

CLEAN HYDROGEN TAX CREDIT

What is the Clean Hydrogen Tax Credit?

[Act 108 of 2022](#), which was enacted on November 3, 2022, creates the Clean Hydrogen Tax Credit. Similar to the ethane tax credit created under [Act 85 of 2012](#) and a [methane tax credit](#) modified by Act 108 of 2022, the clean hydrogen tax credit seeks to incentivize the manufacturing of hydrogen as well as the use of hydrogen in manufacturing within Pennsylvania.

What is Clean Hydrogen?

The term Clean Hydrogen refers to a hydrogen production standard as determined by the U.S. Department of Energy (U.S. DOE) under the authority of the federal Bipartisan Infrastructure Law (Public Law 117-58). To be eligible, the production standard for hydrogen must meet or exceed a carbon intensity established by the U.S. DOE, which in doing so demonstrably aids in mitigating emissions across the entire manufacturing supply chain.

Sources of clean hydrogen can include, but are not limited to:

- Fossil fuels utilizing carbon capture, utilization and sequestration.
- Ethanol.
- Methanol.
- Wind, solar, biomass and other renewable resources.
- Nuclear energy.

What criteria must be met to utilize the tax credit?

Act 108 contains detailed criteria that a company must meet to be eligible for a tax credit:

- Own and operate a facility located within a regional clean hydrogen hub designated by the U.S. DOE.
- Enter into a commitment letter to purchase clean hydrogen from a regional clean hydrogen hub placed in service after passage of Act 108.
- Make a capital investment of at least \$500 million.
- Create a minimum aggregate total of 1,200 new 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 PA Prevailing Wage Act, while abiding by the Steel Products Procurement Act during the construction of the manufacturing facility.



Credit: Getty Images & Great Plains Institute

How much is the tax credit?

The tax credit is equal to \$0.81 per kilogram of clean hydrogen purchased and used at an eligible facility, or \$0.47 per thousand cubic feet (mcf) of dry natural gas utilized to manufacture clean hydrogen. The PA Department of Revenue shall not issue more than \$50,000,000 in total tax credits each year. A tax credit may not exceed 20% of a company's tax liability in the applicable year it is sought.

When does the tax credit become effective?

The tax credit is eligible for qualified projects that purchase clean hydrogen from sources located in a regional clean hydrogen hub located in Pennsylvania or natural gas used in manufacturing hydrogen at a project facility beginning January 1, 2024, and ending December 31, 2043.

Where can I learn more?

For more information on state tax credits, please visit the PA Department of Revenue's [website](#). For more information on clean hydrogen technology and hubs, please visit the U.S. Department of Energy's hydrogen [website](#).