
Local Resource Manufacturing Tax Credit Program

Program Guidelines

June 2023

Table of Contents

Program Guidelines	June 2023	1
Table of Contents		2
Section I - Introduction		3
Section II - Program Eligibility		3
Section III – Credit Determination		4
Section IV – Application Criteria for LRM Credits		4
Section V – Application Deadline, Credit Approval and Credit Limitation		5
A. Application Deadline		5
B. Credit Approval		5
C. Credit Limitations		5
D. Other Limitations		5
Section VI – Credit Utilization, Pass-Through and Sale		6
A. Credit Utilization and Pass-Through		6
B. Credit Sales		6
Section VII - Contact Information		6
Section VIII - Application for Eligibility Determination		7
Section IX - Application for Tax Credits		10
Section X – Definitions		13

Section I - Introduction

The Commonwealth of Pennsylvania, through the Pennsylvania Department of Revenue (the “Department”), administers the Local Resource Manufacturing (“LRM”) Tax Credit Program. The LRM Tax Credit Program was authorized under Act 108 of 2022, which amended Article XVII-L of the Tax Reform Code of 1971 by adding the Pennsylvania Economic Development for a Growing Economy (PA Edge) Tax Credits to the Commonwealth’s collection of tax credit programs.

The program is designed to establish a robust petrochemical industry cluster in Pennsylvania by offering a tax incentive to manufacturers that purchase dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the Commonwealth.

Section II - Program Eligibility

Manufacturers purchasing dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the Commonwealth will be entitled to a LRM Tax Credit, if the manufacturer can meet the eligibility requirements as a Qualified Taxpayer, as determined by the Department of Revenue.

In order to meet the definition of a “qualified taxpayer,” an applicant must:

- Purchase dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the commonwealth placed in service on or after Jan. 1, 2019.
- Make a capital investment of at least \$400,000,000 in order to construct a facility and place the facility into service within the commonwealth.
- Create at least 800 New and Permanent jobs during the construction of the facility and ongoing operation of the project facility. All New jobs must pay the prevailing minimum wage and benefit rates for each craft or classification as determined by the Department of Labor and Industry under the Prevailing Wage Act.
- Make a good faith effort to recruit and employ workers from the local labor market for employment during the construction of the project facility.
- Abide by the Steel Products Procurement Act March 3, 1978 (P.L.6, No.3) for construction work to place a project facility into service

In addition to meeting the definition of “qualified taxpayer,” an applicant must demonstrate the use of carbon capture and sequestration technology at the project facility to the extent it is cost effective and feasible.

Applicants must submit a complete application to the Department, documenting the eligibility requirements, at least 180 days prior to the submission of the first application for tax credits. The Department has the authority to audit a Qualified Taxpayer to demonstrate it meets the requirements for eligibility.

Pursuant to Article XVII-A.1 of the Tax Reform Code, Qualified Taxpayers must remain tax compliant to obtain tax credits.

Section III – Credit Determination

Qualified Taxpayers purchasing dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the Commonwealth will be entitled to a LRM Tax Credit. The LRM Tax Credit will be equal to forty-seven cents per unit of dry natural gas purchased and used in manufacturing petrochemicals or fertilizers

Section IV – Application Criteria for LRM Credits

Applicants for LRM tax credits must provide to the Department a complete application package consisting of the following:

1. Completed LRM Tax Credit Program Application.
2. A schedule showing all qualifying purchases, with invoice copies hyperlinked using the invoice number.
3. Detailed breakdown of the Natural Gas impurities, contaminants and byproducts as a result of the separation process and identification of the dry natural gas volume purchased for use at the facility in the Commonwealth by the Qualified Taxpayer.
4. Proof of payment.
 - For each transaction submit proof of payment documentation to verify amount and date of payment/remittance. Reconcile all documentation to requested tax credit.

Proof of payment shall consist of:

- Copy (front and back) of cancelled check. If check and invoice amounts differ, provide a copy of the check voucher or documentation to support amount paid and reconcile any differences. In the alternative provide a bank statement, which includes a printout of the check showing the amount of the check and the date the check cleared and reconcile this to the invoice amount.
- For electronic payment in addition to any internal payment voucher, submit a copy of the actual transmittal confirmation or bank statement directly from the bank showing the cleared electronic payment. Reconcile individual invoices to transmittal or bank statement, accounting for subsequent bank adjustments to any transmittal. A voucher, memo, or other internal document from Applicant's accounting system alone is not sufficient proof of payment.

