

This research brief presents Pennsylvania economic development incentives for fiscal years (FY) 2015-16 through FY 2020-21. The brief divides economic development incentives into four categories: tax credits, state spending or grants, job training programs and state loan programs. The dollar amounts reported in the table for each category are estimates of the total incentives claimed or awarded for each fiscal year.

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., the application against tax liability). Data on state spending, grants and loans are from the Department of Community and Economic Development. Information on certain tax credits and spending programs that was not available from either agency was sourced from the Executive Budget or estimates by the IFO. For recent years, estimates from these sources may simply reflect total credits awarded or the program cap.

## Tax Credits

In FY 2020-21, **\$623.2 million** of economic development incentives were used or awarded through tax credit programs in the Commonwealth, an increase of \$71.2 million over the prior year. (See table on page 3.) A few program highlights:

- Taxpayers claimed \$179.5 million in **Educational Improvement Tax Credits** (EITC). Act 26 of 2021 increased the program cap from \$185.0 million to \$225.0 million. The entire increase was allocated to credits for contributions to approved scholarship organizations, while the cap on credits for contributions to educational improvement organizations remained unchanged.
- The **Mobile Telecommunications and Broadband** tax credit (annual cap of \$5.0 million) was replaced with a competitive grant program of the same amount.
- The **Computer Data Center Equipment** refund program (annual cap of \$7.0 million) was repealed and replaced with sales tax exemption for computer data center equipment purchases. The first full-year fiscal impact is in FY 2022-23 and is expected to reduce sales tax collections by approximately \$40 million annually.
- Act 25 of 2021 created the **Pennsylvania Housing Tax Credit**. Taxpayers that own or develop qualified low-income housing projects can claim up to \$1.5 million per taxpayer (annual program cap of \$10.0 million).
- As part of the tax credit reviews required by Act 48 of 2017, the IFO is reviewing the Educational Improvement and Opportunity Scholarship, the Coal Refuse Energy and Reclamation, Mixed-Use Development and Brewers' tax credits. Reports will be available to the public in January 2022.

## State Spending or Grants

In FY 2020-21, **\$389.8 million** was spent or allocated for economic development projects, a decrease of \$26.9 million from the prior year. (See table on page 4.) Notable programs include:

- Distributions from the **Pennsylvania Race Horse Development Fund** (\$193.5 million) increased by \$29.2 million (18%) over the prior year. These funds support the Pennsylvania horse-racing industry through purse prizes, race horse award programs and horsemen's organizations.
- **Redevelopment Assistance Capital Program** payments (\$101.0 million) decreased by \$38.6 million from the prior fiscal year. The Office of the Budget awards these funds for the acquisition and construction of local economic, cultural, civic, recreational and historical improvement projects. In calendar year (CY) 2020, 350 projects were awarded over \$456 million in future commitments. Awards for CY 2021 have not yet been announced as of this date, but there have been 775 submissions to date requesting nearly \$2.5 billion in grant funds.
- Projects funded from the **Gaming, Economic Development and Tourism Fund** (\$25.5 million) remained constant from FY 2019-20. Funded projects support economic development and tourism programs in Philadelphia and Allegheny counties
- The Commonwealth Finance Authority (CFA) administers the **Business in Our Sites** program, awarding grants and loans for non-residential or recreational site development projects. For FY 2020-21, awards (\$16.5 million) increased \$6.5 million (65%) from the prior year.
- Spending related to the state's **tourism marketing campaign** dropped 53% from \$5.5 million in FY 2019-20 to \$2.6 million in FY 2020-21.

## Job Training Programs

In FY 2020-21, the Commonwealth spent **\$37.5 million** on programs dedicated to job training and workforce development, a decrease of \$6.6 million from the prior fiscal year.

- The Department of Labor and Industry was appropriated \$10.6 million for job training programs. These funds primarily support the **Apprenticeship and Training Office** and **Industry Partnerships** program. The programs facilitate on-the-job training and industry cohorts sharing best practices.
- Spending on **Partnerships for Regional Economic Performance** decreased by \$6.3 million (-48%) from FY 2019-20. 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.
- **Workforce and Economic Development Network (WedNet)** expenditures increased by \$1.7 million (+26%) to \$8.2 million in FY 2020-21. WedNet provides worker training programs to in-state and relocating businesses.

