

# Tax Credits and Other Incentives



Independent Fiscal Office | January 2024

This report presents Pennsylvania tax credit and other incentives for fiscal years (FY) 2018-19 through FY 2023-24. It is separated into four categories: tax credits, spending or grants, job training programs and loan programs. The amount reported is an estimate of the dollars claimed or awarded each fiscal year. For FY 2023-24, amounts are budgeted, authorized or projected and may differ from final amounts expended or awarded.

## Tax Credits

In FY 2022-23, **\$857.0 million** of tax credits were used or awarded in the Commonwealth, an increase of \$163.3 million over the prior year. For FY 2023-24, **\$1,230.4 million** is projected for these incentives.

| Tax Credits and Other Incentives               |                                   |              |              |              |              |                |
|--|-----------------------------------|--------------|--------------|--------------|--------------|----------------|
| Tax Credits                                    | Utilized or Awarded (\$ millions) |              |              |              |              | Est.           |
|  | 18-19                             | 19-20        | 20-21        | 21-22        | 22-23        | 23-24          |
| Educational Improvement                        | \$150.9                           | \$174.8      | \$179.5      | \$209.7      | \$299.2      | \$470.0        |
| Keystone Opportunity Zone (KOZ)                | 95.1                              | 84.3         | 85.8         | 110.0        | 113.3        | 112.1          |
| Film Production                                | 60.9                              | 63.0         | 65.1         | 66.9         | 70.6         | 100.0          |
| Educational Opportunity Scholarship            | 32.6                              | 33.6         | 53.6         | 54.0         | 61.1         | 85.0           |
| Neighborhood Improvement Zone (NIZ)            | 40.5                              | 61.1         | 46.6         | 69.3         | 58.5         | 68.3           |
| Research and Development                       | 43.6                              | 46.9         | 54.9         | 46.3         | 38.4         | 60.0           |
| Neighborhood Assistance Programs               | 18.0                              | 18.0         | 33.6         | 35.9         | 36.0         | 36.0           |
| Child and Dependent Care Enhancement           | --                                | --           | --           | --           | 25.4         | 83.3           |
| Entertainment and Economic Enhancement         | 5.6                               | 4.0          | 4.0          | 3.6          | 24.0         | 24.0           |
| Pennsylvania Resource Manufacturing            | 0.0                               | 0.0          | 0.0          | 0.0          | 17.1         | 49.6           |
| Military Infrastructure Revitalization Program | --                                | --           | 15.5         | 15.8         | 16.1         | 21.2           |
| Coal Refuse Energy and Reclamation             | 9.8                               | 17.1         | 10.8         | 15.2         | 16.0         | 20.0           |
| Keystone Innovation Zone (KIZ)                 | 15.3                              | 15.1         | 15.0         | 15.0         | 15.0         | 15.0           |
| Resource Enhancement and Protection            | 5.4                               | 5.6          | 11.2         | 11.9         | 12.6         | 13.0           |
| City Revitalization and Improve. Zone (CRIZ)   | 7.2                               | 7.8          | 9.5          | 8.7          | 12.2         | 17.0           |
| New Jobs                                       | 10.1                              | 3.0          | 3.3          | 13.8         | 9.2          | 10.9           |
| Beginning Farmers'                             | --                                | --           | --           | --           | 6.0          | 6.0            |
| Historic Preservation Incentive                | 3.0                               | 5.0          | 5.0          | 5.0          | 5.0          | 5.0            |
| Brewers' Tax Credit                            | 4.9                               | 2.6          | 2.1          | 2.7          | 5.0          | 5.0            |
| Waterfront Development                         | 0.0                               | 0.2          | 1.4          | 1.5          | 5.0          | 5.0            |
| Mixed-Use Development                          | 2.0                               | 3.0          | 3.0          | 4.5          | 4.5          | 4.5            |
| Manufacturing Tax Credit                       | 0.0                               | 0.0          | 0.0          | 0.1          | 4.0          | 4.0            |
| Airport Land Development Zones                 | --                                | --           | --           | --           | 1.8          | 4.5            |
| Video Game Production                          | 1.0                               | 1.0          | 1.0          | 1.0          | 1.0          | 1.0            |
| Pennsylvania Housing                           | --                                | --           | --           | 0.0          | 0.0          | 10.0           |
| Rural Jobs and Investment                      | 0.0                               | 0.0          | 0.0          | 0.0          | 0.0          | 0.0            |
| Computer Data Center Equipment Incentive       | 2.0                               | 7.0          | 5.4          | 2.8          | --           | --             |
| Mobile Telecomm. Broadband Investment          | 4.6                               | 3.0          | --           | --           | --           | --             |
| <b>Subtotal</b>                                | <b>512.5</b>                      | <b>556.1</b> | <b>606.3</b> | <b>693.7</b> | <b>857.0</b> | <b>1,230.4</b> |

