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**Authority**

The provisions of this Chapter 135 issued under section 2501-C of The Administrative Code of 1929 (71 P. S. § 670.101); and the Neighborhood Assistance Act (62 P. S. §§ 2081—2089), unless otherwise noted.

**Source**

The provisions of this Chapter 135 adopted November 29, 1967; amended August 18, 1972, effective August 19, 1972, 2 Pa.B. 1565; renumbered from 16 Pa. Code Chapter 15, May 16, 1997, effective May 17, 1997, 27 Pa.B. 2415. Immediately preceding text appears at serial pages (223415) to (223424), (224577) to (224578), (223427) to (223428), (224579) to (224580), (223431) to (223434), (224581) to (224582), (223437) to (223438).

**GENERAL PROVISIONS**

**§ 135.1. Definitions.**

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

*Act*—The Neighborhood Assistance Act (62 P. S. §§ 2081—2089).

*Agricultural enterprise*—An enterprise which is engaged in business related to farming, agricultural endeavors or other related businesses and services supporting the development of agriculture, which by virtue of its size requires substantial capital and which by its nature and size has created or will create substantial employment opportunities.

*Business firm*—A business entity authorized to do business in this Commonwealth and subject to taxes imposed under Article IV, VI—X or XIII—XVI of the Tax Reform Code of 1971.

*Commercial enterprise*—An enterprise other than an agricultural, manufacturing, research and development or industrial enterprise which by its nature or size requires substantial capital and which by its nature or size has created, or

offers reasonable likelihood of creating substantial employment opportunities. The term includes things such as wholesale, retail and other mercantile activities, office buildings, hotel or motel structures, shopping centers, department stores and facilities for international, national and regional headquarters, if with respect to redevelopment under a redevelopment proposal, there is no requirement concerning substantiality of capital or substantiality of creation of employment opportunities.

*Community economic development*—The construction or rehabilitation of commercial or industrial buildings which will result in employment opportunities for low-income individuals, or the construction of residential housing for low- and moderate-income persons.

*Community services*—Counseling and advice, emergency assistance or medical care furnished to individuals or groups in an impoverished area.

*Crime prevention*—An activity which aids in the reduction of crime in an impoverished area.

*Education*—Scholastic instruction or scholarship assistance to an individual who resides in an impoverished area that enables the individual to meet educational requirements for available employment or otherwise prepare for better life opportunities. For purposes of this program, the term does not include programs providing normal or routine educational needs—through grade school, high school, college—but may include demonstration, model or innovative programs which fulfill the purposes of the act, including literacy programs.

*Enterprise zone*—A specific location with identifiable boundaries within an impoverished area which is designated as an enterprise zone by the Secretary.

*Enterprise Zone Tax Credit Program*—A program administered by the Department under the act, which provides tax credits to private companies which make qualified investments to promote community economic development by rehabilitating, expanding or improving buildings or land in an enterprise zone.

*Impoverished area*—An area in this Commonwealth which is certified as impoverished by the Department on the basis of Federal census studies and current indices of social and economic conditions.

*Industrial enterprise*—An enterprise other than a mercantile, commercial or retail enterprise which by virtue of its size requires substantial capital and which by its nature and size has created or will create substantial employment opportunities. The term may include warehouse and terminal facilities and office buildings utilized as national or regional headquarters for the enterprise or as computer or clerical operations centers, if they require substantial capital and have or will create substantial employment opportunities.

*Job training*—Instruction for individuals residing in impoverished areas which enables them to acquire vocational skills so that they may become employable or be able to seek a higher grade of employment.

*Low-income individual*—An individual with an income equal to or less than 125% of the poverty income guidelines as published annually by the Federal Office of Management and Budget.

*Manufacturing enterprise*—An enterprise which is engaged in the giving of new shapes, new qualities or new combinations to matter by the application of skill and labor.

*Neighborhood assistance*—The furnishing of financial assistance, labor, material or technical advice to aid in the physical improvement of a part or all of an impoverished area.

*Neighborhood organization*—A nonprofit organization approved by the Department which performs community services, offers neighborhood assistance, provides job training, education or crime prevention or promotes community economic development in an impoverished area, and which holds a ruling from the Internal Revenue Service that the organization is exempt from income taxation under the provisions of the Internal Revenue Code.

*Normal course of business*—Those acts which are engaged in by a business firm with a view toward winning financial gain.

*Private company*—An agricultural, industrial, manufacturing, commercial or research and development enterprise.

*Qualified investments*—Investments made by a private company which promote community economic development under a plan developed in cooperation with and approved by a neighborhood organization operating under a plan for the administration of tax credits approved by the Department.

*Research and development enterprise*—An enterprise for the discovery of new and the refinement of known substances, processes, products, theories and ideas. The term does not include activities directed primarily to the accumulation or analysis of commercial, financial or mercantile data.

*Secretary*—The Secretary of the Department.

#### Source

The provisions of this § 135.1 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected June 12, 1981, effective May 16, 1981, 11 Pa.B. 2047; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (67481) to (67482).