## State Loan Programs

In FY 2020-21, the Commonwealth issued **\$45.6 million** in loans for economic development. Loans issued through the **PIDA Loan Program** (\$26.1 million) and the **Machinery and Equipment Loan Program** (\$12.8 million) increased by a combined \$9.8 million in FY 2020-21. **Small Business First Loans** (\$5.7 million) decreased \$62.4 million from the prior year, primarily due to the one-time issuance of the COVID-19 Working Capital Access Program in FY 2019-20. The program lent \$61.0 million to small businesses that were adversely impacted by the COVID-19 pandemic and mitigation measures.

### Tax Credits and Economic Development Incentives

	Utilized or Awarded (\$ millions)					
	15-16	16-17	17-18	18-19	19-20	20-21
<b>Tax Credit</b>						
Educational Improvement	\$98.9	\$116.8	\$129.4	\$150.9	\$174.8	\$179.5
Keystone Opportunity Zone (KOZ)	98.4	78.0	92.1	95.1	84.3	85.8
Film Production	41.2	60.0	60.4	60.9	63.0	65.1
Research and Development	61.0	61.1	45.2	43.6	46.9	54.9
Educational Opportunity Scholarship	32.6	32.6	32.6	32.6	33.6	53.6
Neighborhood Improvement Zone (NIZ)	24.2	56.4	45.6	40.5	61.1	46.6
Neighborhood Assistance Programs	18.0	18.0	18.0	18.0	18.0	33.6
Pennsylvania Resource Manufacturing	0.0	0.0	0.0	0.0	0.0	17.1
Keystone Innovation Zone (KIZ)	24.8	21.1	16.0	15.3	15.1	15.0
Resource Enhancement and Protection	5.2	5.4	5.4	5.4	5.6	11.2
Coal Refuse Energy and Reclamation	0.0	5.4	8.8	9.8	17.1	10.8
City Revitalization and Improve. Zone (CRIZ)	0.0	3.6	3.9	7.2	7.8	9.5
Entertainment and Economic Enhancement	0.0	0.0	0.0	5.6	4.0	8.0
Computer Data Center Equipment Incentive	0.0	0.0	0.0	2.0	2.9	7.0
Rural Jobs and Investment	0.0	0.0	0.0	0.0	0.0	6.0
Historic Preservation Incentive	3.0	3.0	3.0	3.0	5.0	5.0
Brewers' Tax Credit	0.0	0.0	0.0	4.9	2.6	5.0
Manufacturing Tax Credit	0.0	0.0	0.0	0.0	0.0	4.0
Mixed-Use Development	0.0	0.0	2.0	2.0	3.0	3.0
Waterfront Development	0.0	0.0	0.0	0.0	0.2	1.5
Video Game Production	0.0	0.0	0.3	1.0	1.0	1.0
Tax Credit for New Jobs	6.5	10.1	10.1	10.1	3.0	0.0
Mobile Telecomm. Broadband Investment	<u>0.2</u>	<u>0.2</u>	<u>4.2</u>	<u>4.6</u>	<u>3.0</u>	<u>0.0</u>
<b>Subtotal</b>	<b>414.1</b>	<b>471.7</b>	<b>477.0</b>	<b>512.5</b>	<b>552.0</b>	<b>623.2</b>

Note: Act 132 of 2020 abolished the Mobile Telecommunications Broadband Investment Tax Credit and established the Underserved Broadband Funding Program, a grant program administered by the CFA.

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.

The Strategic Development Areas, Keystone Special Development Zone, Organ and Bone Marrow Donation, Community-Based Services, Qualified Manufacturing Innovation & Reinvestment Deduction and Beginning Farmers' tax credits are not included due to a small number of filers or zero filers. The Local Resource Manufacturing tax credit and the Pennsylvania Housing tax credit have both been enacted, but are not included because they are not yet effective.

