

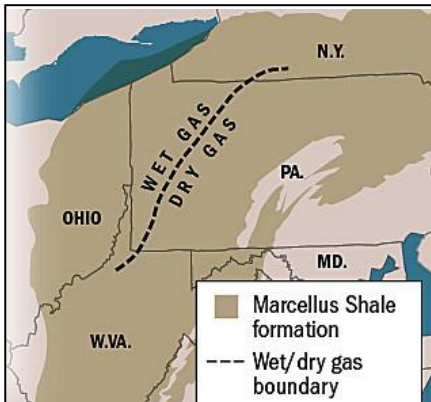
LOCAL RESOURCE MANUFACTURING TAX CREDIT

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, further modified by [Act 108 of 2022](#), 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 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.

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 two 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 PA Department of Revenue shall not issue more than \$56,666,668 in total tax credits each year. Unallocated tax credits may be issued for a facility which makes a total capital investment of at least \$1 billion and creates a minimum aggregate total of 1,800 new and permanent jobs. Tax credits 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 dry natural gas produced in Pennsylvania beginning January 1, 2024, and ending December 31, 2049.

For more information, please visit the PA Department of Revenue’s [website](#).