Documentation Submission

The completed application and supporting documentation must be mailed to the Department of Revenue on a portable data storage device (compact disc or flash drive) with hyperlinked data to the qualifying purchases schedule.

- Do NOT email downloadable .zip files or provide links to stored files.

- Do NOT compress files or password protect individual documents submitted via portable or electronic media. A one-time password protect may be added to a device, however other security features or requirements to download may cause the device to be unreadable by the Department.
- Please be advised that all evidence submitted in conjunction with any application is the property of the Commonwealth of Pennsylvania and **will not be returned.**

Section V – Application Deadline, Credit Approval and Credit Limitation

A. Application Deadline

A Qualified Taxpayer may apply for a LRM tax credit by submitting an LRM credit application to the Department of Revenue by March 1, following the end of the calendar year for which the dry natural gas was purchased and used in manufacturing petrochemicals or fertilizers.

B. Credit Approval

Upon approval of the application and by May 1, the Department will issue a LRM tax credit certificate to the Qualified Taxpayer.

C. Credit Limitations

No more than 2 taxpayers may be approved for the credit annually. Awards may not exceed \$6,666,667 per taxpayer approved for the credit under the initial eligibility provisions.

Unallocated credits may be awarded, to a maximum of one taxpayer, that meets additional eligibility provisions:

- Has made a capital investment of at least \$1,000,000,000 in order to construct a facility and place it into service within the commonwealth.
- Has created at least 1,800 new and permanent jobs during the construction phase and ongoing operation of the facility.
- Has satisfied all other eligibility requirements.

No more than \$56,666,668.00 in tax credits may be awarded annually over the life of the Program beginning January 1, 2024 and ending December 31, 2050.

D. Other Limitations

A qualified taxpayer that has been granted a tax credit under this program shall be ineligible for any other tax credit or a tax benefit program offered by the Commonwealth, as defined in section 1701-A.1 of the Tax Reform Code.

Section VI – Credit Utilization, Pass-Through and Sale

A. Credit Utilization and Pass-Through

A tax credit approved in accordance with these guidelines will be a non-refundable credit that must first be applied against the Qualified Taxpayer's own tax liability. It will be limited to 20% of Pennsylvania corporate net income tax, bank and trust companies shares tax, title insurance companies shares tax, insurance premiums tax, gross receipts tax, mutual thrift institutions tax and personal income tax liabilities for partners, members, or shareholders for credits earned by pass-through entities such as partnerships, LLCs and S-Corporations.

B. Credit Sales

The Qualified Taxpayer must hold LRM tax credits through the calendar year in which the credits were granted. Applications for the transfer of all or a portion of the Tax Credit will be reviewed by the Department of Revenue ("DOR"). DOR may take up to 60 days to review the application and confirm compliance with all conditions before posting the transfer and transferee's respective accounts.

- Prior to sale or assignment, the credits must first be offered exclusively to downstream companies for a period of 30 days after approval.
- Prior to sale or assignment, the credits must be offered to upstream or downstream companies for a period of 30 days after the initial downstream exclusive provision expires.
- The credits must be claimed by the recipient in calendar year the credits are purchased or assigned.
- The credits may not be carried forward, carried back, or refunded.
- The amount of the credit used cannot exceed 50 percent of the recipient's qualified tax liability.
- The seller must get a tax clearance before the sale is allowed.

Purchasers of LRM Tax Credits approved by DOR are permitted to use the non-refundable credit against Pennsylvania corporate net income tax, personal income tax, bank and trust companies shares tax, title insurance companies shares tax, insurance premiums tax, gross receipts tax, and mutual thrift institutions tax.

Section VII - Contact Information

Please mail all correspondence to:

Pennsylvania Department of Revenue
Office of Economic Development
1133 Strawberry Square
Harrisburg PA 17128

For additional information on the Local Resource Manufacturing Tax Credit Program, contact the Office of Economic Development at 717-772-3896 or ra-rveconomic-dev@pa.gov.

Section VIII - Application for Eligibility Determination

<u>Local Resource Manufacturing Tax Credit Program</u>		
PRIMARY BUSINESS REPRESENTATIVE		
Please provide an attachment to this page if the business has a secondary representative or additional representatives that may answer questions and discuss confidential tax matters in relation to the application.		
Name:		
Title:		
Company Name:		
Phone:		
E-mail:		
Mailing Address:		
City:	State:	ZIP Code:
BUSINESS INFORMATION		
Entity Name:		
Facility Name:		
Facility Address:		
City:	State:	ZIP Code:

TAX INFORMATION

Entity Type:

Indicate how the entity reports to the Internal Revenue Service?

