Fast Facts

PEP! (Promoting Employment across Pennsylvania)

House Bill 2626

Introduced by Rep. Kerry Benninghoff

What is PEP!?

- PEP! is a tax incentive program to encourage out-of-state employers to relocate to Pennsylvania.
- PEP! is modeled after a successful program that has already been established in Kansas.

How Would PEP! Work?

- Employers that qualify for the incentive, relocate to Pennsylvania and create jobs in the Commonwealth would be able to keep 95 percent of the state Personal Income Tax (PIT) withholding that they would otherwise have to remit to the state on behalf of their workers. The Commonwealth would still see a rise in PIT revenue, as it would receive the remaining 5 percent of the new PIT dollars.
- The newly relocated employers would still pay the following taxes:
  - State Corporate Net Income Tax or PIT (depending on whether an employer files as a corporation or a small business).
  - State Sales and Use Taxes (SUT).
  - 5 percent of the state PIT the companies withhold on behalf of their employees.
  - Local school district property taxes.
  - Local municipal property taxes.
  - Local sales taxes.
  - Local personal income taxes withheld on behalf of employees.
- Employers that participate in the program would have to hire a minimum number of new employees.
  - The minimum number of employees – which would range from between 5 and 15 – would be determined based on the county in which the employer is locating.
- The number of years the employer would be eligible for the tax incentive would be determined based on the wages it pays its employees in comparison to the average wage paid to workers in the county in which the new jobs are located.
- Companies that qualify would have to apply to the Department of Community and Economic Development (DCED), which would have the authority to review and approve applications and then enter into agreements with employers that are approved to participate in PEP!.
  - DCED would be responsible for verifying each year that participating companies have maintained their eligibility.
  - DCED also would be responsible for collecting information about the number of new jobs created through PEP! and the gross wages being paid to each new employee.

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How Would PEP! Affect the Commonwealth's Budget?

- PEP! would add to existing state revenues by attracting new employers, which would contribute to the state through the (SUT), employer PIT or CNI Tax, and a portion of the employee PIT the company would remit to the Commonwealth.

Which Companies Would Qualify for PEP!?

- In order to participate in PEP!, and employer would need to:
  - Relocate an existing business facility, office, department or other operation and the jobs associated with it to Pennsylvania.
  - Provide health insurance to full-time employees and pay at least 50 percent of the health insurance premium.
  - Be a for-profit entity.

Which Companies Would Not Qualify for PEP!?

- Retail stores – such as department stores, retailers in strip malls and others – would not qualify for PEP!.
- Public administration and educational services employers would not qualify for the tax incentive.
- Utility companies – such as electricity providers, natural gas suppliers and oil deliverers – would not qualify for PEP!.
- Food service companies and drinking places, including restaurants and bars, would not qualify for the incentive.
- Companies that have filed for or announced their intent to file for bankruptcy would be ineligible for PEP!.
- Companies that are delinquent in the payment of any taxes or any other payments to the federal government, Pennsylvania state government or a municipal government in Pennsylvania.

BEWARE the MYTHS about PEP!

The following accusations against PEP! are patently false for the reasons that follow them:

- PEP! would *"cost"* the Commonwealth money.
  - PEP! would actually add to state and local revenues through all of the means listed under the second bullet point in the section "How Would PEP! Work?"

- Pennsylvania simply can't *"afford"* PEP! right now.
  - PEP! would bring additional revenues to cash-strapped school districts and municipal governments while also adding to the Commonwealth's revenues. Pennsylvania can't afford NOT to implement PEP! right now.

- PEP! is a *"tax break"* for *"big businesses."*
  - PEP! would provide a tax incentive to an employer that – depending on the county it relocates to – brings as few as five new jobs with it.