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# Pennsylvania Milk Processing Tax Credit Program

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Program Guidelines

June 2023

# Table of Contents

<b>Program Guidelines</b>	<b>June 2023</b>	<b>1</b>
<b>Table of Contents</b>		<b>2</b>
<b>Section I - Introduction</b>		<b>3</b>
<b>Section II - Program Eligibility</b>		<b>3</b>
<b>Section III – Credit Determination</b>		<b>4</b>
<b>Section IV – Application Criteria for PMP Credits</b>		<b>4</b>
<b>Section V – Application Deadline, Credit Approval and Credit Limitation</b>		<b>5</b>
A. Application Deadline		5
B. Credit Approval		5
C. Credit Limitations		5
D. Other Limitations		5
<b>Section VI – Credit Utilization, Pass-Through and Sale</b>		<b>6</b>
A. Credit Utilization and Pass-Through		6
B. Credit Sales		6
<b>Section VII - Contact Information</b>		<b>7</b>
<b>Section VIII - Application for Eligibility Determination</b>		<b>8</b>
<b>Section IX - Application for Tax Credits</b>		<b>11</b>
<b>Section X – Definitions</b>		<b>14</b>

## **Section I - Introduction**

The Commonwealth of Pennsylvania, through the Pennsylvania Department of Revenue (the “Department”), administers the Pennsylvania Milk Processing (“PMP”) Tax Credit Program. The PMP 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 support investment in dairy processing for milk purchased and produced from sources exclusively in Pennsylvania at a project facility in the Commonwealth.

## **Section II - Program Eligibility**

A dairy processing manufacturer that purchases milk produced from sources exclusively in Pennsylvania, at a facility in the Commonwealth, will be entitled to a PMP Tax Credit, if the manufacturer meets the eligibility requirements of a Qualified Taxpayer, as determined by the Department of Revenue.

A Qualified Taxpayer is defined as a company that satisfies all of the following:

- Purchases and processes milk produced in Pennsylvania at a project facility in Pennsylvania that has been placed in service on or after November 3, 2022.
- Has made a capital investment of at least \$500,000,000 in order to construct a facility within the Commonwealth.
- Has created at least 1,200 New and Permanent jobs during the construction of the project 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.
- Has made good faith efforts to recruit and employ workers from the local labor market for employment during the construction of the project facility.
- Abided by the Steel Products Procurement Act March 3, 1978 (P.L.6, No.3) for construction work to place a project facility into service.

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 compliance to obtain tax credits.

### **Section III – Credit Determination**

Qualified Taxpayers purchasing milk for use in dairy processing at a facility in the Commonwealth will be entitled to a PMP Tax Credit. The PMP Tax Credit will be equal to five cents per gallon of milk purchased and produced from sources exclusively in the Commonwealth and processed at the project facility by the Qualified Taxpayer.

### **Section IV – Application Criteria for PMP Credits**

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

1. Completed PMP Tax Credit Program Application.
2. A schedule showing all qualifying purchases, with invoice copies hyperlinked using the invoice number.
3. 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 PMP tax credit by submitting an PMP credit application to the Department of Revenue by March 1, following the end of the calendar year for which the milk was purchased and used in dairy processing.

### ***B. Credit Approval***

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

### ***C. Credit Limitations***

A qualified taxpayer may apply for up to \$15,000,000 per year under the program over a period of eight years beginning when the initial project facility is first placed into service as agreed upon by the Department.

Unallocated tax credits may be awarded to qualified taxpayers, which meet the qualifications to receive a tax credit under the program. Unallocated credits are limited to the first eight years beginning after the initial project facility is placed into service.

No more than \$120 million in tax credits may be awarded over the life of the program.

### ***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 PMP 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 PMP 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 Pennsylvania Milk Processing Tax Credit Program, contact the Office of Economic Development at 717-772-3896 or [ra-rveconomic-dev@pa.gov](mailto:ra-rveconomic-dev@pa.gov).

**Section VIII - Application for Eligibility Determination**

**Pennsylvania Milk Processing Tax Credit Program**

**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](http://www.revenue.pa.gov/taxcredits)

**ELIGIBILITY REQUIREMENTS**

A dairy processing manufacturer that purchases milk produced from sources exclusively in Pennsylvania, at a facility in the Commonwealth, will be entitled to a PMP Tax Credit, if the manufacturer meets the eligibility requirements of a Qualified Taxpayer, as determined by the Department of Revenue.

A Qualified Taxpayer is defined as a company that satisfies all of the following:

- Purchases and processes milk produced in Pennsylvania at a project facility in Pennsylvania that has been placed in service on or after November 3, 2022.
- Has made a capital investment of at least \$500,000,000 in order to construct a facility within the Commonwealth.
- Has created at least 1,200 New and Permanent jobs during the construction of the project facility and ongoing operation of the project facility. All 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.
- Has made good faith efforts to recruit and employ workers from the local labor market for employment during the construction of the project facility.
- Abided 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

### **Pennsylvania Milk Processing Tax Credit Program**

#### **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](http://www.revenue.pa.gov/taxcredits)

**CREDIT DOCUMENTATION**

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

1. Completed PMP Tax Credit Program Application.
2. A schedule showing all qualifying purchases, with invoice copies hyperlinked using the invoice number.
3. 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 Volume of Milk 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.

“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.

"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.

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

"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 Pennsylvania Economic Development for a Growing Economy (PA EDGE) tax credit provided under this article.

"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.

"Gallon." A United States liquid gallon equal to a volume of 231 cubic inches and equal to 3.785411784 liters or 0.13368 cubic feet, where volumetric measurements made at ambient flowing conditions are typically adjusted for composition and to standard conditions using established industry standard practices.

"Milk." The lacteal secretion, practically free from colostrum, obtained by the complete milking of one or more healthy cows.

"Project facility." A facility located in this Commonwealth which is owned and operated by a qualified taxpayer and which utilizes milk purchased from sources within this Commonwealth and processed by a qualified taxpayer at the project facility.