### § 135.2. Purpose of the Neighborhood Assistance Act.

The purpose of this chapter is to define the eligibility requirements and procedures necessary to provide tax credits under the Neighborhood Assistance Program to business firms which provide neighborhood assistance, job training, community services, education and crime prevention or which contribute to neighborhood organizations which provide the services. This chapter also defines the eligibility requirements and procedures necessary to provide tax credits under the Enterprise Zone Tax Credit Program to private companies which make qualified investments to rehabilitate, expand or improve buildings or land which pro-

mote community economic development and which occur in portions of impoverished areas that have been designated as enterprise zones.

**Source**

The provisions of this § 135.2 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial page (67482).

**§ 135.3. Objectives of the act.**

(a) One objective of the act is to encourage private business firms as defined in the act to provide private capital as described in the act to generate, provide or establish projects which will improve impoverished neighborhoods by providing job training for both the unemployed and the underemployed, education, community services and crime prevention and by enhancing the living conditions of people in impoverished areas.

(b) Another objective of the act is to encourage private companies to invest in physical improvements in enterprise zones that result in community economic development.

(c) The goal of the act is to directly involve business firms in assisting and improving impoverished communities. The act provides for a wide range of innovative projects by offering a business firm the option of sponsoring its own project in the community or contributing to a nonprofit neighborhood organization. The purpose of the act is to help impoverished individuals or neighborhoods, or both, by using the business firm's technical assistance abilities or resources, or both.

(d) The act is not intended to replace or lower the local effort by business and industrial firms in their usual contributions to nonprofit organizations. Projects which fail to clearly differentiate between the two types of assistance will not be considered.

**Source**

The provisions of this § 135.3 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 3512; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial page (64154).

**IMPOVERISHED AREAS**

**§ 135.11. Designation of impoverished areas.**

For the purpose of the Neighborhood Assistance Program and the Enterprise Zone Tax Credit Program, the Department will certify as impoverished those basic census units, parts of census units or combinations of adjacent census units which, in comparison to Statewide averages, have high incidence of any of the following social conditions:

- (1) Persistent unemployment or underemployment.

- (2) Dependence upon public assistance.
- (3) Overcrowded, unsanitary or inadequate housing.
- (4) Crime and delinquency.
- (5) [Reserved].
- (6) Disease or disability.
- (7) Infant mortality.
- (8) School dropouts or other evidence of low educational attainment.
- (9) Other generally accepted indicators of widespread social problems or poverty conditions.

**Source**

The provisions of this § 135.11 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (64154) to (64155).

**Cross References**

This section cited in 12 Pa. Code § 135.13 (relating to new designations).

**§ 135.12. [Reserved].**

**Source**

The provisions of this § 135.12 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (6809).

**§ 135.13. New designations.**

Proposals concerning areas not presently certified as impoverished shall contain supporting evidence as to social conditions specified in § 135.11 (relating to designation of impoverished areas) in order to have the area certified as impoverished.

**Source**

The provisions of this § 135.13 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (6809).

**ADMINISTRATION OF PROGRAM**

**§ 135.21. General.**

- (a) The program will be administered by the Office of Community Services.
- (b) The Office of Community Services will provide advice and assistance to businesses and neighborhood organizations and aid in the development of projects, processing of applications and arranging for the tax credits which are authorized for businesses participating in the program.

**Source**

The provisions of this § 135.21 amended October 10, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected October 10, 1981, effective May 16, 1981, 11 Pa.B. 3512; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial page (82855).

**§ 135.22. Submission of proposals.**

(a) Proposals may be submitted to the Department under the Neighborhood Assistance Program by either of the following:

(1) Business firms which provide neighborhood assistance, job training, community services, education or crime prevention.

(2) Neighborhood organizations seeking authorization to solicit tax credited contributions from business firms for projects which are operated by the neighborhood organizations and which provide neighborhood assistance, job training, community services, education or crime prevention.

(b) Prior to the start of any project or the solicitation of funds, proposals for projects must be submitted on the Community Empowerment Office's Proposal Format and approved by the Secretary.

(c) Proposals shall be submitted in accordance with the following procedure:

(1) Five copies of the proposal shall be submitted to the appropriate regional office of the Department.

(2) The time frame for proposal submission will be announced by the Department annually and at such times as deemed necessary by the Department.

(3) The Department will respond to the submission of the applicant within 90 days from the date of submission.

**Source**

The provisions of this § 135.22 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended June 24, 1983, effective June 25, 1983, 13 Pa.B. 1994. Immediately preceding text appears at serial pages (64156) to (64157).

**Cross References**

This section cited in 12 Pa. Code § 135.41b (relating to special program priorities).

**§ 135.23. Review of proposals.**

(a) Review procedures will be conducted through the regional offices of the Department. Recommendations by the regional offices and by the Community Empowerment Office's central office will be presented to the Secretary.

(b) The Secretary will approve or disapprove the project and establish the amount of tax credit to be granted up to 50% of the approved budget request. Approval may be for 70% of the approved budget request if the project meets the conditions specified in § 135.41b (relating to special program priorities).

(c) Projects are approved for a 1-year period, corresponding with the fiscal year of the Commonwealth. Approval of any project is effective as of the effective date of the approval.

tive date of the contract between the Department and the business firm or neighborhood organization. Approved project activities of business firms and neighborhood organizations and the solicitation of contributions by neighborhood organizations for approved project activities shall begin after the effective date of the contract.

**Source**

The provisions of this § 135.23 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended June 24, 1983, effective June 25, 1983, 13 Pa.B. 1994; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial page (82856).

