FAQ

What can locating in a Keystone Opportunity Zone (KOZ) or Keystone Opportunity Expansion Zone (KOEZ) do for my company's bottom line?

The KOZ/KOEZ program can significantly reduce the cost of doing business through exemptions, deductions, abatements and credits of state and local taxes. Taxes waived by the KOZ/KOEZ include:

- State corporate net income tax.
- State capital stock and foreign franchise tax.
- State personal income tax.
- State sales and use tax.
- Local earned income/net profits tax.
- Local business gross receipts, business occupancy, business privilege and mercantile tax.
- Local real property tax.
- Local sales and use tax.

Q: WHAT ARE THE BASIC BENEFITS OF OPERATING A BUSINESS IN A KOZ/KOEZ?

All businesses will be exempt from state and local sales and use tax for property used, consumed, and utilized in a Zone. Businesses will also enjoy tax reductions, exemptions, abatements, or credits in corporate taxes, franchise taxes, financial institution taxes, income taxes, and real estate taxes.

Q: HOW DO I RECEIVE THESE TAX SAVINGS?

After receiving notification that your business is qualified to receive KOZ/KOEZ benefits, a Sales Tax Exemption certificate will be generated and sent to you. The sales tax exemption certificate is issued only to qualified businesses operating in a Zone.

Q: WHAT KIND OF COOPERATION WAS NEEDED TO INSTITUTE THE KOZ/KOEZ DESIGNATION?

The three local taxing jurisdictions (County, Municipality, School District) had to each agree on which properties in their communities they wanted designated as a KOZ/KOEZ. Furthermore, they had to pass appropriate ordinances and/or binding resolutions agreeing to waive, abate or exempt these taxes for a certain period of time. The Pennsylvania Department of Community and Economic Development approved the applications for the latest KOEZ in February 2012.

Q: WHAT ARE THE BENEFITS OF LIVING IN A KOZ/KOEZ?

People residing in a KOZ/KOEZ for a minimum of 184 consecutive days during a taxable year may be permitted a credit upon filing their KOZ/KOEZ PA Personal Income Tax return, as well as relief from local Earned Income Tax. The credit applies to state income tax on: compensation and wages, dividends, interest, income from estates and trusts, net income earned from business conducted in a zone, net gains from the sales or dispositions of real estate or tangible personal property within a zone or intangible personal property or the net gains or income from rentals of the real estate or tangible personal property in a KOZ/KOEZ. You need to apply for these benefits.

Q: HOW DOES MY BUSINESS CONTINUE TO RECEIVE BENEFITS YEARLY?

You must apply annually to receive the tax abatement benefits under the KOZ/KOEZ program. Businesses are not entitled to any tax benefits of a KOZ/KOEZ unless they are in compliance with all state and local tax laws and building code provisions. If a business moves into another KOZ/KOEZ zone, a new application must be submitted.

Q: WHAT IF MY APPLICATION IS DECLINED FOR ANY REASON?

If you have a non-compliance issue locally or at the state level, you have until February 5th of the following calendar year in order to rectify your situation. Once you have made the necessary corrections, your benefits will be instated retroactive for the time you have been conducting activity in the zone.

Q: WHAT ARE THE DIFFERENT KOZ/KOEZ SITE TAX ADVANTAGES AND REQUIREMENTS FOR COMPANIES MOVING WITHIN PENNSYLVANIA, VERSUS THOSE WHO MOVE FROM OUT-OF-STATE INTO PENNSYLVANIA?

Out-of-state businesses moving to a KOZ/KOEZ site need to own or lease property within a zone for at least half the tax year to claim an exemption from state and local taxes. In-state businesses moving to a KOZ/KOEZ must either increase full-time employment by at least 20 percent in the first full year or make a capital investment equal to 10 percent of the prior year's gross revenues.