



STATE TAX LEGISLATIVE SUMMARY – AUGUST 2024

[Act 56 of 2024](#) made the following changes to the [Tax Reform Code](#):

Sales & Use Tax

- **Waste Grease Traps:** Excludes the sale of waste grease traps and services related to the cleaning/maintenance of grease traps utilized by food services or restaurants from sales and use tax.

Exclusions apply to transactions occurring after September 30, 2024.

Personal Income Tax

- **529 Qualified Tuition Plan Rollovers:** Any distribution already excludable from federal income tax under the [Internal Revenue Code Section 529](#) is also excluded from Personal Income Tax (PIT) taxable income.

This provision is effective in tax year 2024 and after.

- **Employer Contributions to ABLE or 529 Accounts:** Any amount an employee receives through an employer's matching contribution to the [529 Savings Account Employer Matching Contribution Tax Credit](#) is excluded from PIT taxable income.

This provision is effective immediately.

- **Norfolk Southern Disaster Payments:** Payments originating from federal or state government, Norfolk Southern Railway, or an agent thereof, received as a result of the train derailment that occurred in East Palestine, Ohio on February 3, 2023, are not considered taxable income for PIT purposes. These payments do not need to be reported on a taxpayer's PA-40 annual tax return.

This provision is effective in tax year 2023 and after.

- **Student Loan Interest Deduction:** Student loan interest paid on qualified student loans may be deducted from a taxpayer's PIT taxable income. The deduction must not exceed \$2,500 per tax year and cannot result in a taxpayer's taxable income being less than zero.

This provision is effective in tax year 2025 and after.



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- **Percentage Depletion of Mineral Deposits:** Taxpayers may claim a tax deduction for the percentage depletion of a mine, oil, or gas well, and other natural deposits on a taxpayer's property. This aligns state law with federal law.

This provision is effective in tax year 2024 and after.

- **Transfer to Clean Streams Fund:** Authorizes the transfer of \$50 million of PIT revenue to the Clean Streams Fund.

This transfer is to be done no later than August 1, 2024, and each August 1 thereafter.

Corporate Net Income Tax

- **Medical Cannabis Deductions:** Business related expenses for medical cannabis businesses with an active grower/processor permit may be deducted when calculating Pennsylvania taxable income. At the federal level, corporate net income tax (CNIT) filers are prohibited from utilizing tax credits or deductions if they are engaged in the sale of Schedule 1 controlled substances.

This provision is effective in tax year 2024 and after.

- **Business Income Addback Change:** An affiliated entity can elect to take a deduction for an addback made by the taxpayer for related party intangible expenses or related interest expenses. This provision is intended to prevent the same income from being taxed twice. The department will publish additional guidelines for taxpayers who have already filed their 2023 return.

This provision is effective in tax year 2023 and after.

- **Net Loss Deduction Calculation Change:** The net loss usage for any losses generated after December 31, 2024, is increased by ten percentage points annually until it reaches 80% by tax year 2029.

This provision is effective in tax year 2026 and after.

Losses generated in tax year 2024 and prior can still only reduce taxable income up to the prior cap of 40% of taxable income. Losses generated in tax year 2025 and thereafter may then be used to further reduce taxable income.



Bank Shares Tax

- **Goodwill Deduction for Bank Mergers and Acquisitions:** Institutions may deduct all goodwill generated in a merger or acquisition after June 30, 2001, when that goodwill is stated in their Reports of Condition filed with the FDIC. Changes are not retroactive and only apply to returns due March 2025 and after.

Realty Transfer Tax

- **PHARE Transfer Changes:** The amount transferred from the General Fund to the Housing Affordability & Rehabilitation Enhancement Fund is increased according to the following schedule:

Fiscal Year	Transfer Amount
2024-25	\$70 million
2025-26	\$80 million
2026-27	\$90 million
2027-28 and thereafter	\$100 million

These provisions are effective in fiscal year 2024-25.

Tax Credits

- **Historic Preservation Incentive Tax Credit:** The annual program limit is increased from \$5 million to \$20 million for total credits awarded.

This provision is effective in fiscal year 2024-25.

- **Coal Refuse Energy & Reclamation Tax Credit:** The annual program limit increased from \$20 million to \$55 million total credits awarded per year, and the value of each credit increased from \$4.00 to \$8.00 per 1 ton of qualified coal refuse used in the generation of electricity in eligible facilities. Each eligible facility is restricted from claiming credits beyond 26.5% of the program's total value of credits available each fiscal year. In the instance where an eligible facility is unable to utilize the full number of credits due to them because of the 26.5% restriction, the remaining balance will be prorated.

This provision is effective in fiscal year 2024-25.