Program highlights include:

- In FY 2022-23, taxpayers claimed \$299.2 million in **Educational Improvement Tax Credits** (EITC) and \$61.1 million in **Educational Opportunity Scholarship Tax Credits** (OSTC). In total, utilization of the Education Tax Credits increased \$96.6 million from FY 2021-22. For FY 2023-24, the program caps increased from \$340 million to \$470 million for the EITC program and from \$65 million to \$85 million for the OSTC program.
- In FY 2022-23, taxpayers claimed \$70.6 million and \$24.0 million for the **Film Production Tax Credit** and the **Entertainment Economic Enhancement Program**, respectively. The amounts listed for FY 2023-24 reflect the current program caps, \$100 million for the Film Tax Credit and \$24 million for the Entertainment Economic Enhancement Program.
- Taxpayers claimed \$25.4 million for the **Pennsylvania Child and Dependent Care Enhancement Tax Credit** in FY 2022-23. The program was recently expanded beginning in tax year 2023. The amount claimed is expected to increase to \$83.3 million in FY 2023-24.

## State Spending and Grants

In FY 2022-23, **\$529.7 million** was spent or allocated for economic development projects, an increase of \$125.3 million from the prior year. Nearly \$512 million is budgeted for economic development projects and grants in FY 2023-24 (See table on page 5.) Notable programs include:

- Distributions from the **Pennsylvania Race Horse Development Fund** (\$197.7 million) decreased by \$8.1 million (-4%) from FY 2021-22 to FY 2022-23. This fund supports the Pennsylvania horse racing industry through purse prizes, racehorse award programs and horsemen's organizations. Final distributions are based on racing activity and revenues and are projected to total \$221.4 million in the current fiscal year.
- **Redevelopment Assistance Capital Program** payments (\$166.8 million) increased by \$66.8 million (67%) from the prior fiscal year. The Office of the Budget awards grants for the acquisition and construction of local economic, cultural, civic, recreational and historical improvement projects. In calendar year 2022, 538 projects were awarded over \$930 million in future commitments. There were no awards made in 2023. The IFO projects \$100 million in payments for FY 2023-24; however, actual payments will be based on reimbursement requests and cash availability.
- The **Sports Tourism and Marketing Grants** were new for FY 2022-23. While no grants were issued within that fiscal year, \$5 million in grants were announced in September 2023 and another \$5 million is budgeted for use in FY 2023-24. Not included in these figures is a separate \$10 million allocated for an international sporting event, and \$15 million for a statewide marketing campaign. Available funds are transferred from the Commonwealth's Gaming Economic Development Tourism Fund.

- The Commonwealth Finance Authority (CFA) administers the **Business in Our Sites** program, which awards grants and loans for non-residential or recreational site development projects. In FY 2022-23, \$48.7 million was awarded. The **Pennsylvania Industrial Development Authority's (PIDA) Industrial Parks** program awarded \$2.3 million in FY 2022-23. Both programs did not make awards in the prior year and have a combined \$40 million budget in FY 2023-24.

## Job Training Programs

In FY 2022-23, the Commonwealth spent **\$44.0 million** on programs dedicated to job training and workforce development. An additional \$48.2 million has been approved for FY 2023-24.

