



Keystone Opportunity Zone (KOZ)



Where can you find more than 46,000 acres of developable land, free of specific state and local taxes? Right here in Pennsylvania, where the Keystone Opportunity Zone (KOZ) program is providing a unique opportunity to develop land with greatly reduced state and local taxes. KOZs reflect a true sense of partnership among state and local taxing bodies, school districts, economic development agencies and community-based organizations.

KOZ Overview

Keystone Opportunity Zones are a breakthrough idea that *Business Facilities* magazine calls them “the number one economic development strategy in the nation.” By eliminating certain state and local taxes within specific underdeveloped and underutilized areas, communities within Pennsylvania are experiencing economic growth and investment. Since the KOZ program’s inception in 1999, it has led to the creation of 19,673 new jobs, retained 11,622 jobs and produced \$8,015,559,557 (since 2010) capital investment in real estate. Due to the tremendous success, there have been multiple opportunities for local communities to designate additional subzones. The most recent occurred in 2012, where legislation enabled DCED to grant extensions on an “as applied/needed” basis.

Zone Size Requirements

Each Zone is comprised of parcel-specific sub-zones in various sizes totaling no more than 350 acres. Sub-zones must be at least 10 acres in rural areas, or 20 acres in urban areas.

Tax Information

Tax Liability

Binding ordinances and resolutions were passed by local taxing bodies granting the waiver, abatement or exemption of certain state and local taxes. Depending on the situation, the tax burden may be reduced to zero through exemptions, deductions, abatements and credits for the following:

- 📌 **State Taxes:** Corporate Net Income Taxes, Capital Stock & Foreign Franchise Tax, Personal Income Tax, Sales & Use Tax, Bank Shares and Trust Company Shares Tax, Alternative Bank and Trust Company Shares Tax, Mutual Thrift Institutions Tax, Insurance Premiums Tax
- 📌 **Local Taxes:** Earned Income/Net Profits Tax, Business Gross Receipts, Business Occupancy, Business Privilege and Mercantile Taxes, Local Real Property Tax, Sales and Use Tax

Length of Tax Relief

Please check with the specific Zone Coordinator for each property deadline. Subzones expire at various times.



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Impact

- The KOZ designation is expected to attract development where little or no activity existed beforehand.
- At the onset, KOZ properties generated little to no state and local taxable revenue.
- Prior to designation, properties selected as KOZs had generated minimal state and local taxable revenue. This development may produce spinoff taxable activity outside the designated zone.
- Once the designation expires, future tax revenue increases are anticipated.

Program Administration and Priority Considerations

The Department of Community and Economic Development provides the organizational framework, including the certification and operations of KOZs. Local jurisdictions designate coordinators as a single point of contact for zone facilitation.

Projects in Keystone Opportunity Zones receive priority consideration for assistance under state community and economic development programs as well as community building initiatives. Projects in designated KOZs that are approved for Pennsylvania Industrial Development Authority (PIDA) or Small Business Financing shall receive the lowest interest rate extended to borrowers.

Regional Administration

There are 12 regional Keystone Opportunity Zone regions. Each KOZ region is administered through the same local community or economic development agency.

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