

SUMMARY of the PROVISIONS of ACT 56 of 2024

(formally Senate Bill 654, Printer's No. 1815)

Estimated General Fund Loss of \$139.9 million in FY 2024-25

Official Fiscal Estimates Provided by GBO (by Tax Type)

TAX TYPE	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	5 Year Total
<i>Amounts in Millions</i>	\$ (139.9)	\$ (235.3)	\$ (352.9)	\$ (438.1)	\$ (549.8)	\$ (1,716.0)
Sales and Use Tax	\$ (4.2)	\$ (6.4)	\$ (6.5)	\$ (6.6)	\$ (6.5)	\$ (30.2)
Personal Income Tax	\$ (58.9)	\$ (106.6)	\$ (126.7)	\$ (130.2)	\$ (133.0)	\$ (555.4)
<i>Withholding</i>	\$ (50.0)	\$ (50.0)	\$ (50.0)	\$ (50.0)	\$ (50.0)	\$ (250.0)
<i>Annual</i>	\$ (8.9)	\$ (56.6)	\$ (76.7)	\$ (80.2)	\$ (83.0)	\$ (305.4)
Corporate Net Income Tax	\$ (14.3)	\$ (31.7)	\$ (102.5)	\$ (171.7)	\$ (273.6)	\$ (593.8)
Bank Shares Tax	\$ (39.8)	\$ (53.6)	\$ (62.8)	\$ (63.4)	\$ (64.8)	\$ (284.4)
Mutual Thrift Institutions Tax	\$ (9.8)	\$ (10.2)	\$ (10.1)	\$ (10.1)	\$ (10.1)	\$ (50.3)
Insurance Premiums Tax	\$ (0.2)	\$ (4.9)	\$ (4.2)	\$ (4.2)	\$ (6.0)	\$ (19.5)
Gross Receipts Tax	\$ -	\$ (1.9)	\$ (1.9)	\$ (1.9)	\$ (3.5)	\$ (9.2)
Realty Transfer Tax	\$ (12.7)	\$ (20.0)	\$ (30.0)	\$ (40.0)	\$ (40.0)	\$ (142.7)
Malt Beverage Tax	\$ -	\$ -	\$ -	\$ -	\$ (0.1)	\$ (0.1)
Minor & Repealed	\$ -	\$ -	\$ (8.2)	\$ (10.0)	\$ (12.2)	\$ (30.4)

Sales and Use Tax

Adds an exclusion for the sale at retail or use of services related to the cleaning or maintenance of a storage trap utilized by a food service or restaurant establishment to collect grease waste *(Loss of \$4.2 million in FY 2024-25)*

Personal Income Tax

Excludes the following from consideration as "income":

- Distributions excludable under Section 529 of the Internal Revenue Code of 1986
- All amounts received by an employee through an employer's matching contribution to an account under the 529 Savings Account Employer Matching Contribution Tax Credit; and,
- All amounts received as a result of the train derailment in East Palestine, Ohio

Establishes the following deduction *(Losses of \$1.7 million and \$7.2 million, respectively, in FY 2024-25)*:

- Any amount of student loan interest paid by a resident individual, up to \$2,500 per tax year; and,
- Depletion of a mine, oil and gas well and other natural deposits in accordance with the Internal Revenue Code of 1986

Provides an annual transfer of \$50 million to the Clean Streams Fund *(Loss of \$50 million in FY 2024-25)*

Corporate Net Income Tax

Allows a deduction for expenses paid or incurred by a medical cannabis business *(Loss of \$2.1 million in FY 2024-25)*; and, requires a business entity to include an intangible expense or cost, or the interest expense or

cost, incurred by an affiliated entity if the affiliated entity elects to exclude the expense or cost from their tax base

Increases an allowable deduction for net losses by 10% to a maximum of 80% of taxable income for taxable years beginning after December 31, 2028. Net losses incurred prior to 2025 remain capped at 40% of taxable income when carried forward.

