

Tax Credits and Other Incentives



Independent Fiscal Office | December 2024

This report presents data for Pennsylvania tax credits and other incentives for fiscal years (FY) 2019-20 through FY 2024-25. It is separated into four categories: tax credits, spending or grants, job training programs and loan programs. The amounts reported are estimates of the dollars claimed or awarded each fiscal year. For FY 2024-25, amounts are budgeted, authorized or projected and will differ from final amounts claimed or awarded.

Tax Credits

In FY 2023-24, **\$1.10 billion** of tax credits were claimed or awarded, an increase of \$302 million over the prior year. For FY 2024-25, **\$1.56 billion** is projected for these incentives.

Tax Credits and Other Incentives						
Tax Credits	Utilized or Awarded (\$ millions)					Est.
	19-20	20-21	21-22	22-23	23-24	24-25
Educational Improvement	\$175	\$180	\$210	\$299	\$417	\$540
Keystone Opportunity Zone (KOZ)	84	86	110	113	122	79
Child and Dependent Care Enhancement	--	--	--	26	95	125
Educational Opportunity Scholarship	34	54	54	61	77	90
Research and Development	47	55	46	38	77	60
Neighborhood Improvement Zone (NIZ)	61	47	69	59	74	75
Film Production	63	65	67	71	73	100
Neighborhood Assistance Programs	18	34	36	36	36	72
Military Infrastructure Revitalization Program	--	--	16	16	21	24
Coal Refuse Energy and Reclamation	17	11	15	16	20	55
City Revitalization and Improvement Zone (CRIZ)	8	10	9	12	17	19
Keystone Innovation Zone (KIZ)	15	15	15	15	15	15
Resource Enhancement and Protection	6	11	12	13	13	13
Beginning Farmers'	--	--	--	0	6	6
Entertainment and Economic Enhancement	1	5	3	0	6	24
Historic Preservation Incentive	5	5	5	5	5	20
Brewers' Tax Credit	3	2	3	4	5	5
Waterfront Development	0	1	2	5	5	5
Mixed-Use Development	3	3	5	5	5	5
New Jobs	3	3	14	2	4	7
Manufacturing Tax Credit	0	0	0	1	4	4
Airport Land Development Zones	--	--	--	0	2	5
Video Game Production	1	1	1	1	1	1
Pennsylvania Resource Manufacturing	0	0	0	0	0	65
Local Resource Manufacturing	--	--	--	0	0	57
Regional Clean Hydrogen Hubs	--	--	--	0	0	50
Semiconductor & Biomed. Manuf. & Research	--	--	--	0	0	20
Pennsylvania Milk Processing	--	--	--	0	0	15
Rural Jobs and Investment	0	0	0	0	0	6
Pennsylvania Housing	--	--	0	0	0	1
Subtotal	543	586	690	797	1,099	1,561

Program highlights include:

- In FY 2023-24, taxpayers claimed \$417 million in **Educational Improvement Tax Credits** (EITC) and \$77 million in **Educational Opportunity Scholarship Tax Credits** (OSTC). In total, utilization of Educational Tax Credits increased \$134 million from FY 2022-23. Act 55 of 2024 increased the program caps from \$470 million to \$540 million for the EITC program and from \$85 million to \$90 million for the OSTC program. The amounts listed for FY 2024-25 reflect the higher caps.
- Act 56 of 2024 implemented changes to various tax credit programs, including significant increases to annual caps. The **Historic Preservation Tax Credit** cap was increased from \$5 million to \$20 million, while the **Coal Refuse Energy and Reclamation Tax Credit** cap rose from \$20 million to \$55 million. The **Neighborhood Assistance Tax Credit** cap doubled from \$36 million to \$72 million. Additionally, the act permits \$50 million in new investment authority, \$30 million of which represents credit-eligible contributions, for the **Rural Jobs and Investment Tax Credit**.

State Spending and Grants

In FY 2023-24, over **\$585 million** was spent or allocated for economic development projects, an increase of \$56 million from the prior year. An estimated \$872 million is budgeted for economic development projects and grants in FY 2024-25 (See table on page 4.) Notable programs include:

