

Tax Credits and Other Incentives



Independent Fiscal Office | September 2026

This report presents data for Pennsylvania tax credits and other incentives for fiscal years (FY) 2021-22 through FY 2026-27. It is separated into four categories: tax credits, spending or grants, job training programs and loan programs. The data displayed are estimates of the amounts claimed or awarded each fiscal year. For FY 2026-27, amounts are budgeted, authorized or projected and will differ from final amounts claimed or awarded.

Tax Credits

In FY 2025-26, \$1.57 billion of tax credits were claimed or awarded, an increase of \$391 million over the prior year. For FY 2026-27, tax credits are projected to expand to \$1.85 billion. For FY 2021-22, credits reduced General Fund tax revenues by 1.4%. For FY 2026-27, the reduction would be 3.7% if the estimate holds.

Tax Credits

	Utilized or Awarded (\$ millions)					Estimate
	21-22	22-23	23-24	24-25	25-26	26-27
Educational Improvement	\$210	\$299	\$417	\$500	\$559	\$590
Working Pennsylvanians	--	--	--	0	217	222
Child and Dependent Care Enhancement	--	26	95	134	135	135
Film Production	67	71	73	81	97	100
Neighborhood Improvement Zone (NIZ)	69	59	74	67	89	80
Educational Opportunity Scholarship	54	61	77	85	88	90
Keystone Opportunity Zones (KOZ)	110	113	122	79	77	66
Neighborhood Assistance Programs	36	36	36	63	67	72
Research and Development	46	38	77	47	49	60
Entertainment Economic Enhancement Program	3	0	6	12	29	24
Pennsylvania Resource Manufacturing	--	0	0	5	27	65
Coal Refuse Energy and Reclamation	15	16	20	20	26	55
City Revitalization and Improvement Zones (CRIZ)	9	12	17	15	16	18
Keystone Innovation Zones (KIZ)	15	15	15	15	15	15
Resource Enhancement and Protection	12	13	13	13	13	13
Military Infrastructure Revitalization Program	16	16	21	17	12	15
529 Savings Account Employer Matching Contr.	--	--	--	0	9	12
Employer Child Care Contribution	--	--	--	0	8	8
Beginning Farmers'	--	0	6	0	6	6
Rural Jobs and Investment	0	0	1	6	6	12
Malt Beverage	3	4	3	2	5	5
Waterfront Development	2	5	1	3	5	5
Mixed-Use Development	5	5	5	5	5	5
Historic Preservation Incentive	2	3	5	4	3	20
Airport Land Development Zone	--	0	0	0	2	5
Local Resource Manufacturing	--	0	0	0	0	57
Regional Clean Hydrogen Hubs	--	0	0	0	0	50
Semiconductor & Biomed. Manuf. & Research	--	0	0	0	0	20
Pennsylvania Milk Processing	--	0	0	0	0	15
Affordable Housing	0	0	0	0	0	10
Total	\$672	\$791	\$1,083	\$1,174	\$1,565	\$1,848

Program highlights include:

- In FY 2025-26, taxpayers claimed \$559 million in **Educational Improvement Tax Credits** (EITC) and \$88 million in **Educational Opportunity Scholarship Tax Credits** (OSTC). In total, utilization of Educational Tax Credits increased \$61.3 million from FY 2024-25. Currently, the EITC program cap is \$590 million, and the OSTC program cap is \$90 million. The amounts listed for FY 2026-27 reflect those caps.
- Act 45 of 2025 created the **Working Pennsylvanians Tax Credit**. The credit equals 10% of the federal Earned Income Tax Credit (EITC), with a maximum state credit of \$805. Filers who qualify for the federal EITC are automatically eligible for the state tax credit. Filers claimed \$217 million in FY 2025-26.
- The **529 Savings Account Employer Matching Contribution Tax Credit** provides a credit for matching contributions to qualified employee-owned 529 or ABLE savings plans. The **Employer Child Care Contribution Tax Credit** provides a credit for employer contributions made toward an employee's eligible child-care costs. In FY 2025-26, taxpayers claimed \$9 million and \$8 million for the 529 Savings Account Employer Matching Contribution Tax Credit and the Employer Child Care Contribution Tax Credit, respectively.

State Spending or Grants

In FY 2025-26, nearly \$789 million was spent or allocated for economic development projects, an increase of \$11 million (+1.5%) from the prior year. For FY 2026-27, an estimated \$856 million is budgeted for economic development projects and grants. (See table on page 4.) Notable programs include:

- FY 2025-26 **Redevelopment Assistance Capital Program** payments (\$360 million) increased by \$40 million (+12.6%) from the prior fiscal year. Grants from this program are awarded by the Office of the Budget for the acquisition and construction of local economic, cultural, civic, recreational and historical improvement projects. The 2025 round of grants (through 7/31/2026) awarded over \$450 million for 358 projects. The IFO projects \$300 million in distributions for FY 2026-27; however, actual payments will depend on the timing of reimbursement requests and cash availability.
- Distributions from the **Pennsylvania Race Horse Development Fund** for FY 2025-26 (\$185 million) decreased by 0.8% (\$1 million) from the prior year and have remained essentially flat for the most recent three years. The fund supports the Pennsylvania horse racing industry by providing funds for purse prizes, racehorse award programs and horsemen's organizations. Distributions are projected to total \$181 million for the current fiscal year.
- **PA SITES** awarded \$81 million in grants and loans for FY 2025-26, a \$16 million increase (+24.2%) from the prior year. The awards fund planning and construction projects to develop competitive sites for businesses to relocate or expand within the state. Program funds are from revenue bonds issued in February 2025. For FY 2026-27, up to \$148 million in projects are projected to be approved.
- **Marketing for Tourists** expenditures increased by \$14 million (+76.9%) from FY 2024-25 to FY 2025-26 as the state expanded its advertising campaign for the nation's semi quincentennial celebration. In FY 2026-27, \$14 million has been allocated for the advertising campaign.

Job Training Programs

In FY 2025-26, the Commonwealth spent \$84 million on programs dedicated to job training and workforce development, and \$95 million has been appropriated for FY 2026-27. Highlights include:

- For FY 2025-26, \$32.5 million was appropriated for the **Grow PA Scholarship Grant Program** for use in the 2026-27 academic year. Grant recipients are required to pursue a degree in a high-demand industry, and after graduation, live and work in the Commonwealth for at least 12 months for each year they received an award. The maximum award is \$5,000 each year for four years. For FY 2026-27, the budget includes \$42.5 million (+30.8%) for awards in the 2027-28 academic year.
- For FY 2025-26, over \$17 million was appropriated for Department of Labor and Industry job training programs, a \$2.5 million (-12.6%) reduction from FY 2024-25, wholly for the **Apprenticeship and Training Office**. Additional programs supported by this funding include **Schools to Work, Industry Partnerships** and **New Choices/New Options**. For FY 2026-27, appropriations for these programs remain at the same level as the prior year.

State Loan Programs

For FY 2025-26, the Commonwealth approved nearly \$57 million in loans for economic development, a \$23 million (+68.6%) increase from the prior year. The largest increase was in the **PIDA Loan Program** (+\$19 million, +90.6%). For FY 2026-27, loan programs are expected to total \$92 million, primarily issued through the PIDA Loan Program (\$40 million) or the **Small Business First** program (\$40 million).

Notes

1. The estimates represent a mix of conventions and data sources. Most tax credit data are 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 2026-27 Executive Budget, the Office of the Budget or are estimates by the IFO. For recent years, estimates from these sources may simply reflect total credits awarded or the program cap.
2. The Keystone Special Development Zone, Manufacturing, New Jobs, Organ and Bone Marrow Donation, Qualified Manufacturing Innovation & Reinvestment Deduction, Strategic Development Areas and Video Game Production Tax Credits are not included due to a small or unknown number of filers.
3. PA Race Horse Development Trust Fund disbursements exclude transfers to the Farm Products Show Fund.

Other Economic Development Incentives

	Spending (\$ millions)					Estimate
	21-22	22-23	23-24	24-25	25-26	26-27
State Spending or Grants						
Redevel. Assistance Capital Program	\$100	\$167	\$242	\$320	\$360	\$300
PA Race Horse Development Fund	206	198	187	186	185	181
PA SITES	--	--	--	65	81	148
Gaming, Economic Devel. & Tourism Fund	35	51	56	58	52	52
Marketing to Attract Tourists (advertising)	9	8	11	19	33	14
Historically Disadvantaged Businesses	--	--	20	20	20	24
PA First	13	15	7	15	19	32
BFTDA - Challenge Grants	15	16	16	16	16	16
Infrastructure and Facilities Improvement	8	10	7	11	8	8
Office of International Business Development	5	6	7	7	5	5
Sports Marketing and Tourism	--	0	15	0	5	5
Life Sciences Greenhouses	3	2	3	2	3	3
Infrastructure Technical Assistance	3	2	3	3	2	3
Marketing to Attract Business	2	2	1	2	2	1
Business in Our Sites (CFA)	0	49	0	49	0	55
PIDA Industrial Parks	0	2	0	2	0	5
Building PA (CFA)	0	0	7	1	0	3
BFTDA - Venture Investment	<u>7</u>	<u>3</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>2</u>
Total	\$404	\$530	\$585	\$778	\$789	\$856
Job Training Programs						
Grow PA Scholarships	--	--	--	25	33	43
Labor and Industry	11	11	18	20	17	17
Manufacturing PA	12	12	14	13	13	13
Partnerships for Regional Economic Perf.	10	11	12	11	11	11
WedNet	11	10	10	11	8	8
Foundations in Industry	--	--	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	\$44	\$44	\$56	\$82	\$84	\$95
State Loan Programs						
PIDA Loan Program	21	36	21	21	40	40
Small Business First Loans	7	9	10	9	10	40
Machinery and Equipment Loans	3	1	5	3	6	11
Minority Business	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	\$31	\$47	\$36	\$34	\$57	\$92

Staff Contacts

Mathieu Taylor and Robyn Toth produced this report. Questions regarding this document can be directed to mtaylor@ifo.state.pa.us or rtoth@ifo.state.pa.us.