**§ 135.24. Annual review.**

(a) Business firms and neighborhood organizations desiring renewal for additional years shall submit their proposals through the appropriate regional office a minimum of 3 months prior to expiration of the Department's contract. The project's performance during previous years will be evaluated by the Department in its decision to approve or disapprove a renewal application.

(b) A new proposal shall be submitted for renewal each year.

(c) Organizations whose solicitation efforts would extend beyond 1 year, as in the case of corporate pledges, must indicate the total amount of effort to be extended and the duration of the effort. However, project approval will only be granted on the first year's effort which must be clearly defined and budgeted.

(d) Neighborhood organizations shall submit a report on the amount of cash and in-kind or technical assistance contributions received by business and industrial firms at the end of the year. An audit for approved projects operated during the year shall also be submitted to the Department within 90 days after the termination of the contract between the Department and the neighborhood organization. One copy of the audit and report shall be sent to the regional office, and a second copy shall be sent to the central office.

(e) Business firms operating an approved program shall submit an audit of the project within 90 days after the termination of the contract between the Department and the business firm. One copy of the audit and report shall be sent to the regional office, and a second copy shall be sent to the central office.

(f) The cost of the audit required in subsections (d) and (e) will be considered an eligible budget cost.

**Source**

The provisions of this § 135.24 adopted May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (82856), (64158) and (62208).



**§ 135.31. [Reserved].****Source**

The provisions of this § 135.31 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial pages (44398) to (44399).

**§ 135.32. [Reserved].****Source**

The provisions of this § 135.32 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial pages (44399) to (44400).

**§ 135.33. [Reserved].****Source**

The provisions of this § 135.33 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (44400).

**§ 135.34. [Reserved].****Source**

The provisions of this § 135.34 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial pages (44400) to (44401).

**§ 135.35. [Reserved].****Source**

The provisions of this § 135.35 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (44401).

**TAX CREDITS****§ 135.41. Amount.**

(a) If the projects of a business firm or a neighborhood organization have been approved, the Department of Revenue will grant a tax credit against tax which may be due from a business firm under Article IV, VI—X or XIII—XVI of the Tax Reform Code of 1971 (72 P. S. §§ 7401—7412, 7601—8006 or 8301—8632).

(b) A business firm which administers or contributes to an approved project may not receive more than \$250,000 tax credit annually.

(c) Tax credits will not be given to a business firm whose contributions are granted for activities that are a part of its normal course of business.

(d) A tax credit not used in the period the investment or the contribution was made may be carried over the next 5 succeeding calendar or fiscal years until the full credit has been allowed if the certification for credit has been requested

through the Department within 6 months after the end of the Commonwealth's fiscal year for which the project was approved.

(e) Approval for the allowance of tax credits will be granted to business firms and neighborhood organizations for 1 year only. Future tax credits will depend on the project being reapproved in a subsequent year.

(f) No credit will be given for funds expended or contributions received prior to the date of approval by the Secretary.

#### Source

The provisions of this § 135.41 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (62208) to (62209).

### § 135.41a. Tax credits for capital construction campaigns.

(a) A capital construction campaign is the raising of funds for the construction or permanent improvement to property or the purchase of furniture or equipment to be used in the neighborhood organization's facility.

(b) Capital construction campaign programs may be approved generally for up to a 3-year period. In addition, each year of the 3-year period shall be approved individually.

(c) Capital campaigns for the construction of buildings which are intended to provide in-patient overnight medical care may not be eligible under this program.

(d) A building not owned by a neighborhood organization to be renovated shall have a lease which would cover the useful life of the renovations.

(e) Capital campaign programs will only be approved up to \$150,000 tax credits per year or up to \$450,000 tax credits over an approved 3-year period, except by special approval by the Secretary.

(f) Capital campaigns may only be submitted for work to be accomplished.

(g) Campaign expenses such as fund raisers, materials, ads, rentals and the like may not be included as program costs.

(h) Costs incurred under the program shall be for construction-related costs only. Payment of interest on loans will not be considered.

(i) Capital construction projects shall provide appropriate plans and costs.

(j) In order for an organization which provides community-wide services to be eligible for tax-credited contributions for capital construction campaigns, the organization must provide specific programs for low income individuals. The programs shall be the type eligible under the act. The proposal of the organization shall include the following information in addition to other application requirements: a description of the program aimed towards low-income individuals; a statement of the number of individuals who are being served or who will be served by the program for low-income individuals; a statement as to how the capital construction will relate to the program for low-income individuals, that is how the new facility will be used in the program; and a statement of the total

number of individuals who are being served or who will be served by the organization. The number of individuals served by the specific program for low-income individuals will be compared to the total number of individuals served by the organization to determine the percentage of low-income individuals aided by the organization. The tax credit for the capital construction campaign will then be determined by prorating the entire cost of the capital construction, excluding ineligible costs under this chapter, to the percentage of low-income individuals served by the organization. The amount of tax credits under this subsection will be subject to the limitations set forth in this chapter.

**Source**

The provisions of this § 135.41a adopted May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected May 15, 1981, effective May 16, 1981, 11 Pa.B. 2047.

