

[Home](#) / Senate Co-Sponsorship Memoranda

Senate Co-Sponsorship Memoranda

Senate of Pennsylvania Session of 2021 - 2022 Regular Session

MEMORANDUM

Posted: March 29, 2021 11:36 AM
From: [Senator John T. Yudichak](#)
To: All Senate members
Subject: Tax Credit Changes to Help Businesses Recover from COVID-19 Pandemic

In the near future, I plan to introduce two bills that make minor changes to several of the Commonwealth's tax credit programs that are intended to support businesses and economic development. Our constituents and local businesses are facing unprecedented financial challenges as a result of the COVID-19 health pandemic. The tax credit changes outlined below will help our constituents recover and spur our state's economic recovery without requiring the state to invest additional money into the programs.

The proposed tax credit changes are limited in duration. This is to ensure targeted relief for businesses and to safeguard the Commonwealth's previous investments in these programs.

Please join me in supporting the recovery of our Commonwealth's economy by being a co-sponsor on these two important pieces of legislation.

Document #1



Introduced as [SB682](#)

Description: Document #1 – This proposal will extend the eligibility timeline for the Keystone Innovation Zone (KIZ) tax credit program from 8 years to 10 years.

Currently, the KIZ tax credit program provides tax credits to for-profit companies, less than eight years old, operating within geographic boundaries of a particulate KIZ. In order to apply for a KIZ tax credit, these companies must show a 50% increase in gross revenue from year to year within the first 8 years of incorporation. However, the interruption in business due to COVID-19 shutdowns and related slower than usual economic growth, is causing companies to lose one or two years of eligibility within their 8 year time period.

By extended the eligibility timeframe by 2 years, it will allow companies who are now turning 8 years old time to recover financially from the COVID-19 pandemic and qualify for tax credits again.

The economic impact of the KIZ tax credit program is vast and we cannot allow the financial fall out from COVID-19 threaten the Commonwealth's young, fledging businesses. In 2019, according to the Keystone Innovation Zone Tax Credit and Tax Credit Sale Programs FY 2019-20 report to the General Assembly by the Department of Community and Economic Development, there were 28 KIZs located throughout Pennsylvania serving both rural and urban regions. These zones partnered with over 91 institutions of higher education that range from research universities to local community colleges. There were 214 KIZ tax credit awards totaling \$14.6 million. The program created 1,057 jobs, retained 2,957 jobs, and generated \$102,719,658 in research, development, test and evaluation expenditures.

Document #2



Introduced as [SB681](#)

Description: Document #2 – This proposal will allow for a temporary carry forward of all purchased tax credits. Due to ongoing uncertainties associated with the COVID-19 pandemic, it is critical that tax credit buyers continue to have confidence in PA tax credit programs. The purchasing of tax credits provides much need capital for PA businesses. It allows these businesses to retain current employees, hire new employees, expand their businesses, invest in their local communities, and meet the needs of their customers.

The legislation will provide for two, one-year carry forward for tax credits purchases in 2020 and 2021. This means that tax credits purchased in 2020 could be used for 2020 or 2021, and tax credits purchased in 2021 could be used for 2021 or 2022. This carry forward is a temporary COVID-19 related relief measure. Tax credits sales initiated in 2022 and beyond would not be eligible for this carry forward.

There is precedence for this temporary carry over as Act 136 of 2020 allowed for a limited carry forward of unused educational tax credits, which includes the Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC). For EITC and OSTC credits awarded during Fiscal Years 2020- 2021 and 2021-2022, a business entity may carry forward unused credits or credits not passed through to the entity's owners for two years.