economic development district is designated. The real property tax abatement provided for in this subsection shall apply to all real property located in the economic development district, irrespective of the business activity, if any, made of the realty by its owner. No abatement may be provided to real property within the economic development district prior to designation of the real property as part of an economic development district.

(b) Annual real property report.—By January 31 each calendar year, a qualified political subdivision shall submit to the department a report listing the address of each real property designated part of an economic development district and its owner of record.

(c) Interest and penalties.—If the department or a qualified political subdivision finds that a person claimed an abatement of real property tax to which the person was not entitled under this act, the person shall be liable for the abated taxes and subject to the applicable interest and penalty provisions provided by law.

(d) Calculations for education subsidy for school districts.—In determining the market value of real property in each school district, the State Tax Equalization Board shall exclude any increase in value above the base value prior to the effect of the abatement of local taxes under this section to the extent and during the period of time that real estate tax revenues attributable to such increased value are not available to the school district for general school district purposes.

CHAPTER 9 ADMINISTRATION OF TAX PROVISIONS

Section 901. Transferability.

Any exemption, deduction, abatement or credit provided to any person or qualified business under Chapter 5 or 7 is nontransferable and cannot be applied, used or assigned to any other person, business or tax account.

Section 902. Recapture.

(a) General rule.—If a qualified business located within an economic development district has received an exemption, deduction, abatement or credit under this act and subsequently relocates outside of the economic development district during the period the property is designated an economic development district, the business shall refund to the Commonwealth and the qualified political subdivisions which granted the exemption, deduction, abatement or credit, in accordance with the following:

(1) If the qualified business relocates within three years from the date of first locating in the economic development district, 75% of all the exemptions, deductions, abatements or credits attributed to the qualified business's participation in the economic development district shall be refunded to the Commonwealth and the qualified political subdivisions.

(2) If a qualified business relocates within four to seven years from the date of first locating in the economic development district, 50% of all exemptions, deductions, abatements or credits attributed to the qualified business's participation in the economic development district shall be refunded to the Commonwealth and the qualified political subdivisions.

(3) If the qualified business was located within a facility operated by a nonprofit organization for food distribution, no exemption, deduction, abatement or credit shall be refunded.

(b) Waiver.—The department, in consultation with the department of Revenue and the qualified political subdivisions, may waive or modify the recapture requirements under this section if the department determines that the qualified business relocation was due to any of the following:

- (1) Natural disaster.
- (2) Unforeseen industry trends.
- (3) Loss of a major supplier or market.

Section 903. Delinquent or deficient State or local taxes.

(a) Persons.—No person may claim or receive an exemption, deduction, abatement or credit under this act unless the person is in full compliance with all State and local tax laws, ordinances and resolutions.

(b) Qualified business.—

(1) No qualified business may claim or receive an exemption, deduction, abatement or credit under this act unless the qualified business is in full compliance with all State and local tax laws, ordinances and resolutions.

(2) No qualified business may claim or receive an exemption, deduction, abatement or credit under this act if any person or business with a 20% or greater interest in the qualified business is not in full compliance with all State and local tax laws, ordinances and resolutions.

(c) **Later compliance and eligibility.**—A qualified business or a person who owns an interest in a qualified pass-through entity or who owns a qualified business which is a sole proprietorship that is not eligible to claim an exemption, deduction, abatement or credit due to noncompliance with any State or local tax law may become eligible if the qualified business or person subsequently comes into full compliance with all State and local tax laws to the satisfaction of the Department of Revenue or the qualified political subdivisions within the calendar year in which the noncompliance first occurred. If full compliance is not attained by February 5 of the calendar year following the calendar year during which noncompliance first occurred, then the qualified business or person shall be precluded from claiming any exemption, deduction, abatement or credit for that calendar year, whether or not full compliance is achieved subsequently.

Section 904. Code compliance.

(a) **General rule.**—A qualified business or person shall be precluded from claiming any exemption, deduction, abatement or credit provided for in this act if the qualified business or person owns real property in an economic development district and the real property is not in compliance with all applicable State and local zoning, building and housing laws, ordinances or codes.