**§ 135.41b. Special program priorities.**

For Fiscal Year 1997-98, the special program priorities will be accepted in four categories: Community Development, Comprehensive Services, Affordable Housing Programs and Enterprise Zone Programs. Projects in each category shall relate to activities which will improve the physical and economic environment of low income neighborhoods or which will contribute to neighborhood stabilization by reversing patterns of deterioration and blight. The projects shall demonstrate the local commitment through partnerships of community based organizations, local government and the private sector. The following paragraphs set forth the requirements for the project to be eligible for tax credit valuation of 70%.

- (1) *Community development program.* Required program characteristics include the following:
  - (i) Project activities are eligible for the 50% tax credit program.
  - (ii) Project activities shall be included in a community development plan for the prevention or elimination of physical blight and for educational, social and economic services to aid impoverished people within an urban neighborhood or rural community. A community development project shall include the components of clauses (A) and (B), and two of the remaining components in clauses (C)—(F).
    - (A) *Job development—examples.*
      - (I) Prevocational counseling of special supportive services for job related problems, such as transportation services, health examinations, social services and training stipends.
      - (II) Strong training components that emphasize learning habits and skills that are transferable to private employment.
      - (III) Activities which support the birth and expansion of small businesses. These activities shall assist the development of small businesses by providing valuable management skills, thereby increasing the effectiveness of community conservation efforts.

(IV) Activities which redirect the older displaced workers through retraining programs.

(V) Job training which will give low income and minority youth the opportunity to gain initial entry level work experience.

(B) *Housing examples.* Activities which reverse the decline of neighborhoods without displacement of residents, such as:

(I) Housing rehabilitation.

(II) Historic and neighborhood preservation.

(III) Development of low or moderate income housing.

(IV) Incentives for greater private investment in neighborhood housing.

(V) Housing rehabilitation activities with an emphasis on energy conservation such as the installation of energy conserving heating systems and furnace retrofits.

(C) *Education—examples.*

(I) Activities which improve the quality of the labor force through focus on vocational education.

(II) Programs to enhance employment opportunities for youth and minorities by improvement in general education through focusing on the applied sciences and technology, career counseling and placement services.

(III) General education and continuing education changes which aid in the retraining of older displaced workers.

(D) *Health—examples.*

(I) Health facilities.

(II) Treatment and rehabilitation centers such as those for victims of drug and alcohol abuse.

(E) *Recreation—examples.*

(I) Improvement of nonmunicipal recreational facilities that benefit impoverished persons.

(II) Improvement of nonmunicipal recreational facilities that physically improve impoverished areas.

(F) *Social—examples.*

(I) Activities which increase the availability of basic human services.

(II) Activities which support the development of human resources that will aid new economic growth and conserve the community.

(2) *Affordable housing programs.* Applicants shall be limited to nonprofit neighborhood organizations who produce or preserve through renovation, repair, rehabilitation or new construction affordable housing for low-income persons meeting the following requirements:

(i) Project activities shall be eligible for the 50% tax credit programs as set forth in § 135.22 (relating to submission of proposals).

(ii) Project activities shall benefit low income persons whose family income is no more than 125% of the official poverty line established by the Federal Office of Management and Budget.

(iii) Project activities shall demonstrate the development of local housing partnerships through community based organizations, local government and the private sector.

(iv) An applicant who meets the eligibility requirements of subparagraphs (i)—(iii) shall submit a plan for low-income housing rehabilitation, new residential construction or housing consultant support services for low-income persons, which contains the following provisions:

(A) Demonstration that upon completion of construction or rehabilitation of low-income rental housing units, rental costs may not exceed 30% of the renters' adjusted gross income.

(B) Following the investment of tax credit supported contributions, a provision that the nonprofit organization may not, without Departmental approval, sell, lease or otherwise exchange property constructed, rehabilitated or supported by tax credits.

(C) A nondiscrimination clause which includes a provision that both housing and employment opportunities will be provided to minorities.

(D) A nondiscrimination clause providing that developers, contractors and subcontractors shall also be bound by the clause which extends employment opportunities to minorities and which is consistent with the nondiscrimination clause in § 135.51 (relating to nondiscrimination).

(E) Neighborhood organizations and business firms shall ensure that the opportunity for participation in contracts, subcontracts and service delivery is extended to minority and women owned firms for projects carried out under this program.

(v) Projects shall be responsive to members of rural community or urban neighborhoods. Applicants shall demonstrate the participation of low-income persons in the development of the proposed project. Applicants shall document low-income participation in project proposals submitted to the Department.

(vi) The proposed project shall include a plan to increase the availability of low-income housing in the affected community. Projects aimed at revitalizing housing shall be based on a survey that clearly provides evidence of distressed and blighted neighborhoods.

(vii) Projects shall include a significant commitment beyond contributed cash and materials, as follows:

(A) Managerial services such as accounting or financial management.

(B) Donation of full-time special personnel such as architects to assist in developing blue prints for constructions.

(viii) Projects shall be specifically designed to be able to demonstrate a significant leveraging effect on public and private resources to support projects. Examples include their ability to:

(A) Generate additional funds from other sources to aid in alleviating the problem of insufficient housing for low-income persons in the community.

(B) Generate community support by involvement of local residents in the planning process.

(C) Coordinate other activities with other organizations conducting similar housing programs.