Bank and Trust Company Shares Tax

Redefines an allowable deduction for goodwill to equal the amount of goodwill “*recorded in the Reports of Condition of the institution pursuant to General Accepted Accounting Principles following the acquisition or business combination...*” (Loss of \$23.6 million in FY 2024-25)

Realty Transfer Tax

Eliminates the transfer formula established under subsection (a) and increases the dollar amount of the transfer by \$10 million to a maximum of \$100 million for fiscal years beginning after July 1, 2027 (Loss of \$12.7 million in FY 2024-25)

Historic Preservation Incentive Tax Credit

Increases the maximum allocation of tax credits to \$20 million (Loss of \$11.3 million in FY 2024-25)

Coal Refuse Energy and Reclamation Tax Credit

Increases the maximum allocation of tax credits to \$55 million and prohibits the department from awarding a single recipient more than 26.5% unless the full amount of tax credits is not awarded, and an approved facility has not received the full per ton amount

City Revitalization and Improvement Zones

Allows the receipt of applications for two (2) additional zones for a municipality with a population between 7,000 and 19,999 based on the most recent Federal decennial census and two (2) additional zones for a city with a population of 20,000 or more based on the most recent Federal decennial census.

- For a zone designated after July 1, 2024:
 - “Eligible tax” includes Insurance Premiums Tax as calculated and apportioned to the location within the designed zone
 - The State Treasurer is required to transfer up to \$15 million of certified eligible state zone tax from the General Fund to each contracting authority, of which the maximum amount must be annually adjusted by the CPI-U for the Philadelphia area
 - A contracting authority may carry forward an excess amount up to \$3 million
 - For a zone located in a city of the third class that is incorporated under optional chapter (City of Erie), the board of directors consists of the following:
 - One (1) member appointed by the mayor
 - Two (2) members appointed by the State Representative of the 1st District
 - Two (2) members appointed by the State Representative of the 2nd District; and,
 - Four (4) members appointed by the Senator of the 49th District

Rural Jobs and Investment Tax Credit

Provides the approval of \$50 million for the investment authority to a program two tax credit authority and allows the Rural Growth Fund to invest up to \$5 million of its authority in the same rural business, not to exceed \$15 million in total

Neighbor Assistance Tax Credit

Increases the maximum allocation of tax credits to \$72 million and makes various changes to the individual amount of tax credits granted (*Loss of \$27.1 million in FY 2024-25*)

529 Savings Account Employer Matching Tax Credit

Establishes a new tax credit program for employer matching contributions to a tuition savings account or ABLE account

- The amount of the tax credit is equal to 25% of an employer's aggregate contributions, not to exceed \$500 for a taxable year; a participating employer must make equal contributions to all employee-owned accounts during the taxable year
- Unused tax credits may be carried forward for a period of three (3) years; however, unused tax credits cannot be carried back or used to receive a refund

Employer Child Care Contribution Tax Credit

Establishes a new tax credit program for contributions that are made during a taxable year to an employee's eligible child-care costs

- The amount of the tax credit is equal to 30% of an employer's aggregate contributions; a participating employer must make equal contributions to all employee-owned accounts during the taxable year
- Unused tax credits cannot be carried forward, carried back, used to receive a refund or sold

Pertinent Definitions

- "Child-care provider." The premises in which care is provided at any one time for seven or more children unrelated to the operator; the premises in which care is provided at one time for more than 6 but fewer than 16 older school-age level children or more than 6 but fewer than 13 children of another age level who are unrelated to the operator. The term includes a facility located in a residence or other premises; or, a home other than the child's own home, operated for profit or not-for-profit, in which childcare is provided at any one time to four, five or six children unrelated to the operator.
- "Eligible child-care costs." Costs incurred by an employee for services rendered by a child-care provider that are incurred to enable the employee to be gainfully employed by a qualified taxpayer.

Computer Data Center Equipment Incentive Program

Excludes computer data center equipment used by a certified computer data center for proof of work crypto-asset mining

Tuition Account Programs

Prohibits the Treasury Department from imposing a fee for the termination of an account if the termination is the result of the death or disability of the beneficiary and provides that a payment received as a result of a termination of an account due to the death or disability of the beneficiary is not subject to income tax