



## INDEPENDENT FISCAL OFFICE

December 6, 2019

The Honorable Seth Grove  
Pennsylvania House of Representatives  
7 East Wing  
Harrisburg, PA 17120-2196

Dear Representative Grove:

Per your request, enclosed please find the Independent Fiscal Office's (IFO) analysis of new or expanded tax credits and special tax zones approved by the General Assembly since 2009. The first table attached to this letter contains estimates for all tax credits, tax zone exemptions and one refund provision (computer data center refund of sales-use tax) regardless of enactment date. The second table contains estimates of the costs for new tax credits and program expansions only since 2009. If a tax credit or special tax zone was expanded, the estimates only reflect the cost attributable to the expansion.

For both tables, estimates for recent fiscal years are preliminary and will be revised. The estimates represent a mix of conventions and data sources. Most data were provided by the Department of Revenue and reflect the utilization of tax credits (i.e., the application against tax liability). However, for recent years, the estimates may simply reflect the program cap, such as the New Jobs Tax Credit. Other data are from the Comprehensive Annual Financial Report or the Department of Community and Economic Development. A few new tax credit estimates are from the Tax Expenditure section of the Executive Budget (e.g., Rural Jobs and Investment). Those amounts will likely be updated with the release of the Executive Budget in February 2020. It is also noted that the second table (1) does not include several small credits that expired or were repealed after 2009, (2) excludes the impact from the reduction of the Keystone Innovation Zones and (3) reflects a very rough approximation for the expansion of the Keystone Opportunity Zones as a detailed analysis would be required to derive a reliable estimate.

As shown by the first table, the total estimate for all tax credits and special tax zones regardless of the date enacted is \$535 million for FY 2018-19. The estimate for new credits and the impact from expansions only is \$126 million for FY 2018-19. (Per your request, the expansion of the EITC and EOSTC are excluded from the analysis.) Your letter requests that the IFO compute the potential reduction in the corporate net income tax rate if those foregone revenues were dedicated instead to corporate tax rate reduction. For FY 2018-19, the corporate net income tax generated \$3,398 million. Therefore, each 0.1 percentage point of tax rate generated roughly \$34 million of revenue. If the \$126 million from the second table were used to reduce the corporate net income tax rate, it could reduce the tax rate by roughly 0.37 percentage points. This simple analysis is static, and it ignores any potential behavioral effects related to the elimination of tax credits and corporate tax rate reduction.

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I hope you find the information useful. Per office policy, we will plan to post the analysis to our website three business days after transmittal to your office. If you have any questions regarding the analysis, please do not hesitate to contact me (717-230-8293).

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial 'M' and 'K'.

Matthew J. Knittel  
Director, Independent Fiscal Office

Attachments

## Tax Credits and Tax Zones

Incentive Program	Enacted	Repealed or Expanded	Estimated Amount (\$ millions)										
			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19		
Neighborhood Assistance	Act 48-1994	Act 100-2018	-16.9	-11.0	-9.6	-15.8	-18.0	-18.0	-18.0	-18.0	-18.0	-18.0	-18.0
New Jobs	Act 67-1996	Act 85-2012	-12.2	-10.6	-9.4	-6.1	-5.8	-10.1	-10.1	-10.1	-10.1	-10.1	-10.1
Research and Development	Act 7-1997	Act 26-2011	-19.4	-54.9	-60.7	-32.9	-64.2	-61.0	-61.1	-45.2	-43.6	-43.6	-43.6
Keystone Opportunity Zone (KOZ)	Act 92-1998	Act 16-2012	-74.0	-40.0	-56.1	-75.4	-80.2	-98.4	-78.0	-92.1	-95.1	-95.1	-95.1
		Act 84-2016											
		Act 13-2019											
Coal Waste Removal and Ultraclean Fuels	Act 4-1999	Act 52-2013	0.0	0.0	0.0	0.0	0.0	repealed	repealed	repealed	repealed	repealed	repealed
Educational Improvement	Act 4-2001	Act 16-2019	-60.2	-70.1	-91.3	-97.5	-98.9	-98.9	-116.8	-129.4	-150.9	-150.9	-150.9
Keystone Innovation Zone (KIZ)	Act 12-2004	Act 84-2016	-25.0	-25.0	-25.0	-25.0	-25.0	-25.0	-21.1	-16.0	-15.3	-15.3	-15.3
Film Production	Act 95-2004	Act 84-2016	-46.8	-61.2	-61.7	-54.4	-60.0	-60.0	-60.0	-60.4	-60.9	-60.9	-60.9
		Act 13-2019											
Strategic Development Areas	Act 151-2006	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Enhancement And Protection	Act 55-2007	Act 1-2008	-3.8	-3.5	-4.1	-4.9	-5.3	-5.4	-5.4	-5.4	-5.4	-5.4	-5.4
Alternative Energy Production	Act 1-2008	Act 50-2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Neighborhood Improvement Zone (NIZ)	Act 50-2009	Act 26-2011	0.0	-7.1	-31.3	-46.2	-39.6	-24.2	-56.4	-45.6	-40.5	-40.5	-40.5
Keystone Special Development Zone (KSDZ)	Act 26-2011	Act 85-2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PA Resource Manufacturing	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Historic Preservation	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Community-Based Services	Act 85-2012	Act 16-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Opportunity Scholarship	Act 85-2012	Act 206-2012	0.0	0.0	0.0	-9.5	-30.4	-32.6	-32.6	-32.6	-32.6	-32.6	-32.6
Promoting Employment Across Pennsylvania	Act 206-2012	Act 84-2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Innovate in PA	Act 52-2013	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City Revitalization and Improvement Zone (CRIZ)	Act 52-2013	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mobile Telecommunications Broadband	Act 52-2013	Act 52-2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-4.2	-4.2	-4.6
Organ and Bone Marrow	Act 193-2014	Act 203-2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exemption for Out-of-State Entities	Act 203-2014	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Concert Rehearsal and Tour	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Video Game Production	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waterfront Development	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mixed-Use Development	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coal Refuse Energy and Reclamation	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing and Investment	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Jobs and Investment	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brewers' Tax Credit	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Computer Data Center (Refund)	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qualified Man. Innovation & Reinvestment	Act 43-2017	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Beginning Farmer's Credit	Act 65-2019	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>			<b>-258.2</b>	<b>-283.4</b>	<b>-358.5</b>	<b>-388.6</b>	<b>-432.6</b>	<b>-436.9</b>	<b>-471.7</b>	<b>-477.1</b>	<b>-535.2</b>	<b>-535.2</b>	<b>-535.2</b>