(3) *Enterprise Development Zone Programs.* A project which is participating in Enterprise Zone Programs may be eligible for 70% tax credits. Enterprise zones are identified areas of disadvantaged communities designated by the Department under the Enterprise Zone Program. The program is described in a policy statement in Chapter 121 (relating to enterprise development area initiative—statement of policy). These areas involve private/public partnerships designed to enhance the economic climate and lead to new job creation. A project pertaining solely to land and building rehabilitation or improvement of public infrastructure which may receive tax credits under The Enterprise Zone Tax Credit Program under section 4 of the act (62 P. S. § 2084) may not be eligible for 70% tax credits under this section. To be eligible for 70% tax credits in an enterprise zone, a program shall meet the following requirements. A project activity shall:

(i) Be eligible for the 50% tax credit program in § 135.22.

(ii) Directly benefit residents of the enterprise zone.

(iii) Be developed in consultation with the enterprise zone coordinator for the designated enterprise zone.

(4) *Comprehensive service programs.* A program that proposes to transform a distressed community into a healthy stable community through the long-term joint efforts of a neighborhood/community organization and a major corporate sponsor for the development and implementation of a strategic neighborhood revitalization plan. Required program characteristics include the following:

(i) Program activities are eligible for the 50% tax credit program in § 135.22.

(ii) Program activities shall benefit low income persons whose family income is no more than 125% of the official poverty line established by the Federal Office of Management and Budget or who are residents of an economically distressed community, or both. The distressed community shall be specified by geographic boundaries in the plan.

(iii) The program shall have a major corporate sponsor who makes a significant commitment of contributed cash as well as other in-kind services such as financial advice, legal counsel, public relations, architectural assistance, managerial advice or other expertise that may be available within its corporate structure.

(iv) The program shall include the following components and goals for the economically distressed neighborhood:

(A) *Housing*. This component substantially improves housing for residents and provide for them both ownership and rental opportunities.

(B) *Education*. This component raises the educational and job readiness levels of community residents.

(C) *Health and social services*. This component builds the capacity of community/neighborhood based organizations and works creatively with county and State agencies so that social and health services are available for all residents including senior citizens and children.

(D) *Community development*. This component encourages and assists neighborhood based community development, particularly along the commercial districts, which will create jobs for area residents.

(E) *Job training*. This component creates job training and referral services for adults and young people, including summer job programs for “in-school” youth.

(F) *Crime prevention*. This component develops, in cooperation with State and local law enforcement agencies, local school districts, county and State health departments, an educational program for drug prevention and anti-violence initiatives.

(G) *Community participation*. This component enhances volunteer recruitment, training, placement and recognition to support comprehensive service project coalitions so that every resident becomes an active and effective citizen.

(v) The program shall include a comprehensive service plan that contains four essential components for the revitalization of a distressed neighborhood.

(A) *Community partnerships*. This component explains how community/neighborhood based organizations will transform a distressed neighborhood into a healthy community by creating significant and lasting partnerships among community based organizations, the private sector, and local and State government and the respective resources available.

(B) *Strategic neighborhood revitalization plan*. This component is designed to provide a cohesive, coordinated plan of action, with strong community support for the project. The plan should include an assessment of needs, identification of resources, assignment of priorities and determination of appropriate course of action and be organized to support a plan of action over a minimum of a 5-year period.



(C) *Implementation of revitalization plan.* This component sets forth the neighborhood's/community's vision for the future and identifies specific activities and resources needed to accomplish the tasks.

(D) *Evaluation.* This component establishes an assessment mechanism for measuring the status and progress of proposed activities in meeting the overall comprehensive service goals for the revitalization of the distressed community.

(vi) The program shall include a detailed budget that is a coordinated plan of financial action that supports the development and implementation of the proposed revitalization plan for the community/neighborhood.

(5) *Limitations.* During Fiscal Year 1997-98, the Department will allocate no more than \$1.3 million of the available tax credits for valuation at 70%. No more than \$1 million dollars of the tax credits will be allocated to the combined applicants for Community Development and Affordable Housing Projects, and no more than \$300,000 will be awarded for Comprehensive Service Programs. Approval of projects under special program priorities will be contingent upon the availability of tax credits.

(6) *Applicability.* The special program priorities in this section are applicable to programs implemented during Fiscal Year 1997-98.

#### Source

The provisions of this § 135.41b adopted May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected November 13, 1981, effective November 14, 1981, 11 Pa.B. 4038; amended May 14, 1982, effective July 1, 1981, 12 Pa.B. 1561; amended June 24, 1983, effective July 1, 1982, 13 Pa.B. 1994; amended March 22, 1985, effective July 1, 1983, 15 Pa.B. 1076; amended July 3, 1986, effective immediately and will apply retroactively to July 1, 1985, 16 Pa.B. 2403; amended July 31, 1987, effective July 1, 1986, 17 Pa.B. 3207; amended August 19, 1988, effective upon publication and apply retroactively to July 1, 1987, 18 Pa.B. 3684; amended February 17, 1989, effective upon publication and apply retroactively to July 1, 1988, 19 Pa.B. 635; amended June 8, 1990, effective upon publication and apply retroactively to July 1, 1989, 20 Pa.B. 3056; amended June 29, 1990, effective June 30, 1990, 20 Pa.B. 3592; amended January 25, 1991, effective immediately and apply retroactively to July 1, 1990, 21 Pa.B. 359; amended November 27, 1991, effective November 30, 1991, 21 Pa.B. 5510; amended May 8, 1992, effective May 9, 1992, 22 Pa.B. 2449; amended November 19, 1993, effective November 20, 1993, 23 Pa.B. 5528; amended July 7, 1995, effective July 8, 1995, 25 Pa.B. 2718; amended December 6, 1996, effective December 7, 1996, 26 Pa.B. 5886; amended January 3, 1997, effective January 4, 1997, 27 Pa.B. 18; amended October 2, 1998, effective October 3, 1998, 28 Pa.B. 4893. Immediately preceding text appears at serial pages (231059) to (231064).