- C Corporation
- S Corporation
- Partnership
- Limited Liability Company (LLC)
- Limited Partnership (LP)

If LLC is selected, is the LLC a

- Partnership
- C Corporation
- S Corporation
- Disregarded Entity (Corporate) LLC
- Disregarded Entity (Sole Proprietorship)
- Single-Owner LLC

Federal Employer Identification Number:

PA Revenue ID:

PURTA Number:

Unemployment Compensation Number:

NAICS Code:

CLEARANCE REQUIREMENT

Attest that a State Tax Clearance Form was filed with the Department of Revenue. Instructions and a link to the clearance form can be accessed here: www.revenue.pa.gov/taxcredits

ELIGIBILITY REQUIREMENTS

Manufacturers purchasing dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the Commonwealth will be entitled to a LRM Tax Credit, if the manufacturer can meet the definition of as a Qualified Taxpayer, as determined by the Department of Revenue and can demonstrate the use of carbon capture and sequestration technology at the project facility to the extent it is cost effective and feasible..

In order to meet the definition of a “qualified taxpayer,” an applicant must:

- Purchase dry natural gas for use in manufacturing petrochemicals or fertilizers at a facility in the commonwealth placed in service on or after Jan. 1, 2019.
- Make a capital investment of at least \$400,000,000 in order to construct a facility within the commonwealth.
- Create at least 800 New and Permanent jobs during the construction of the facility and ongoing operation of the project facility. All New jobs must pay the prevailing minimum wage and benefit rates for each craft or classification as determined by the Department of Labor and Industry under the Prevailing Wage Act.
- Make a good faith effort to recruit and employ workers from the local labor market for employment during the construction of the project facility.
- Abide by the Steel Products Procurement Act March 3, 1978 (P.L.6, No.3) for construction work to place a project facility into service

SUPPORTING DOCUMENTATION

Applicant must provide a notarized affidavit with documentation that the entity has satisfied the eligibility requirements and is requesting review by the Department of Revenue. The affidavit must be signed by the Corporate Officer or equivalent representative.

STATEMENT OF AUTHENTICITY

Please provide the name of person completing the application.

Name:

Signature:

Date of Submission:

Section IX - Application for Tax Credits

<u>Local Resource Manufacturing Tax Credit Program</u>		
PRIMARY BUSINESS REPRESENTATIVE		
Please provide an attachment to this page if the business has a secondary representative or additional representatives that may answer questions and discuss confidential tax matters in relation to the application.		
Name:		
Title:		
Company Name:		
Phone:		
E-mail:		
Mailing Address:		
City:	State:	ZIP Code:
FACILITY INFORMATION		
Facility Name:		
Facility Address:		
City:	State:	ZIP Code:

APPLICANT IDENTIFICATION

Applicant Name:

Phone:

E-mail:

Corporate Mailing Address:

City:

State:

ZIP Code:

TAX INFORMATION

Entity Type:

Indicate how the entity reports to the Internal Revenue Service?

- C Corporation
- S Corporation
- Partnership
- Limited Liability Company (LLC)
- Limited Partnership (LP)

If LLC is selected, is the LLC a

- Partnership
- C Corporation
- S Corporation
- Disregarded Entity (Corporate) LLC
- Disregarded Entity (Sole Proprietorship)
- Single-Owner LLC

Federal Employer Identification Number:

PA Revenue ID:

NAICS Code:

CLEARANCE REQUIREMENT

Attest that a State Tax Clearance Form was filed with the Department of Revenue. Instructions and a link to the clearance form can be accessed here: www.revenue.pa.gov/taxcredits

CREDIT DOCUMENTATION

Applicants for LRM tax credits must provide to the Department a complete application package consisting of the following:

1. Completed LRM Tax Credit Program Application.
2. A schedule showing all qualifying purchases, with invoice copies hyperlinked using the invoice number.
3. Detailed breakdown of the Natural Gas impurities, contaminants and byproducts as a result of the separation process and identification of the Dry Natural Gas volume purchased for use at the facility in the Commonwealth by the Qualified Taxpayer.
4. Proof of payment.

TAX CREDIT DETERMINATION

Using the schedule, please provide the total amount of credit requested for this application. The Schedule must be communicated to the Department of Revenue with submission of the application on a portable data storage device (compact disc or flash drive) with hyperlinked data to the schedule.

