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Isaac M. O'Bannon • Oct. 18, 2012



As a part of its new business development strategy, the Pennsylvania state legislature has passed a bill that would offer an incentive to companies considering locating or hiring new employees in the Keystone State.

The tax incentive, named the Promote Employment Across Pennsylvania program, would let businesses keep the state income tax withholdings of their newly hired

employees that would otherwise have been submitted to the state's tax authority.

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Centre. "This is new revenue. This is revenue that only gets created if these companies create jobs, good jobs, at least 100 in the first year, 250 over three years."

Pennsylvania is not the first to offer such a program. Ohio and New Jersey offer similar employee-based tax incentives to businesses. From the employee perspective, the withheld taxes are still reflected as though paid to the state.

Not all lawmakers see the benefit, however.

The bill "crosses a line" in smart economic development by diverting tax revenue to a handful of private companies, asserted State Senator John Blake, D-Lackawanna. He also noted that it duplicates programs that already exist that offer tax credits to companies. In short, he added, it is "essentially an employee paying their boss for the privilege of having a job."

For businesses to qualify, they must be a for-profit entity and offer health insurance coverage to full-time employees, with at least half of the premium paid by the company. For newly-hired employees in Pennsylvania, the business would keep 95 percent of withheld state income tax, which equals about \$1,458 a year for an average worker earning \$50,000 annually.

The maximum amount of the incentive would be \$5 million per year and would end in 2018. Some types of organizations are specifically excluded from the benefit, such as private education institutions, the gambling industry, churches, retailers, utilities and restaurants. Additionally, businesses delinquent on taxes would not be eligible.

The labor and employee rights organization [Good Jobs First](#) said in a report earlier this year that a total of 16 states have similar programs, which accounts for nearly \$700 million per year in employees' state income taxes being diverted away from state coffers. It notes that such a strategy may not be in states' best interests when many are also facing budget shortfalls.

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