#### Cross References

This section cited in 12 Pa. Code § 135.23 (relating to review of proposals).

### § 135.42. Computation.

(a) *Contribution of property.* Where the contribution consists of real or personal property, the value thereof will be determined by the Secretary by considering the amount normally allowed by the Internal Revenue Service as a charitable deduction for Federal income tax purposes by considering any other



accepted business or accounting standards. However, where a greater value than that normally allowed as a contribution by the Internal Revenue Service is claimed by the applicant as a contribution to a qualifying neighborhood assistance project, the applicant shall support such value by documentation, which in the case of real property, shall include two separate and independent appraisals by qualified appraisers selected by the contributing business firm. The Department will review these appraisals as part of the project review for which the contribution of real property is intended. If the project is approved for tax credit, the actual costs of the appraisals may be included in the project costs for which tax credit is allowable with respect to the contributing business firm. Where there is a conveyance of real property for tax credits, the transfer tax may be included in the project cost. Where the business firm does not transfer full title to the real or personal property but merely grants the use thereof to the approved program, the tax credit shall be computed on the basis of the annual rental value as set forth in the written lease between the neighborhood organization and the contributor.

(b) *Contributions in kind.* When business firms make an in-kind contribution to neighborhood projects in the nature of operating supplies or maintenance, tax credits will be granted on the net cost of the items to the donor. Invoices or other documents showing proof of cost to the donor shall be submitted with the application for tax credits.

(c) *Contributions of personnel.* The cost of a business firm loaning personnel to a neighborhood organization in order to provide expertise and technical assistance will be considered contributions and will be eligible for a tax credit. Personnel time shall be prorated on an hourly wage and other benefits from the firm. The exact amount of time spent on the project shall be indicated and noted by the employe and signed by the neighborhood organization.

**Source**

The provisions of this § 135.42 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected June 12, 1981, effective May 16, 1981, 11 Pa.B. 2047. Immediately preceding text appears at serial pages (6815) to (6816).

**§ 135.43. [Reserved].**

**Source**

The provisions of this § 135.43 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (6816).

**§ 135.44. Proof of contribution.**

(a) For a business firm to receive a tax credit for a contribution under the act, the business firm shall submit an application on forms provided by the Department with documentation of the contribution.

(b) Documentation of the contribution may include, but not necessarily be limited to, one of the following:

(1) *Cash contribution.* Cash contributions may be shown by a photo copy of the cancelled checks. Checks shall be made payable to the neighborhood organization and noted specifically for that project.

(2) *Real estate contribution.* Real estate contributions may be shown by a copy of the deed and two independent appraisals.

(3) *Equipment and supply contributions.* Equipment and supply contributions may be shown by copies of invoices signed by the receiver of the goods. The invoices must reflect the net outlay of the contributor.

(4) *Technical assistance.* A statement itemizing time and rate spent on the project will be sufficient to indicate the technical assistance rendered. The statement shall be signed by the employe in question, the employer, the project director and the recipient of the service.

(5) *Manpower training.* Documentation shall include name, address, social security number, wages paid to each trainee and any approved costs incurred.

(6) *Stock contribution.* Stock contributions must be converted into cash before the agency receives the donation. Stock is to be sold and value derived on the amount received minus commission and tax. Consideration will not be given on the average stock cost.

**Source**

The provisions of this § 135.44 amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (121398) and (97459).

**§ 135.45. [Reserved].**

**Source**

The provisions of this § 135.45 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial page (6816).

**ADMINISTRATION OF THE ENTERPRISE ZONE  
TAX CREDIT PROGRAM**

**§ 135.46. General.**

(a) The Enterprise Zone Tax Credit Program will be administered by the Office of Community Services. The goal of the program is to create employment opportunities for low-income persons in enterprise zone areas through investment in community economic development projects.

(b) The Office of Community Services will provide advice and assistance to private companies and neighborhood organizations and aid in the development of projects, processing of applications and in arranging for the tax credits for which private companies participating in this program are eligible.

**Source**

The provisions of this § 135.46 adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937.

**§ 135.47. Submission of plans.**

(a) Plans shall be submitted to the Department under the Enterprise Zone Tax Credit Program by one of the following:

(1) Private companies proposing to make qualified investments to rehabilitate, expand or improve buildings or land located within portions of impoverished areas which have been designated as enterprise zones. Plans submitted by private companies shall be developed in cooperation with and approved by a neighborhood organization. The activities proposed may not detract from the existing enterprise zone area plan developed and approved under Chapter 121 (relating to enterprise development area initiative—statement of policy).