### Notes:

KSDZ - Amounts not shown due to small number of filers. Total amount less than \$3 million in each year.  
 Innovate in PA - In July 2015, \$100 million in insurance premiums tax credits were purchased by qualified insurance companies. The credits may be utilized to offset tax year liabilities for 2015 and thereafter, in an amount not to exceed \$20 million annually. The net amount transferred to DCEW was \$85.4 million. For the purpose of the table, the differential between tax credits sold and monies received is shown in the final year to reflect the full amount of the tax credit claim, although not all claims have yet been made against tax liability.  
 Source: PA Department of Revenue, PA Department of Community and Economic Development, Comprehensive Annual Financial Reports and the state accounting system

## New and Expanded Economic Development Incentives Since 2009

Incentive Program	Enacted	Expanded	Estimated New or Incremental Amount (\$ millions)											
			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19			
Neighborhood Assistance	Act 48-1994	Act 100-2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Jobs	Act 67-1996	Act 85-2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Research and Development	Act 7-1997	Act 26-2011	0.0	-15.0	-16.6	-9.0	-17.5	-16.6	-16.7	-12.3	-11.9	-10.0	-10.0	-10.0
Keystone Opportunity Zone (KOZ)	Act 92-1998	Act 16-2012	0.0	0.0	-2.5	-5.0	-5.0	-5.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0
	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Film Production	Act 95-2004	Act 84-2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0
	Act 55-2007	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Enhancement And Protection	Act 50-2009	Act 13-2019	0.0	-7.1	-31.3	-46.2	-39.6	-24.2	-56.4	-45.6	-40.5	-40.5	-40.5	-40.5
Neighborhood Improvement Zone (NIZ)	Act 26-2011	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Keystone Special Development Zone (KSDZ)	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PA Resource Manufacturing	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Historic Preservation	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Community-Based Services	Act 85-2012	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Innovate in PA	Act 52-2013	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City Revitalization and Improvement Zone (CRIZ)	Act 52-2013	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mobile Telecommunications Broadband	Act 52-2013	See Note	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Organ and Bone Marrow	Act 193-2014	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exemption for Out-of-State Entities	Act 203-2014	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Concert Rehearsal and Tour	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Video Game Production	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Waterfront Development	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mixed-Use Development	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Coal Refuse Energy and Reclamation	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing and Investment	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Jobs and Investment	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Brewers' Tax Credit	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Computer Data Center (Refund)	Act 84-2016	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qualified Man. Innovation & Reinvestment	Act 43-2017	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Beginning Farmer's Credit	Act 65-2019	Act 13-2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>			<b>0.0</b>	<b>-22.1</b>	<b>-50.3</b>	<b>-60.2</b>	<b>-65.1</b>	<b>-49.1</b>	<b>-95.3</b>	<b>-90.7</b>	<b>-126.1</b>	<b>-126.1</b>	<b>-126.1</b>	<b>-126.1</b>

**Notes:**

KSDZ - Amounts not shown due to small number of filers. Total amount less than \$3 million in each year.

Innovate in PA - In July 2015, \$100 million in insurance premiums 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. For the purpose of the table, the differential between tax credits sold and monies received is shown in the final year to reflect the full amount of the tax credit claim, although not all claims have yet been made against tax liability.

Source: PA Department of Revenue, PA Department of Community and Economic Development, Comprehensive Annual Financial Reports and the state accounting system.