(b) **Opportunity to achieve compliance.**—A qualified business or a person who owns an interest in a qualified pass-through entity or who owns a qualified business which is a sole proprietorship that is not in compliance under subsection (a) shall have until December 31 of the calendar year following designation of the real property as an economic development district to be in compliance in order to claim any State exemptions, deductions, abatements or credits for that year. If full compliance is not attained by December 31 of that calendar year, the qualified business or person shall be precluded from claiming any exemption, deduction or credit for that calendar year, whether or not compliance is achieved in a subsequent calendar year. A qualified political subdivision may extend the time period in which a qualified business or a person who owns an interest in a qualified pass-through entity or who owns a qualified business which is a sole proprietorship must come into compliance with a local ordinance or building code for a period not to exceed one year if the political subdivision determines that the qualified business or person has made and will continue to make a good faith effort to come into compliance and that an extension will enable the person or qualified business to achieve full compliance. A qualified political subdivision is required to notify the Department of Revenue in writing of all qualified businesses or persons not in compliance with this subsection within 30 days following the end of each calendar year.

Section 905. Appeals.

A qualified business or a person who owns an interest in a qualified pass-through entity or who owns a qualified business which is a sole proprietorship shall be deemed to be in compliance with State or local tax for

purposes of this chapter if the qualified business or person had made a timely administrative or judicial appeal for a particular tax or has entered into and is in compliance with an authorized deferred payment plan with the Department of Revenue or the qualified political subdivision for that particular tax.

Section 906. Certificates.

A business must file the statement required by section 303 in a manner prescribed by the department by December 31 of each calendar year for which the business claims an exemption, deduction, abatement or credit under this act. No exemption, deduction, abatement or credit may be claimed or received for that calendar year until the business has been issued a certificate under section 303.

Section 907. Other Commonwealth tax credits.

(a) Applicability.—This section shall apply only to the taxes set forth in Subchapter B of Chapter 5 and Subchapter B of Chapter 7.

(b) Accumulation.—

(1) A person or qualified business that is entitled to claim an exemption, deduction, abatement or credit under this act shall not be entitled to claim or accumulate a credit under the Tax Reform Code of 1971 or under section 109 of the act of December 19, 1996 (P.L.1478, No.190), referred to as the Waste Tire Recycling Act, that it may otherwise have qualified for due to activity within an economic development district.

(2) The person or qualified business may apply the exemptions, deductions, abatements or credits to income realized from activity or transactions outside the economic development district but only for the taxable year to which the exemptions, deductions, abatements or credits apply.

CHAPTER 31 MISCELLANEOUS PROVISIONS

Section 3101. Illegal activity.

Funds or other forms of consideration received by a person or business from conducting any type of illegal activity or from gaming shall not be eligible for any of the exemptions, deductions, abatements and credits or any other benefits that are created under this act.

Section 3102. Regulations.

(a) Department.—The department may promulgate regulations to administer this act.

(b) Department of Revenue.—The Department of Revenue may promulgate regulations to administer this act.

Section 3103. Compliance.

A person or qualified business eligible for an exemption, deduction, abatement or credit under this act shall comply with all reporting, filing and compliance requirements of the Tax Reform Code of 1971 unless otherwise provided for in this act.

Section 3104. Penalties.

(a) Civil penalty.—

(1) In addition to any penalties authorized by the Tax Reform Code of 1971 for violations of that act, the Department of Revenue may impose an additional administrative penalty not to exceed \$10,000 for any act or violation of this act relating to State and local taxes, including the filing of any false statement, return or document.

(2) The department may impose an administrative penalty not to exceed \$10,000 for a violation of this act, including the filing of any false statement, return or document.

(3) This subsection is subject to 2 Pa.C.S. Ch. 5 Subch. A (relating to practice and procedure of Commonwealth agencies) and Ch. 7 Subch. A (relating to judicial review of Commonwealth agency action).

(b) Criminal penalty.—In addition to any criminal penalty under the Tax Reform Code of 1971, a person or business that knowingly violates a provision of this act commits a misdemeanor of the third degree.

Section 3105. Construction.

This act shall be interpreted to ensure that all provisions relating to State and local tax exemptions, deductions, abatement and credits are strictly construed in favor of the Commonwealth and qualified political subdivisions.

Section 3106. Severability.

The provisions of this act are severable. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application.

Section 3107. Applicability.

The provisions of this act shall be applied prospectively. No person or business may claim any exemption, deduction, abatement or credit until the person or business becomes qualified under this act and, in the case of a business, receives certification from the department under section 303.

Section 3108. Repeals.

All acts and parts of acts are repealed insofar as they are inconsistent with this act.

Section 3109. Effective date.

This act shall take effect immediately.

APPROVED—The 1st day of December, A.D. 2004.

EDWARD G. RENDELL