HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1100 **PRINTERS NO**. 1593 **PRIME SPONSOR**: Kaufer

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	**$0**	**$0**

SUMMARY: House Bill 1100, Printer's Number 1593, amends the Tax Reform Code providing for the energy and fertilizer manufacturing tax credit.

ANALYSIS: This legislation adds Article XVII-L establishing the Energy and Fertilizer Manufacturing Tax Credit program providing a tax credit equal to $0.05 per gallon of methane that is purchased and used by a qualified taxpayer in the manufacturing of petrochemicals or fertilizers. A "qualified taxpayer" is a company that: (1) purchases methane for use in manufacturing petrochemicals or fertilizers at a facility in this Commonwealth which has been placed in service on or after the effective date; (2) has made a capital investment of at least $1 billion in order to construct the facility; and (3) has created at least 1,000 full time equivalent jobs during the construction phase.

Applications must be submitted by March 1 for qualified products purchased and used during the prior calendar year. The department must review and approve or disapprove applications by March 20.

The tax credit must first be applied against up to 20% of the qualified taxpayer's tax liabilities in the year in which the tax credit was approved. The qualified taxpayer is ineligible for other tax credits in the Tax Reform Code. A qualified taxpayer holding a tax credit through the end of the calendar year in which the tax credit was awarded may sell or assign any unused tax credit in whole or in part. The qualified taxpayer must file an application for sale or assignment with DCED. A qualified taxpayer must first offer to sell or assign the tax credit exclusively to "upstream or downstream" companies for a period of 60 days following the approval of the tax credit. An "upstream or downstream company" is defined as a company that is engaged in the exploration, development, production, processing, refining or transportation of natural gas, natural gas liquids or petroleum in this Commonwealth; or uses chemical products or chemical compounds manufactured or processed by the qualified taxpayer as a raw material in its production process in this Commonwealth. A purchaser or assignee must utilize the tax credit in the calendar year in which the purchase or assignment is made and may offset up to 50% of its qualified tax liability. A purchaser or assignee may not sell or assign the tax credit.

The department must issue a report to the General Assembly by October 1, 2020, and every October 1 thereafter. The report must include the names of all qualified taxpayers utilizing the tax credit as of the date of the report and the amount of tax credit approved, utilized, sold or assigned by qualified taxpayers.

A reconciliation report on the effectiveness of the tax credit must be issued on May 1, 2030. The report must include at a minimum: (1) name and business address of all qualified taxpayers who have been granted tax credits; (2) amount of tax credits granted to each qualified taxpayer; (3) total number of jobs created, including the average annual salary and hourly wage, by the qualified taxpayer, upstream and downstream companies, and any companies that provide goods, utilities or other services that support the business operations of the qualified taxpayer and upstream and downstream companies; (4) amount of taxes paid under Article II, III, IV, VI and XI by the qualified taxpayer, upstream and downstream companies, and any companies that provide goods, utilities or other services that support the business operations of the qualified taxpayer and upstream and downstream companies; and (5) amount of any other state and local taxes paid by the qualified taxpayer, upstream and downstream companies, and any companies that provide goods, utilities or other services that support the business operations of the qualified taxpayer and upstream and downstream companies.

If the reconciliation report reveals that the total amount of the tax credits granted exceeds the total amount of tax revenue reported, the report shall include any recommendations for changes in the calculation of the tax credit.

The bill takes effect in 60 days and the article expires December 31, 2050.

FISCAL IMPACT: Enactment of this legislation will have no adverse fiscal impact on Commonwealth funds in fiscal years 2019-20 and 2020-21. The tax credit program established in this legislation provides an incentive for new facilities manufacturing petrochemicals and fertilizers to locate in the Commonwealth after the effective date of the act, which in turn would create jobs and spur economic growth in the Commonwealth. The qualified facility would receive a tax credit equal to $0.05 per gallon of methane that is purchased and used. The Department of Revenue estimates the annual tax credit amount per manufacturing facility to be $26.5 million.

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House Appropriations Committee (R)

DATE: September 18, 2019

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.