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- **City Revitalization Improvement Zone (CRIZ)**: The CRIZ program was reformed and expanded to allow for the creation of new zones.
 - Definition changes to “City” to include home rule cities with a population of at least 20,000.
 - Excludes Act 47 cities and municipalities from the definition of city and municipality.
 - Expands definition of “City Revitalization and Improvement Zone” to allow for economic development and job creation within the newly defined city or one or more contiguous municipalities.
 - Adds Insurance Premium Tax to the list of eligible taxes to zones designated after July 1, 2024, apportioned to the amount attributable to a location within the zone.
 - Effectively ends the pilot zone portion of the program (grandfathers Tamaqua as a permanent pilot zone).
 - Sets how a board of directors of a contracting authority of a CRIZ zone should be established (membership requirements) for zones designated after July 1, 2024.
 - Up to four zones may be approved
 - Up to two (2) zones for municipalities with population between 7,000 and 19,999
 - Up to two (2) zones for municipalities or cities with population of 20,000 or more.
 - Requires DCED to establish application deadlines on its website.
 - Applicants not approved may reapply.
 - Adds requirements for the State zone reports filed with DOR by each qualified business and allows DOR to provide that information to DCED.
 - Number of new jobs created by qualified businesses.
 - Total wages and salaries for employees of the qualified business.
 - Amount of private capital investment made by the qualified business.
 - Sets a maximum transfer amount for the CRIZ from the General Fund at \$15 million for any new zones and tied to CPI for future beginning July 1, 2025.
 - Removes the borrowing provisions from the General Fund should the transferred revenue not be sufficient to cover debt service.
 - Allows CRIZ authorities to retain up to \$3 million of carryover funds for a five-year period for zones designated after July 1, 2024
 - Beginning in year six (6), also sets parameters on if money needs to be returned by the Zone to the State for deposit into the General Fund for zones designated prior to July 1, 2024.



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- Sets parameters and approval criteria on the transferring of parcels within a zone.
- Requires a review report of the program by the Administration to the General Assembly every March 31.

These changes are effective immediately.

- **Rural Jobs & Investment Tax Credit:** The changes permit the Department of Community and Economic Development (DCED) to allow additional investment authority, totaling \$50,000,000 for investment authority beginning July 1, 2024, and allowed for an additional \$50,000,000 in investment authority, along with other changes to the program.

These provisions are effective in fiscal year 2024-25.

- **Neighborhood Assistance Program:** The total aggregate amount of tax credits available increased to \$72 million from \$36 million for each fiscal year.
 - Doubles the program cap from \$36 million to \$72 million.
 - Increased the NAP credit amount for one-year commitments from 55% to 65%.
 - Increased the SPP credit amount for one-year commitments from 75% to 90%.
 - Increased the NPP credit amount for 5-year commitments from 75% to 90%.
 - Increased the NPP credit amount for 6 or more-year commitments from 80% to 95%.
 - Increased the NPP credit for businesses investing in veterans housing from 75% to 90%.
 - Increased annual credit amount cap from \$500,000 to \$1 million for contributions to less than four projects.
 - Increased annual credit amount cap from \$1.25 million to \$2.5 million for contributions to four or more projects.

These provisions are effective in fiscal year 2024-25.

- **529 Savings Account Employer Matching Contribution Tax Credit:** Creates a new program allowing employers to claim tax credits against state tax liability for making matching contributions to employees' [PA 529](#) or [PA ABLE](#) accounts. Contributions are not considered taxable income for employees ([see above](#)).



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- Eligible employers can claim a tax credit equal to 25% of their contributions, up to \$500 per employee each tax year, matched to funds deposited by employees in PA 529 or PA ABLE accounts.
- In order to receive the credit, employers must provide proof to the department that the employer has made qualifying matching contributions to employee-owned accounts.
- The credit can be used against PIT, CNIT, BST, Title Insurance Companies Shares Tax (TICST), Insurance Premiums Tax (IPT), and Mutual Thrift Institutions Tax (MTIT).

This credit is effective beginning in tax year 2025.

- **Employer Childcare Contribution Tax Credit:** Creates a new tax credit allowing employers to claim tax credits against their state tax liability for making contributions toward an employee's eligible child-care costs.
 - Eligible employers can claim a tax credit equal to 30% of their contributions toward the child-care expenses of their workers. This benefit must be available to all employees at an equal amount during the taxable year.
 - The contributions that can count toward a tax credit cannot exceed \$500 per employee each tax year.
 - The credit can be used against PIT, CNIT, BST, TICST, MTIT.

This credit is effective beginning in tax year 2025.

- **Computer Data Center Equipment Incentive Program:** Data center equipment purchased for "Proof of Work Crypto-Asset Mining" is no longer exempt from sales and use tax.

This provision is effective beginning in tax year 2026.

- **Tuition Account Programs (TAP):** In the event that a TAP Account is terminated due to an account beneficiary's disability or death, the Treasury Department cannot impose a termination fee. Additionally, payments received from the remaining value of the account will not count as taxable income for PIT purposes.

This provision is effective in tax year 2024 and after.