The Computer Data Center Equipment Incentive provides a tax refund. Repealed as of December 31, 2021.

### Tax Credits and Economic Development Incentives (Con.)

	Spending (\$ millions)					
	15-16	16-17	17-18	18-19	19-20	20-21
<b>State Spending or Grants</b>						
PA Race Horse Development Fund	\$238.5	\$229.8	\$231.4	\$231.9	\$164.3	\$193.5
Re devel. Assistance Capital Program	193.4	221.3	234.4	172.8	139.6	101.0
Gaming, Economic Devel. & Tourism Fund	103.1	68.0	74.5	95.5	25.5	25.5
Business in Our Sites (CFA)	0.0	60.7	89.3	50.0	10.0	16.5
BFTDA - Challenge Grants	14.5	14.5	14.5	14.5	14.5	14.5
BFTDA - Venture Investment	0.0	10.5	11.0	6.5	3.0	*
PA First	6.7	17.6	9.5	7.4	12.3	11.8
Infrastructure and Facilities Improvement	19.9	17.7	17.2	12.9	10.7	7.7
PIDA Industrial Parks	4.3	2.0	3.8	2.8	4.5	4.7
Marketing to Attract Tourists (advertising)	1.0	1.5	1.4	2.2	5.5	2.6
Office of International Business Development	6.0	5.6	5.8	6.0	5.6	5.1
Life Sciences Greenhouses	2.6	3.1	3.3	3.0	3.0	3.0
Marketing to Attract Business	1.6	2.1	2.0	2.2	4.9	2.7
Infrastructure and Technology Assistance	1.4	1.3	2.1	1.8	1.5	1.2
Building PA (CFA)	24.9	7.1	9.6	0.0	6.3	0.0
PA Dairy Investment Program (CFA)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>4.5</u>	<u>5.5</u>	<u>0.0</u>
<b>Subtotal</b>	<b>617.9</b>	<b>662.8</b>	<b>709.8</b>	<b>614.0</b>	<b>416.7</b>	<b>389.8</b>
<b>Jobs Training Programs</b>						
Manufacturing PA	0.0	0.0	12.0	12.0	12.0	12.0
Labor and Industry	2.3	2.3	2.3	12.3	12.6	10.6
Partnerships for Regional Economic Perf.	10.7	12.4	9.1	8.0	13.0	6.7
WedNet	<u>8.0</u>	<u>8.8</u>	<u>6.7</u>	<u>7.9</u>	<u>6.5</u>	<u>8.2</u>
<b>Subtotal</b>	<b>21.0</b>	<b>23.5</b>	<b>30.1</b>	<b>40.2</b>	<b>44.1</b>	<b>37.5</b>
<b>State Loan Programs</b>						
PIDA Loan Program	49.2	41.7	76.9	42.1	24.4	26.1
Machinery and Equipment Loans	5.1	4.8	3.3	7.6	4.7	12.8
Small Business First Loans	8.3	11.1	5.9	8.1	68.1	5.7
Minority Business	<u>1.1</u>	<u>0.6</u>	<u>1.1</u>	<u>1.3</u>	<u>1.4</u>	<u>1.0</u>
<b>Subtotal</b>	<b>63.7</b>	<b>58.2</b>	<b>87.2</b>	<b>59.1</b>	<b>98.6</b>	<b>45.6</b>

Note: PA Race Horse Development Trust Fund disbursements exclude transfers to Agriculture and Farm Products Show Fund.

\* FY 2020-21 values not available.

Source: PA Department of Revenue, PA Department of Community and Economic Development, Commonwealth Executive Budget FY 2021-22, Comprehensive Annual Financial Reports and state accounting system.

## Staff Acknowledgements

Kathleen Hall, Robyn Toth and Mathieu Taylor produced this research brief. Questions regarding this document can be directed to [rtoth@ifo.state.pa.us](mailto:rtoth@ifo.state.pa.us) or [mtaylor@ifo.state.pa.us](mailto:mtaylor@ifo.state.pa.us).

Office Website: [www.ifo.state.pa.us](http://www.ifo.state.pa.us)