- Distributions from the **Pennsylvania Race Horse Development Fund** (\$187 million) decreased by \$11 million (-5%) from FY 2022-23 to FY 2023-24. This 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 \$188 million in the current fiscal year.
- Fiscal year 2023-24 **Redevelopment Assistance Capital Program** payments (\$242 million) increased by \$75 million (45%) from the prior fiscal year. The Office of the Budget awards grants for the acquisition and construction of local economic, cultural, civic, recreational and historical improvement projects. In 2023, 403 projects were awarded over \$590 million in future commitments. The IFO projects \$200 million in payments for FY 2024-25; however, actual payments for FY 2024-25 will be based on reimbursement requests and cash availability.
- **Marketing for Tourists** expenditures increased by \$4 million (50%) from FY 2022-23 to FY 2023-24 as the state expanded its advertising campaign. The Department of Community and Economic Development (DCED) has nearly \$39 million available from all sources for the campaign in FY 2024-25.
- The Commonwealth Finance Authority (CFA) administers the **Business in Our Sites** program, awarding grants and loans for non-residential or recreational site development projects. No awards were made in FY 2023-24, a \$49 million decrease from the prior year. In FY 2024-25 nearly \$58 million is available to award.
- A new program, **PA SITES**, was included in the FY 2024-25 budget. Awards fund planning and construction grants and loans to develop competitive sites for businesses to relocate or expand within the state. Funding will be financed through a series of bond sales. In FY 2024-25, a maximum of \$225 million can be awarded to eligible projects.

Job Training Programs

In FY 2023-24, the Commonwealth spent **\$56 million** on programs dedicated to job training and workforce development. An estimated \$80 million has been approved for FY 2024-25. Highlights include:

- For FY 2023-24, nearly \$18 million was appropriated to the Department of Labor and Industry (DLI) job training programs, an almost \$7 million (58%) increase from FY 2022-23. Of that amount, \$3 million was for the **Apprenticeship and Training Office** and an additional \$4 million was for the **Schools to Work** initiative. These funds also support the **Industry Partnerships** program, which facilitate on-the-job training and industry cohorts sharing best practices.
- Beginning in FY 2024-25, the Commonwealth will offer the **Grow PA Scholarship Programs** (a combined \$25 million) for in-state and out-of-state students. Scholarship 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 receive an award.

State Loan Programs

In FY 2023-24, the Commonwealth approved nearly **\$36 million** in loans for economic development, an \$11 million (-24%) decrease from the prior year. The state's loan program budget is \$75 million for FY 2024-25. Highlights include:

- Loans issued through the **PIDA Loan Program** were \$21 million in FY 2023-24, a \$15 million (-42%) decrease from the prior year. These loans are budgeted for \$40 million in FY 2024-25.
- **Small Business First Loans** (\$10 million) increased by less than a million from the prior year and have a budgeted amount of \$23 million for FY 2024-25.

Notes

1. The estimates represent a mix of conventions and data sources. Most tax credit data were 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 DCED. Figures for certain tax credits and spending programs that were not available from either agency are from the FY 2024-25 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, Organ and Bone Marrow Donation, Qualified Manufacturing Innovation & Reinvestment Deduction and the Strategic Development Areas 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 Agriculture and Farm Products Show Fund.

Tax Credits and Other Incentives (Continued)

	Spending (\$ millions)					Est.
	19-20	20-21	21-22	22-23	23-24	24-25
State Spending or Grants						
Re devel. Assistance Capital Program	\$140	\$101	\$100	\$167	\$242	\$200
PA Race Horse Development Fund	164	177	206	198	187	188
PA SITES	--	--	--	--	--	225
Gaming, Economic Devel. & Tourism Fund	26	26	35	51	56	50
Historically Disadvantaged Businesses	--	--	--	--	20	20
BFTDA - Challenge Grants	15	15	15	16	16	16
Sports Marketing and Tourism	--	--	--	0	15	10
Marketing to Attract Tourists (advertising)	6	3	9	8	11	39
Building PA (CFA)	6	0	0	0	7	1
Infrastructure and Facilities Improvement	11	8	8	10	7	10
PA First	12	12	13	15	7	30
Office of International Business Development	6	5	5	6	7	7
BFTDA - Venture Investment	3	9	7	3	4	3
Life Sciences Greenhouses	3	3	3	2	3	3
Infrastructure Technical Assistance	2	1	3	2	3	3
Marketing to Attract Business	5	3	2	2	1	4
Business in Our Sites (CFA)	10	17	0	49	0	58
PIDA Industrial Parks	5	5	0	2	0	5
PA Dairy Investment Program (CFA)	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	417	382	404	530	585	872
Job Training Programs						
Labor and Industry	13	11	11	11	18	20
Manufacturing PA	12	12	12	12	14	13
Partnerships for Regional Economic Perf.	13	7	10	11	12	11
WedNet	7	8	11	10	10	8
Foundations in Industry	--	--	--	--	3	3
Grow PA Scholarships	--	--	--	--	--	<u>25</u>
Subtotal	44	38	44	44	56	80
State Loan Programs						
PIDA Loan Program	24	26	21	36	21	40
Small Business First Loans	68	6	7	9	10	23
Machinery and Equipment Loans	5	13	3	1	5	11
Minority Business	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>
Subtotal	99	46	31	47	36	75

Staff Acknowledgements

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