Total Cost of Dry Natural Gas Purchased

\$ _____

Total Credit Requested

\$ _____

STATEMENT OF AUTHENTICITY

Please provide the name of person completing the application.

Name:

Signature:

Date of Submission:

DEPARTMENT USE ONLY POST MARK DATE:

Section X – Definitions

“Capital investment.” The amount of money or assets invested by a qualified taxpayer in constructing and placing into service a project facility in the commonwealth.

"Company." A corporation, partnership, limited liability company, limited liability partnership, business trust, affiliate, unincorporated joint venture or other business entity doing business in this Commonwealth.

"Department." The Department of Revenue of the Commonwealth.

“Downstream company.” A company that purchases products or chemical compounds manufactured or processed by a qualified taxpayer.

"Dry natural gas." Natural gas in which there are no appreciable natural gas liquids recoverable by separation at the wellhead.

“Fertilizer.” A chemical product derived from petrochemicals which is added to soil or land to increase fertility.

“Full-time-equivalent job.” The quotient obtained by dividing the total number of hours for which employees were compensated for employment over the preceding 12-month period by 2,080.

"Natural gas." A fossil fuel consisting of a mixture of hydrocarbon gases, primarily methane, and possibly including ethane, propane, butane, pentane, carbon dioxide, oxygen, nitrogen and hydrogen sulfide and other gas species. The term includes natural gas from oil fields known as associated gas or casing head gas, natural gas fields known as nonassociated gas, coal beds, shale beds and other formations. The term does not include coal bed methane.

“Natural gas liquids.” Hydrocarbons in natural gas which are separated from the gas as liquids through the process of absorption, condensation, adsorption or other methods in gas processing or cycling plants.

"New job." A full-time-equivalent job created during the construction of the project facility and paying the prevailing minimum wage and benefit rates for each craft or classification as determined by the Department of Labor and Industry under the Prevailing Wage Act.

"Pass-through entity." Any of the following:

- (1) A partnership as defined in section 301(n.0).
- (2) A Pennsylvania S corporation as defined in section 301(n.1).
- (3) An unincorporated entity subject to section 307.21.

"Permanent job." A full-time-equivalent job created to support the ongoing operation of the project facility.

“Petrochemicals.” Chemical products obtained from refining and processing natural gas. The term does not include liquefaction or other processing of natural gas for the purpose of transport.

"Prevailing Wage Act." The act of August 15, 1961 (P.L.987, No.442), known as the Pennsylvania Prevailing Wage Act.

“Project facility.” A facility located in this Commonwealth which manufactures petrochemicals or fertilizers using dry natural gas and which required a capital investment of at least \$400,000,000 to construct and place into service.

"Qualified tax liability." The liability for taxes imposed under Articles III, IV, VII, VIII, IX, XI and XV. The term does not include tax withheld under section 316.1.

"Tax credit." The “Local Resource Manufacturing Tax Credit”

"Unit." One thousand cubic feet of natural gas at a temperature of 60 degrees Fahrenheit and an absolute pressure of 14.73 pounds per square inch, in accordance with American Gas Association standards and according to Boyle's law for the measurement of gas under varying pressures with deviations therefrom as follows:

- 1) The average absolute atmospheric pressure shall be assumed to be 14.4 pounds to the square inch, notwithstanding the actual elevation or location of point of delivery above sea level or variations in the atmospheric pressure.
- 2) The temperature of the gas passing the meters shall be determined by the continuous use of a recording thermometer installed so that the thermometer may properly record the temperature of the gas flowing through the meters. The arithmetic average of the temperature recorded each 24-hour day shall be used in computing gas volumes. If a recording thermometer is not installed, or if installed and not operating properly, an average flowing temperature of 60 degrees Fahrenheit shall be used in computing gas volume.
- 3) The specific gravity of the gas shall be determined by tests made by the use of an Edwards or Acme gravity balance annually or at intervals as are found necessary in practice. Specific gravity shall be used in computing gas volumes.
- 4) The deviation of the natural gas from Boyle's law shall be determined by tests annually or at other shorter intervals as are found necessary in practice. The apparatus and the method to be used in making the tests shall be in accordance with recommendations of the National Bureau of Standards of the Department of Commerce or Report No. 3 of the Gas Measurement Committee of the American Gas Association on the effective date of this section. The results of the tests shall be used in computing the volume of gas delivered.

"Upstream company." The term includes a company that is engaged in the exploration, development, production, processing, refining or transportation of natural gas, clean hydrogen milk or products used in semiconductor manufacturing, biomedical manufacturing or biomedical research in this Commonwealth.