- For FY 2023-24, the Department of Labor and Industry was appropriated \$14.3 million for job training programs, a \$3.0 million (26.5%) increase from FY 2022-23, all for the **Apprenticeship and Training Office**. These funds primarily support that office and the **Industry Partnerships** program, which facilitate on-the-job training and industry cohorts sharing best practices.
- Spending on **Partnerships for Regional Economic Performance** increased by \$0.5 million (5%) to \$10.7 million. This program supports regional economic development projects through partnerships with Local Development Districts, Small Business Development Centers and other entities, assisting businesses through workforce, market and real-estate development efforts. The budget for FY 2023-24 is \$10.9 million.
- **Workforce and Economic Development Network (WedNet)** provides worker training programs to in-state and relocating businesses. Expenditures decreased by \$1.0 million (-9%) to \$10.0 million in FY 2022-23. For FY 2023-24, state support is budgeted at \$10.0 million.

## State Loan Programs

In FY 2022-23, the Commonwealth approved **\$46.8 million** in loans for economic development, an increase of \$15.6 million (50%) from the prior year. The state's loan program budget is \$83.2 million for FY 2023-24.

- Loans issued through the **PIDA Loan Program** were \$36.0 million in FY 2022-23, a \$15.0 million (71%) increase from the prior year. These loans are budgeted for \$45.0 million in FY 2023-24.
- **Machinery and Equipment Loans** decreased by \$2.3 million (-77%) in FY 2022-23 to \$0.7 million but is budgeted at \$11.8 million in FY 2023-24.
- **Small Business First Loans** (\$9.4 million) increased \$2.9 million from the prior year and have a budgeted amount of \$25.0 million for FY 2023-24.
- **Minority Business Loans** remained flat (\$0.7 million) in FY 2022-23, with \$1.4 million available in the current fiscal year.

**Tax Credits and Other Incentives (Continued)**

|  | Spending (\$ millions) |              |              |              |              | Est.         |
|--|------------------------|--------------|--------------|--------------|--------------|--------------|
|  | 18-19                  | 19-20        | 20-21        | 21-22        | 22-23        | 23-24        |
| <b>State Spending or Grants</b>              |                        |              |              |              |              |              |
| PA Race Horse Development Fund               | \$231.9                | \$164.3      | \$177.3      | \$205.8      | \$197.7      | \$221.4      |
| Relevel. Assistance Capital Program          | 172.8                  | 139.6        | 101.0        | 99.9         | 166.8        | 100.0        |
| Gaming, Economic Devel. & Tourism Fund       | 95.5                   | 25.5         | 25.5         | 34.8         | 51.4         | 55.5         |
| Business in Our Sites (CFA)                  | 50.0                   | 10.0         | 16.5         | 0.0          | 48.7         | 35.0         |
| BFTDA - Challenge Grants                     | 14.5                   | 14.5         | 14.5         | 14.5         | 16.5         | 16.5         |
| PA First                                     | 7.4                    | 12.3         | 11.8         | 13.1         | 14.5         | 23.0         |
| Infrastructure and Facilities Improvement    | 12.9                   | 10.7         | 7.7          | 7.6          | 9.7          | 10.0         |
| Marketing to Attract Tourists (advertising)  | 2.2                    | 5.5          | 2.6          | 9.2          | 7.6          | 9.8          |
| Office of International Business Development | 6.0                    | 5.6          | 5.1          | 5.3          | 6.3          | 7.2          |
| BFTDA - Venture Investment                   | 6.5                    | 3.0          | 8.5          | 6.5          | 2.5          | 9.5          |
| Life Sciences Greenhouses                    | 3.0                    | 3.0          | 3.0          | 3.0          | 2.3          | 3.0          |
| PIDA Industrial Parks                        | 2.8                    | 4.5          | 4.7          | 0.0          | 2.3          | 5.0          |
| Infrastructure Technical Assistance          | 1.8                    | 1.5          | 1.2          | 2.9          | 1.9          | 2.5          |
| Marketing to Attract Business                | 2.2                    | 4.9          | 2.7          | 1.7          | 1.5          | 1.3          |
| Sports Tourism and Marketing Grants          | --                     | --           | --           | --           | 0.0          | 5.0          |
| Building PA (CFA)                            | 0.0                    | 6.3          | 0.0          | 0.0          | 0.0          | 7.4          |
| PA Dairy Investment Program (CFA)            | <u>4.5</u>             | <u>5.5</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   | <u>0.0</u>   |
| <b>Subtotal</b>                              | <b>614.0</b>           | <b>416.7</b> | <b>382.1</b> | <b>404.4</b> | <b>529.7</b> | <b>512.1</b> |
| <b>Job Training Programs</b>                 |                        |              |              |              |              |              |
| Manufacturing PA                             | 12.0                   | 12.0         | 12.0         | 12.0         | 12.0         | 13.0         |
| Labor and Industry                           | 12.3                   | 12.6         | 10.6         | 10.6         | 11.3         | 14.3         |
| Partnerships for Regional Economic Perf.     | 8.0                    | 13.0         | 6.7          | 10.2         | 10.7         | 10.9         |
| WedNet                                       | <u>7.9</u>             | <u>6.5</u>   | <u>8.2</u>   | <u>11.0</u>  | <u>10.0</u>  | <u>10.0</u>  |
| <b>Subtotal</b>                              | <b>40.2</b>            | <b>44.1</b>  | <b>37.5</b>  | <b>43.8</b>  | <b>44.0</b>  | <b>48.2</b>  |
| <b>State Loan Programs</b>                   |                        |              |              |              |              |              |
| PIDA Loan Program                            | 42.1                   | 24.4         | 26.1         | 21.0         | 36.0         | 45.0         |
| Small Business First Loans                   | 8.1                    | 68.1         | 5.7          | 6.5          | 9.4          | 25.0         |
| Machinery and Equipment Loans                | 7.6                    | 4.7          | 12.8         | 3.0          | 0.7          | 11.8         |
| Minority Business                            | <u>1.3</u>             | <u>1.4</u>   | <u>1.0</u>   | <u>0.7</u>   | <u>0.7</u>   | <u>1.4</u>   |
| <b>Subtotal</b>                              | <b>59.1</b>            | <b>98.6</b>  | <b>45.6</b>  | <b>31.2</b>  | <b>46.8</b>  | <b>83.2</b>  |

