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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 664 Session of  
2023

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INTRODUCED BY DILLON, HUGHES, MILLER, FLYNN, FONTANA,  
PENNYCUICK, KEARNEY, BOSCOLA, COLLETT, COSTA, KANE AND  
BREWSTER, MAY 11, 2023

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REFERRED TO FINANCE, MAY 11, 2023

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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 small business tax reinvestment.

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 XX-A

17 SMALL BUSINESS TAX REINVESTMENT

18 Section 2001-A. Scope of article.

19 This article relates to small business tax reinvestment  
20 savings accounts.

21 Section 2002-A. Definitions.

1 The following words and phrases when used in this article  
2 shall have the meanings given to them in this section unless the  
3 context clearly indicates otherwise:

4 "Department." The Department of Community and Economic  
5 Development of the Commonwealth.

6 "Qualifying purpose." A small business expenditure that  
7 results in the creation or retention of full-time jobs and  
8 working capital for other business activities, deemed  
9 appropriate by the department, which improve the competitiveness  
10 and productivity of a small business. The term includes new  
11 construction, renovation or leasehold improvements, and the  
12 acquisition of land, buildings, machinery and equipment.

13 "Small business." A business which is independently owned  
14 and:

15 (1) Employs 100 or fewer employees.

16 (2) Had annual revenues of less than \$10,000,000 in each  
17 of the last three tax years.

18 (3) Is not dominant in its field.

19 Section 2003-A. Small business tax reinvestment savings  
20 account.

21 (a) General rule.--A small business may establish and  
22 deposit profits into a small business tax reinvestment savings  
23 account.

24 (b) Deposits and withdrawals.--Money in a small business tax  
25 reinvestment savings account may be deposited or withdrawn tax  
26 free when the money is expended for the expansion of the small  
27 business for a qualifying purpose.

28 (c) Limitation.--Money deposited into a small business tax  
29 reinvestment savings account may not exceed more than \$5,000 in  
30 a taxable year.

1 (d) Report.--On or before April 1, 2025, and annually  
2 thereafter, the department, in consultation with the Department  
3 of Revenue, shall report on the number of small businesses  
4 utilizing a small business tax reinvestment savings account, the  
5 average aggregate amount on deposit, the qualifying purposes  
6 claimed, any qualifying purposes deemed inappropriate and any  
7 other data deemed necessary by the department.

8 Section 2004-A. Taxes deferred.

9 For a taxable year beginning on or after January 1, 2024, a  
10 small business shall be exempt from all income taxes imposed  
11 under this act for any deposit or withdrawal from a small  
12 business tax reinvestment savings account established under this  
13 article and used for a qualifying purpose. If a small business  
14 files for and receives an exemption from income taxes imposed  
15 under this act and the funds deposited or withdrawn, or any  
16 portion thereof, are not expended for a qualifying purpose, the  
17 amount of the exemption claimed by the small business shall be  
18 added back to the amount of income tax liability in the next  
19 succeeding taxable year or in the year in which the exemption is  
20 disallowed.

21 Section 2. This act shall take effect in 60 days.