



Bill number: 250324

Introduced by: Gauthier

Cosponsor(s): Jones, Landau, Lozada, Young, Brooks, O'Rourke, Driscoll, Squilla

Assigned committee: Finance

Date introduced: 04/10/2025

Fiscal Note

Overview

This bill would expand and make other changes to the Community Development Corporation (CDC) tax credit program, while providing conditions for a grant program. The anticipated cost to the City is up to \$30,156,000 over five years.

Legislative Summary

The CDC tax credit program allows a limited number of businesses to receive a tax credit of up to \$100,000 per year to be applied towards their Business Income and Receipts Tax (BIRT) liability. To be eligible for the tax credit, a business must pledge to contribute \$100,000 per year to a qualifying organization for 10 consecutive years.

Currently, the types of qualifying organizations to which businesses can contribute to be eligible for this tax credit are as follows:

- CDCs undertaking economic development activities in the City of Philadelphia
- Nonprofit intermediaries
- Nonprofit organizations engaged in developing and implementing healthy food initiatives

Expanding Qualifying Organizations

This bill would expand the types of qualifying organizations that businesses can contribute to for tax credit eligibility.

- CDCs incorporated under state law and offer community development activities. These activities could include economic development, community organizing, housing counseling, and affordable housing development and services. This bill also adds that the CDC must have a documented plan clearly stating their goals and

strategies for addressing community issues and that the CDC must be in full compliance with all applicable City laws.

- Nonprofit intermediaries
- Nonprofit organizations engaged in developing and implementing healthy food initiatives

Increasing the Tax Credit

This bill would increase the tax credit amount from \$100,000 to \$125,000. It would also increase the pledge amount from \$100,000 to \$125,000 per year for 10 consecutive years.

Increasing the Available Slots

This bill would increase the available slots that businesses apply for and receive this tax credit from 45 to 95 slots. Of those 95 available slots, certain amounts would be reserved for contributions to qualifying CDCs and nonprofit intermediaries:

- 45 slots would be reserved for those engaged in economic development activities and intermediaries who help serve that type of work
- 50 slots would be reserved for CDCs, defined under the broader definition that includes, but is not limited to, economic development activities, and to intermediaries who help serve that work.

The bill does not change the two slots made available for contributions to qualifying nonprofit organizations engaged in developing and implementing healthy food initiatives.

This bill would allow qualifying CDCs and nonprofit intermediaries to receive tax credit contributions for economic development and community capacity building activities at the same time. It would also add limits to the available slots. At any one time, the following limits would apply to the designated recipients of the tax credit contributions:

- No more than four qualifying nonprofit intermediaries engaged in neighborhood economic development activities,
- No more than five qualifying nonprofit intermediaries engaged in community capacity building activities, and
- No more than two qualifying nonprofit organizations engaged in developing and implementing healthy food initiatives.

Contribution Agreements

The Revenue Department administers the application process for the tax credit program, including entering into contribution agreements with eligible applicants. If a business ends a contribution agreement before the end of its agreed upon 10-year contribution commitment, this bill would disqualify the business from being eligible to apply for future tax credits for the remainder of the contribution agreement period, or five years, whichever is greater.

Joint Tax Credits

This bill would increase the number of businesses that can apply jointly for the tax credit from two to three businesses. The contribution agreement would set the terms and conditions. If one of the businesses that filed jointly with one or two other businesses for the tax credit terminates its portion of the contribution agreement prematurely, a new business may apply to be added on as a replacement for the remaining years of the contribution agreement.

Setting Conditions for a Grant Program

Currently, the law limits the number of contribution agreements to 42, if:

- The Commerce Department creates a grant program for at least \$500,000 for qualifying organizations engaged in neighborhood economic development activities.
- The Commerce Department files a certification of the grant program with the Chief Clerk of Council and the Department of Revenue.

After tax year 2025, this bill would add new conditions for the grant program. Starting January 1, 2026, the number of contribution agreements would be limited to 42, if the following conditions are met:

- The Commerce Department creates a grant program for at least \$625,000 for qualifying organizations engaged in neighborhood economic development activities.
- The Commerce Department creates a grant program for at least \$6,250,000 divided equally among 50 qualifying organizations (\$125,000 per award) engaged in doing their work.
- The Commerce Department would file a certification of the grant programs with the Chief Clerk of Council and the Department of Revenue.

Proposed Effective Date

This legislation would be effective beginning with tax year 2026.

Fiscal Impact Analysis

If enacted, this legislation could be implemented by two different methods. The first scenario expands the CDC tax credit program, while the second scenario establishes a grant program instead. The following fiscal impact analysis separately details both scenarios.

First Scenario: Expanding CDC Tax Credit Program

The estimated cost of implementing this legislation is summarized in the below table. The total cost of expanding the CDC Tax Credit program is estimated to be up to \$29,700,000 over five years.

