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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 225 Session of  
2015

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INTRODUCED BY BOSCOLA, COSTA, HUGHES, FONTANA, BROWNE, BREWSTER,  
KITCHEN, SCHWANK, TARTAGLIONE AND RAFFERTY, JANUARY 23, 2015

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REFERRED TO FINANCE, JANUARY 23, 2015

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AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An  
2 act relating to tax reform and State taxation by codifying  
3 and enumerating certain subjects of taxation and imposing  
4 taxes thereon; providing procedures for the payment,  
5 collection, administration and enforcement thereof; providing  
6 for tax credits in certain cases; conferring powers and  
7 imposing duties upon the Department of Revenue, certain  
8 employers, fiduciaries, individuals, persons, corporations  
9 and other entities; prescribing crimes, offenses and  
10 penalties," providing for a school-to-work tax credit.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as  
14 the Tax Reform Code of 1971, is amended by adding an article to  
15 read:

16 ARTICLE XVII-J

17 SCHOOL-TO-WORK TAX CREDIT

18 Section 1701-J. Scope of article.

19 This article relates to school-to-work tax credits.

20 Section 1702-J. Definitions.

21 The following words and phrases when used in this article

22 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 "Department." The Department of Revenue of the Commonwealth.

3 "Pass-through entity." Any of the following:

4 (1) A partnership, limited partnership, limited  
5 liability company, business trust or other unincorporated  
6 entity that for Federal income tax purposes is taxable as a  
7 partnership.

8 (2) A Pennsylvania S corporation.

9 "Qualified intern." An individual who is:

10 (1) enrolled and in good standing at a four-year  
11 institution of higher education, a community college or an  
12 accredited postsecondary business, technical, trade or  
13 vocational school located in this Commonwealth;

14 (2) employed and supervised in this Commonwealth in a  
15 position that provides training and experience to the  
16 individual in the chosen field of study; and

17 (3) paid a wage of no less than \$8 per hour by the  
18 taxpayer during a term of employment that lasts at least 12  
19 weeks and includes a minimum of 14 hours of service per week.

20 "Qualified tax liability." The liability for taxes imposed  
21 under Article III, IV or VI. The term shall include the  
22 liability for taxes imposed under Article III on an owner of a  
23 pass-through entity.

24 "Secretary." The Secretary of Revenue of the Commonwealth.

25 "Small business." An employer who employs 50 or fewer  
26 individuals.

27 "Tax credit." The school-to-work tax credit authorized under  
28 this article.

29 "Taxpayer." A business subject to tax under Article III, IV  
30 or VI. The term shall include the shareholder, owner or member

1 of a pass-through entity that receives a tax credit.

2 Section 1703-J. Employer credit for employing qualified  
3 interns.

4 (a) Application.--A taxpayer who employs a qualified intern  
5 in a taxable year may apply for a tax credit as provided under  
6 this article. By September 15 of each year, a taxpayer must  
7 submit an application for the tax credit to the department,  
8 which shall include the following certifications by the  
9 taxpayer:

10 (1) the qualified intern was employed and supervised in  
11 this Commonwealth in a position that provides training and  
12 experience to the individual in the chosen field of study;

13 (2) the qualified intern was paid a wage of no less than  
14 \$8 per hour for a term of employment that lasts at least 12  
15 weeks and includes a minimum of 14 hours of service per week;

16 (3) the total hours and weeks worked by the qualified  
17 intern for the taxable year; and

18 (4) the total compensation paid to the qualified intern  
19 for the taxable year.

20 (b) Amount.--A taxpayer that is qualified under subsection  
21 (a) shall receive a tax credit for the taxable year in the  
22 amount of 50% of the value of the salaries, wages or other  
23 remuneration for services paid to a qualified intern, or \$1,000,  
24 whichever is less.

25 (c) Notification.--By December 15 of the calendar year  
26 following the close of the taxable year during which the  
27 qualified intern was employed, the department shall notify the  
28 taxpayer of the amount of the taxpayer's tax credit approved by  
29 the department.