## Notes

1. The estimates represent a mix of conventions and data sources. Most tax credit data were provided by the Department of Revenue and reflect the utilization of tax credits (i.e., application against tax liability). Data on state spending, grants and loans are from the Department of Community and Economic Development (DCED). Figures for certain tax credits and spending programs that were not available from either agency are from the FY 2023-24 Executive Budget, the Office of the Budget (OB) or are estimates by the IFO. For recent years, estimates from these sources may simply reflect total credits awarded or the program cap.
2. Act 132 of 2020 eliminated the Mobile Telecommunications Broadband Investment Tax Credit and established the Underserved Broadband Funding Program, a grant program administered by the CFA.
3. In July 2015, \$100 million in Innovate in PA Tax Credits were purchased by qualified insurance companies. The credits may be utilized to offset tax year liabilities for 2016 and thereafter, in an amount not to exceed \$20 million annually. The net amount transferred to DCED was \$85.4 million. The net benefit to purchasers is the differential between tax credits sold and monies received (\$14.6 million). The annual impact is the difference between the tax credit claimed in that year and the amount paid for the credit. Due to the technical nature of accounting for the differential, the Innovate in PA Tax Credits are omitted from this table.
4. The Community-Based Services, Keystone Special Development Zone, Local Resource Manufacturing, Organ and Bone Marrow Donation, Pennsylvania Milk Processing, Qualified Manufacturing Innovation & Reinvestment Deduction, Semiconductor Manufacturing and Biomedical Manufacturing and Research, Strategic Development Areas, and the Regional Clean Hydrogen Hubs tax credits are not included due to a small or unknown number of filers.
5. The Computer Data Center Equipment Incentive was repealed as of December 31, 2021 and replaced with a tax exemption (tax exemptions are not reflected in the table).
6. PA Race Horse Development Trust Fund disbursements exclude transfers to Agriculture and Farm Products Show Fund.

## Staff Acknowledgements

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