Fiscal Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
Revenues Increase/(Decrease)						
General Fund	\$0	(Up to \$7,425,000)	(Up to \$7,425,000)	(Up to \$7,425,000)	(Up to \$7,425,000)	(Up to \$29,700,000)
Net Cost/(Savings)	\$0	Up to \$7,425,000	Up to \$7,425,000	Up to \$7,425,000	Up to \$7,425,000	Up to \$29,700,000

Revenues

This legislation would increase the tax credit to \$125,000, expand the eligibility of qualifying organizations, and increase the number of slots. History of the CDC tax credit program shows that the program is often 100 percent or close to 100 percent enrolled. Enactment of this legislation would result in a decrease in revenue of up to \$7,425,00 per year (difference between the two totals) as detailed below:

Current Tax Credit Program Credit				Bill 250324 – Tax Credit Program Credit		
	Slots	Amount	Total	Slots	Amount	Total
Tax Credits						
CDC / Non-Profit Intermediary	45	\$100,000	\$4,500,000	95	\$125,000	\$11,875,000
Economic Development Community Capacity Building				45	\$125,000	\$5,625,000
Healthy Food Initiatives	2	\$100,000	\$200,000	2	\$125,000	\$250,000
Total	47		\$4,700,000	97		\$12,125,000
Grant Program						
Total	47		\$4,700,000	97		\$12,125,000

The decrease in revenue may be less, if:

- The 97 available slots are not 100 percent enrolled.
- The BIRT liability of the participants enrolled in the program is lower than the tax credit available. Even though the full \$125,000 tax credit is available, a participant may receive a lower tax credit because their BIRT liability is less than \$125,000.

Second Scenario: Grant Program

The estimated cost of implementing this legislation is summarized in the following table. The total cost of establishing a grant program is estimated to be up to \$30,156,000 over five years.

Fiscal Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
Expenditures Increase/(Decrease)						
Class 100: Personal Services						
Salary	\$0	\$80,000	\$80,000	\$80,000	\$80,000	\$456,000
Fringe Benefits	\$0	\$34,000	\$34,000	\$34,000	\$34,000	
Expenditures Increase/(Decrease)						
General Fund	\$0	Up to \$7,425,000	Up to \$7,425,000	Up to \$7,425,000	Up to \$7,425,000	Up to \$29,700,000
Net Cost/(Savings)	\$0	Up to \$7,539,000	Up to \$7,539,000	Up to \$7,539,000	Up to \$7,539,000	Up to \$30,156,000

Expenditures

If the tax credit program is not expanded, then this legislation would establish a grant program for the additional slots beyond the 42 contribution agreements. Specifically, this bill outlines a grant program for the amount of \$625,000 for qualifying organizations engaged in neighborhood economic development activities. Additionally, a second grant program for at least \$6,250,000 would be established for 50 qualifying organizations (\$125,000 per award). Enactment of this legislation would result in a cost of up to \$7,425,000 per year (difference between the two totals) as detailed in the following table:

Current Grant Program				Bill 250324 – Grant Program			
	Grant or Credit				Grant or Credit		
	Slots	Amount	Total		Slots	Amount	Total
Tax Credits							
CDC / Non-Profit Intermediary	40	\$100,000	\$4,000,000	40	\$125,000	\$5,000,000	
Economic Development Community Capacity Building							
Healthy Food Initiatives	2	\$100,000	\$200,000	2	\$125,000	\$250,000	
Total	42		\$4,200,000	42			\$12,125,000
Grant Program	5		\$500,000				
Economic Development Community Capacity Building							
	5			5	\$125,000	\$625,000	
	50			50	\$125,000	\$6,250,000	
Total	47		\$4,700,000	97			\$12,125,000

While the bill names the Commerce Department as being responsible for creating the grant program, the responsibilities of the grant program align with the mission and goals of the Department of Planning & Development (DPD). DPD expects that administering the grant program would increase department responsibilities, including providing technical assistance to CDCs. The Department expects the cost of administering the grant program would require hiring one full-time position with a salary of \$80,000 to assist in providing technical assistance, processing applications, and evaluating current grants.

The Office of the Director of Finance: The employee salaries would be funded through the Department of Planning & Development's budget, but the associated fringe benefits for this position would be included in the Citywide fringes line in the Office of the Director of Finance's budget.

Annual Fringe Benefit Cost: \$34,000

Legislative History

2001

Bill 010541 - Enacted

Bill number 010541 was introduced by former Councilmember Goode and signed into law on November 14, 2001. It established the pilot program version of the CDC tax credit program. Some notable differences from the pilot program and the modern version of the program are that the pilot program only allowed contributions to be made to CDCs, and it limited the available slots to 10 businesses.

2002-2022

From 2002 to 2022, several bills were enacted that expanded the CDC tax credit program. These bills mostly focused on changing the number of available slots for businesses, changing the contribution amount, and expanding the types of qualifying organizations that could receive the contributions. Below, lists the enacted bills that expanded and changed the CDC tax credit program during this period:

Bill Number	Signed into Law	Introduced by
020648	December 3, 2002	Former Councilmember Goode
030561	October 30, 2003	Former Councilmember Goode
080573	November 19, 2008	Former Councilmember Goode
090353	June 24, 2009	Former Councilmember Goode
100009	March 17, 2010	Former Councilmember Goode
100547	November 10, 2010	Former Councilmember Goode
110561	October 26, 2011	Former Councilmember Goode
130012	March 12, 2013	Former Councilmember Goode

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140411	August 5, 2014	Former Councilmember Quiñones Sánchez
141028	February 18, 2015	Former Councilmember Goode
180261-A	August 22, 2018	Former Councilmember Henon
210864	January 18, 2022	Former Councilmember Green

Below details a bill that was introduced but lapsed that would have created a temporary moratorium on new contribution agreements:

Bill Number	Signed into Law	Introduced by
110144	Not Applicable - Lapsed	Former Councilmember Goode

Prepared by: Policy and Fiscal Analyst Unit, Mayor's Office of Legislative Affairs

Date: 06/03/2025

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