(2) Neighborhood organizations that are directly involved in the Department's designated enterprise zone program or that are involved in community economic development activities within the enterprise zone area. Plans submitted by neighborhood organizations shall include commitments from one or more private companies that will make qualified investments to rehabilitate, expand or improve buildings or land located within portions of impoverished areas which have been designated as enterprise zones.

(b) Prior to the start of a project, plans shall be submitted to the Community Empowerment Office and receive conditional approval by the Secretary in order to be eligible for tax credits under this section.

(c) Plans shall be submitted in the format announced by the Department and shall include:

(1) Documentation that the applicant—private company or a neighborhood organization—meets the eligibility requirements for the program.

(2) A description of the private company's planned activities to rehabilitate, expand or improve buildings or land including documentation of property ownership.

(3) Specific construction and renovation plans.

(4) Time frame for the planned activities for each fiscal year up to 2 years.

(5) Discussion of community economic development benefits for the enterprise zone and a commitment to avoid displacement of current residents.

(6) A budget that itemizes the construction and rehabilitation related project costs and contains an estimate of the amount of the investment that will be made during each fiscal year up to 2 years. Costs incurred and applied against this plan for tax credits shall be for construction related costs only. Costs may only be submitted for work to be accomplished.

(7) A certification by a neighborhood organization in the community that the private company's plan has been developed in cooperation with and approved by the neighborhood organization.

**Source**

The provisions of this § 135.47 adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937.

**§ 135.48. Review of plans.**

- (a) The Department will review plans in a timely fashion.
- (b) The Secretary will approve or disapprove a project based on the results of the Department's review and establish a maximum amount of tax credits to be granted.
- (c) Projects are approved for a 1-year period, corresponding with the fiscal year of the Commonwealth. Approved project activities of private companies, neighborhood organizations, or both, shall begin after the project receives approval from the Secretary.

**Source**

The provisions of this § 135.48 adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937.

**TAX CREDITS FOR THE ENTERPRISE ZONE  
TAX CREDIT PROGRAM**

**§ 135.49. Amount.**

- (a) If the investment of a private company or a neighborhood organization has been verified and a tax credit requested, the Department of Revenue will grant a tax credit against tax imposed under Article IV, VI—X or XIII—XVI of the Tax Reform Code of 1971, or a tax substituted in lieu of it.
- (b) A private company may not receive more than \$250,000 tax credits annually for the projects approved under this chapter.
- (c) A tax credit not used in the period the investment was made may be carried over the next 5 succeeding calendar or fiscal years until the full credit has been allowed. Tax credits shall be requested by the end of the fiscal year during which the credit was made.
- (d) Approval for the allowance of tax credits will be granted to private companies and neighborhood organizations for 1 year. Private companies may invest in the approved project for up to 2 years, if the original plan demonstrated the need to make the investment over a 2-year period and tax credits are requested at the end of the first year's investment. A request to continue the project into the second year may be submitted at that time.
- (e) No credit will be given for funds expended or investments made prior to the project date approved by the Secretary.
- (f) Tax credits will not be granted if the project results in displacement of residents, unless changes in neighborhood residential patterns demonstrably promote community conservation and positive measures will be taken to assist in or

minimize the cost of relocation of residents affected under a plan developed with and approved by a designated neighborhood organization.

(g) An enterprise zone shall be limited to 20% of the total tax credits available under this program.

**Source**

The provisions of this § 135.49 adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937; amended June 8, 1990, effective upon publication and apply retroactively to July 1, 1988, 20 Pa.B. 3056. Immediately preceding text appears at serial page (125686).

**§ 135.49a. Enterprise Zone Tax Credit Program—special program priorities.**

(a) *Applicability.* The special program priorities in this section are applicable to projects for the Fiscal Year 1997-98.

(b) *Special program priority status.* For the Fiscal Year 1997-98, special program priority status may be granted for projects that will provide employment opportunities for low-income residents of this Commonwealth, or enhance public facilities. If approved under this section, projects will receive tax credits equal to 30% of eligible project costs, up to the maximum amount approved by the Department. The Commonwealth will consider all 20% tax credit requests prior to consideration of 30% tax credit addendum requests for Fiscal Year 1997-98. To qualify for the 30% tax credit, projects shall submit an addendum that addresses the following requirements:

(1) A demonstration that jobs will be created for low-income individuals as a result of the investment made through the Enterprise Zone Tax Credit Program. Project activities shall:

(i) Create at least one job for low-income individuals for each \$15,000 of private investment.

(ii) Include coordination with a local private industry council, office of employment security or county assistance office to assure assistance in job placement of low-income individuals.

(2) A demonstration that the project will include construction of or substantial repairs to a publicly owned facility, for example, streets, sidewalks or street lights.

**Source**

The provisions of this § 135.49a adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937; amended June 8, 1990, effective upon publication and apply retroactively to July 1, 1988, 20 Pa.B. 3056; amended June 29, 1990, effective June 30, 1990, 20 Pa.B. 3592; amended January 25, 1991, effective immediately and apply retroactively to July 1, 1990, 21 Pa.B. 359; amended November 27, 1991, effective November 30, 1991, 21 Pa.B. 5510; amended May 8, 1992, effective May 9, 1992, 22 Pa.B. 2449; amended November 19, 1993, effective November 20, 1993, 23 Pa.B. 5528; amended July 7, 1995, effective July 8, 1995, 25 Pa.B. 2718; amended December 6, 1996, effective December 7, 1996, 26 Pa.B. 5886; amended January 3, 1997, effective January 4, 1997, 27 Pa.B. 18; amended October 2, 1998, effective October 3, 1998, 28 Pa.B. 4893. Immediately preceding text appears at serial pages (231069) to (231070).

