LOCAL RESOURCE MANUFACTURING TAX CREDIT

What is the Local Resource Manufacturing Tax Credit?

Act 66 of 2020, which was enacted on July 23, 2020, creates the Local Resource Manufacturing Tax Credit. Similar to the tax credit for ethane created under Act 85 of 2012, Act 66 seeks to incentivize manufacturing opportunities within Pennsylvania for companies that use “dry” natural gas in the production of petrochemicals and fertilizers. Dry natural gas is comprised primarily of methane and contains no appreciable natural gas liquids.

What criteria must be met to utilize the tax credit?

Act 66 specifies five criteria that a company must meet to be eligible for a tax credit:

- Purchase and use dry natural gas produced in Pennsylvania in the manufacturing of petrochemicals or fertilizers at a facility placed into service after July 23, 2020.
- Make a capital investment of at least $400 million.
- Create a minimum aggregate total of 800 new jobs and permanent jobs.
- Make a good faith effort to recruit and employ contractors or subcontractors from the local labor market.
- Demonstrate that new jobs created in relation to the project are paid at least the prevailing wage and benefit rate as determined under the Pennsylvania Prevailing Wage Act.

How much is the tax credit?

The tax credit is equal to $0.47 per thousand cubic feet (mcf) of dry natural gas utilized at an eligible project facility in the prior calendar year. Up to four facilities are eligible to apply for the tax credit each year, with each facility eligible to receive no more than $6,666,667 annually in tax credits. The Pennsylvania Department of Revenue shall not issue more than $26,666,668 in total tax credits each year and may at its discretion issue unallocated tax credits to an eligible facility that has already reached its maximum tax credit allocation.

Tax credits may not exceed 20% of the company’s tax liability for the year in which the tax credit is sought.

When does the tax credit become effective?

The tax credit is eligible for qualified projects that purchase dry natural gas produced in Pennsylvania beginning January 1, 2024 and ending December 31, 2049.

For more information, please visit the Pennsylvania Department of Revenue’s website.