30 Section 1704-J. Carryover, carryback, refund and assignment of

1           credit.

2       (a) Carryover.--If the taxpayer cannot use the entire amount  
3 of the tax credit for the taxable year in which the tax credit  
4 is first approved, the excess may be carried over to succeeding  
5 taxable years and used as a credit against the qualified tax  
6 liability of the taxpayer for those taxable years. Each time  
7 that the tax credit is carried over to a succeeding taxable  
8 year, it shall be reduced by the amount that was used as a  
9 credit during the immediately preceding taxable year. The tax  
10 credit may be carried over and applied to succeeding taxable  
11 years for no more than 15 taxable years following the first  
12 taxable year for which the taxpayer was entitled to claim the  
13 credit.

14       (b) Application.--A school-to-work tax credit approved by  
15 the department for employing qualified interns in a taxable year  
16 first shall be applied against the taxpayer's qualified tax  
17 liability for the current taxable year as of the date on which  
18 the credit was approved before the tax credit is applied against  
19 any tax liability under subsection (a).

20       (c) Unused credit.--A taxpayer shall not be entitled to  
21 assign, carry back or obtain a refund of an unused tax credit.  
22 Section 1705-J. Limitation on credits.

23       (a) Total amount.--The total amount of school-to-work tax  
24 credits approved by the department shall not exceed \$10,000,000  
25 in any fiscal year, except that the sum of \$2,500,000 shall be  
26 used exclusively for school-to-work tax credits for small  
27 businesses.

28       (b) Proration among applicants.--If the total amount of tax  
29 credits applied for by all taxpayers exceeds the amount  
30 allocated for those credits, the tax credit to be received by

1 each applicant shall be prorated by the department among all  
2 applicants who have qualified for the credit.

3 Section 1706-J. Shareholder, owner or member pass-through.

4 (a) Shareholder credit.--If a Pennsylvania S corporation  
5 does not have an eligible tax liability against which the tax  
6 credit may be applied, a shareholder of the Pennsylvania S  
7 corporation is entitled to a tax credit equal to the tax credit  
8 determined for the Pennsylvania S corporation for the taxable  
9 year multiplied by the percentage of the Pennsylvania S  
10 corporation's distributive income to which the shareholder is  
11 entitled.

12 (b) Pass-through entity credit.--If a pass-through entity  
13 other than a Pennsylvania S corporation does not have an  
14 eligible tax liability against which the tax credit may be  
15 applied, an owner or member of the pass-through entity is  
16 entitled to a tax credit equal to the tax credit determined for  
17 the pass-through entity for the taxable year multiplied by the  
18 percentage of the pass-through entity's distributive income to  
19 which the owner or member is entitled.

20 (c) Credit cumulation.--The credit provided under subsection  
21 (a) or (b) shall be in addition to any tax credit to which a  
22 shareholder, owner or member of a pass-through entity is  
23 otherwise entitled under this article, except that a pass-  
24 through entity and a shareholder, owner or member of a pass-  
25 through entity may not claim a credit under this article for the  
26 same expense.

27 Section 1707-J. Report to General Assembly.

28 The secretary shall submit an annual report to the General  
29 Assembly indicating the effectiveness of the credit provided  
30 under this article no later than March 15 following the year in

1 which the credits were approved. The report shall include the  
2 names of all taxpayers utilizing the credit as of the date of  
3 the report and the amount of credits approved and utilized by  
4 each taxpayer. Notwithstanding any law providing for the  
5 confidentiality of tax records, the information contained in the  
6 report shall be public information. The report may include any  
7 recommendations for changes in the calculation or administration  
8 of the credit.

9 Section 1708-J. Regulations.

10 The secretary shall promulgate regulations necessary for the  
11 implementation and administration of this article.

12 Section 2. The addition of Article XVII-J of the act shall  
13 apply to taxable years beginning after December 31, 2015.

14 Section 3. This act shall take effect in 60 days.