

# FISCAL NOTE

October 24, 2019

<b>Bill No:</b>	HB 1100	<b>Printer's No:</b>	1593	<b>Sponsor:</b>	Kaufer (R)
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## COST / (SAVINGS)

Fund (s)	2019-20	2020-21
General Fund	See "FISCAL IMPACT"	See "FISCAL IMPACT"

**SUMMARY:** HB 1100 amends the Tax Reform Code (TRC) to establish a tax credit program for manufacturers who purchase methane to produce fertilizers and petrochemicals.

**ANALYSIS:** HB 1100 amends TRC to establish a tax credit program for manufacturers who purchase methane to produce fertilizers and petrochemicals.

To qualify for this credit, the manufacturer must invest at least \$1 billion in constructing a new facility in the commonwealth on or after the effective date of the bill and must create at least 1,000 jobs during the construction of the facility. These manufacturers may then claim a tax credit equal to \$.05 per gallon of methane they purchase to produce ammonia, methanol, or urea. The Department of Revenue is responsible for receiving applications from manufacturers and ultimately issuing this credit.

There is no limit on the total amount of credits available for manufacturers across the commonwealth, and each qualified manufacturer may apply the credit against up to 20% of their tax liability in the taxable year for which the credit was approved. The manufacturer can apply this credit only after all other credits and eligible deductions have been applied. The credit may not be carried back, forward, or refunded. Manufacturers must apply with the Department of Community and Economic Development (DCED) to sell or assign the credit. Pass-through entities are able transfer the credit to shareholders or partners.

The Department of Revenue and DCED are both required to submit annual reports to the General Assembly detailing the progress of the tax credit program.

HB 1100 takes effect 180 days after passage.

**FISCAL IMPACT:** A typical plant producing ammonia uses 529,645,669 gallons of methane in their production process. At \$.05 in credit per gallon of methane used, each plant which takes advantage of this article will claim roughly \$26.5 million in annual tax credits. It is unclear how many plants would open as a result of the incentives offered by HB 1100, and with no cap on the total amount of this tax credit program, the loss of annual revenue to the General Fund could be astronomical.