A. Brief Concept

Provides an energy and fertilizer manufacturing tax credit equal to $0.05 per gallon of qualified product purchased and used in the manufacturing of petrochemicals or fertilizers in the Commonwealth by a qualified taxpayer.

B. Analysis of the Bill

HB 1100 amends Act 2 of 1971 also known as the Tax Reform Code to provide an energy and fertilizer manufacturing tax credit equal to $0.05 per gallon of qualified product purchased and used in the manufacturing of petrochemicals or fertilizers in the Commonwealth by a qualified taxpayer.

Definitions:

- Qualified product is defined as methane used in creation of ammonia, methanol and urea.
- Qualified taxpayer is defined as:
  - A company that purchases and uses Pennsylvania methane in the manufacture of petrochemicals or fertilizers at a facility in this Commonwealth that has been placed in service on or after the effective date of this article;
  - Made a capital investment of at least $1 billion to construct the manufacturing facility and put it into service;
  - Created at least 1,000 full-time equivalent jobs during the construction phase and to place the manufacturing facility into service.

Maximum Tax Credit:

- There is no cap on the total amount available.
- The qualified taxpayer may apply the tax credit to 20% of its tax liability incurred in the taxable year for which the tax credit was approved. It can only be used after all other statutory tax credits and deductions for which the qualified taxpayer is eligible have been applied.

How the Tax Credit Must be Used:

- A tax credit cannot be carried back, forward or be used for a refund.
- The tax credit may be sold or assigned in whole or in part upon approval by the Department of Community and Economic Development (DCED). The purchaser or assignee must claim the tax credit in the calendar year in which the purchase or assignment is made but shall not exceed 50% of the purchaser or assignee's tax liability. The purchaser or assignee may not sell or assign the tax credit.
- Pass-through entities that have not totally utilized the tax credit may transfer all or a portion of the credit to shareholders, members or partners. The transferees must claim the tax credit in the taxable year it was transferred and cannot use the credit on more...
than 20% of any qualified tax liabilities for the taxable year. A transferee cannot sell or assign the tax credit.

Reports:

- DOR shall issue an annual report beginning October 1st, 2020 and each October 1st thereafter to the Chairperson and Minority chairperson of the Appropriations Committees of the House and Senate as well as the Chairperson and Minority Chairperson of the Finance Committees of the House and Senate.
- On May 1st, 2030, DCED shall submit to the Secretary of the Senate and the Chief Clerk of the House of Representatives a reconciliation report on the effectiveness of the tax credit. If the reconciliation report reveals that tax credits issued exceeds taxes paid, the report shall include recommendations for changes in the calculation of the tax credit.
- The reports required by DOR and DCED shall be publicly available.

Sunset:

- The tax credit shall expire December 31st, 2050.

Effective Date:

This act shall take effect in 60 days.

C. Relevant Existing Laws

Act 2 of 1971 also known as the Tax Reform Code.

D. Prior Session (Previous Bill Numbers & House/Senate Votes)

This legislation was not introduced in the prior Legislative Session.

This document is a summary of proposed legislation and is prepared only as general information for use by the Democratic Members and Staff of the Pennsylvania House of Representatives. The document does not represent the legislative intent of the Pennsylvania House of Representatives and may not be utilized as such.