**Cross References**

This section cited in 12 Pa. Code § 135.50 (relating to computation for the Enterprise Zone Tax Credit Program).

**§ 135.50. Computation for the Enterprise Zone Tax Credit Program.**

(a) If approved, projects will receive tax credits equal to 20% of eligible project costs, up to the maximum amount approved by the Department. Projects requesting consideration and approved under § 135.49a (relating to Enterprise Zone Tax Credit Program—special program priorities) will receive tax credits equal to 30% of eligible project costs.

(b) Tax credits will be granted for investments made to rehabilitate, expand or improve buildings, land or infrastructure according to the approved plan. Approval of tax credits is subject to verification of the value of the investment.

(c) An applicant for tax credits shall support the value of the investments made with documentation itemizing the expenditures.

**Source**

The provisions of this § 135.50 adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937.

**§ 135.50a. Documentation of investments.**

(a) Upon completion of the project or at the end of the fiscal year in which a tax credit is being sought, the private company shall submit to the Department documentation which verifies that the planned investment has been made. A financial audit of the project and a final report of the activities related to implementation of the plan shall be submitted.

(b) Documentation can only be submitted for those investments that were included in the approved plan. Documentation of the investment may include, but is not limited to, the following:

(1) *Cash contributions to an approved neighborhood organization.* Cash contributions may be evidenced by a photocopy of the cancelled check. Checks shall be made payable to the neighborhood organization and noted specifically for that project.

(2) *Purchase of materials, fixtures and equipment.* The purchase of materials, fixtures and equipment shall be demonstrated by a copy of invoices paid by the private company and signed by the receiver of the goods. The invoice shall be identified and associated with the approved project.

(3) *Employe wages and salaries.* Employe wages and salaries documentation shall include the name, address, social security number, hourly rate and number of hours assigned to this project.

(4) *Technical services.* Costs of engineering or architectural design, legal services, land clearance or similar services shall be documented by the fee for the service as shown on the provider's invoice, signed by the private company.

**Source**

The provisions of this § 135.50a adopted March 4, 1988, effective March 5, 1988, 18 Pa.B. 937.

**MISCELLANEOUS PROVISIONS****§ 135.51. Nondiscrimination.**

To participate in the program, the business firm and private company shall comply with the following requirements:

(1) The business firm or private company may not discriminate against an employe or applicant for employment because of race, sex, creed, color, age or national origin.

(2) The business firm or private company shall take affirmative action to ensure that applicants are employed, and that employes are treated during employment without regard to race, age, sex, creed, color or national origin. Affirmative action shall include, but not be limited to, employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship.

(3) The business firm or private company shall agree to post in conspicuous places, available to employes and applicants for employment, notices setting forth the provisions of this section.

(4) In solicitations or advertisements for employes placed by, or on behalf of the business firm or private company, it shall be stated that qualified applicants will receive consideration for employment without regard to race, sex, creed, color or national origin.

(5) The business firm or private company shall send to each labor union or representative of workers with which the firm or company has a collective bargaining agreement or other contract of understanding, a notice of the business firm's or private company's commitments under this section and shall post copies of the notice in conspicuous places available to employes and applicants for employment.

(6) In the event of the business firm's or private company's noncompliance with this section or with rules, regulations or orders relating to this section, the project may be cancelled, terminated or suspended in whole or in part and the business firm or private company may be declared ineligible for tax credit.

**Source**

The provisions of this § 135.51 amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937. Immediately preceding text appears at serial pages (97459) to (97460).

**Cross References**

This section cited in 12 Pa. Code § 135.41b (relating to special program priorities).

**§ 135.52. [Reserved].**

**Source**

The provisions of this § 135.52 reserved May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647. Immediately preceding text appears at serial pages (6817) to (6818).

**§ 135.53. [Reserved].**

**Source**

The provisions of this § 135.53 amended October 10, 1981, effective May 16, 1981, 11 Pa.B. 3512; amended March 4, 1988, effective March 5, 1988, 18 Pa.B. 937; reserved December 18, 1992, effective December 19, 1992, 22 Pa.B. 6028. Immediately preceding text appears at serial page (148046).

**§ 135.54. [Reserved].**

**Source**

The provisions of this § 135.54 amended March 18, 1977, effective March 19, 1977, 7 Pa.B. 747; amended November 25, 1977, effective August 12, 1977, 7 Pa.B. 3408; amended March 17, 1978, effective July 1, 1977, 8 Pa.B. 753; amended June 26, 1979, effective July 1, 1978, 8 Pa.B. 313; amended June 27, 1980, effective July 1, 1979, 10 Pa.B. 2574; amended May 15, 1981, effective May 16, 1981, 11 Pa.B. 1647; corrected November 13, 1981, effective November 14, 1981, 11 Pa.B. 4038. Immediately preceding text appears at serial pages (64162) to (64163).

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