

Qualified Manufacturing Innovation and Reinvestment Deduction

PROGRAM GUIDELINES
November 2024



Pennsylvania
Department of Community
& Economic Development



Commonwealth of Pennsylvania
Josh Shapiro, Governor

PA Department of Community & Economic Development
dced.pa.gov



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Section I – General

A. Statement of Purpose

The Qualified Manufacturing Innovation and Reinvestment Deduction (the “QMIRD”) was established pursuant to the act of October 30, 2017 (P.L. 672, No. 43) (72 P.S. §§ 7407.6 and 7407.7), as amended, to encourage increased investment and job creation through manufacturing in Pennsylvania. The QMIRD will be jointly administered by the Department of Community and Economic Development (the “Department”) and the Department of Revenue.

B. Eligibility

1. Applicants

Eligible applicants for the QMIRD must be:

- a. An entity that is engaged in manufacturing
- b. Registered to do business in Pennsylvania and subject to Corporate Net Income Tax
- c. An Employer directly responsible for the collection, withholding and remittance of Individual Taxes to the Department of Revenue on behalf of the workforce.
- d. Able to obtain and maintain state tax compliance clearance status with the laws and regulations of the Commonwealth of Pennsylvania, to the satisfaction of the Department of Revenue.
- e. Able to demonstrate a new private capital investment in excess of \$50 million for the creation of new or refurbished manufacturing capacity associated with new location(s) or expansion(s) at commonwealth site(s) (the “Project Site”), within the applicable time period specified in paragraph 2 below.
- f. Able to provide current and projected employment figures in Pennsylvania and at the project site.

2. Capital Investment Levels

- a. For a private capital investment of less than or equal to \$150,000,000, the following applies:
 - The project must be completed within three years of the project's start date.
 - Within five years of the project's start date, the taxpayer must complete to the Department's satisfaction, the application described in Section II-D of these Guidelines and attest that the project has been completed and the eligibility criteria has been satisfied.
- b. For a private capital investment of more than \$150,000,001 and less than \$250,000,000, the following applies:
 - The project must be completed within five years of the project's start date.
 - Within seven years of the project's start date, the taxpayer must complete to the Department's satisfaction, the application described in Section II-D of these Guidelines and attest that the project has been completed and the eligibility criteria has been satisfied.

- c. For a private capital investment of more than \$250,000,001 and less than \$350,000,000, the following applies:
 - The project must be completed within seven years of the project's start date.
 - Within nine years of the project's start date, the taxpayer must complete to the Department's satisfaction, the application described in Section II-D of these Guidelines and attest that the project has been completed and the eligibility criteria has been satisfied.
 - d. For a private capital investment of more than \$350,000,001, the Department will set the completion date of the project and the date which the taxpayer must file the required application described in Section II-D of these Guidelines. The taxpayer is required to attest to the project completion and satisfaction of eligibility criteria.
3. **Projects**
- Eligible projects will include the creation of new manufacturing capacity or improvements to existing manufacturing capacity at an identified project site limited to the mechanical, physical, biological, or chemical transformation of materials, substances, or components into new products that are the creations of new items of tangible personal property for sale.

Note: The Department's calculation of eligible expenses will include payments made in advance of the start date of a project if the payments are made for the purchase of, or partial payment for, new equipment for the project that exceeds \$1,000,000 in value.

Section II – The Application Process

In advance of the project start date, an applicant must apply to the Department through the Electronic Single Application for Assistance (ESA).

1. The Electronic Single Application can be accessed at grants.pa.gov
2. Electronic Single Application questions can be directed to the Department's Customer Service Center at 1-800-379-7448 or 717-787-3405.

A. Information for the Electronic Single Application for Assistance

Applicants must provide the following information either in their ESA application or as required addenda:

1. A narrative outlining the size and scope of the eligible project. This must include the total estimated project cost and estimated commencement and completion dates of investment.
2. The project site mailing address and the name of the county and municipality in which project site is located.
3. The desired start date of the project that determines eligibility for a tax deduction under this program. The start date must be the first day of the calendar quarter in which the applicant submits an online Electronic Single Application for Assistance unless the applicant requests, and the Department agrees to, a later start date.

4. The total current and projected employment in Pennsylvania and at the project site as of the designated start date.
 - a. Employment numbers as of the start date and completion date will include only those that are full-time, direct, permanent, and paying at or above the average annual wage for the county in which the jobs reside.
5. The annual taxable payroll in Pennsylvania and at the project site as of the designated start date. Businesses must submit their most recent Annual Withholding Reconciliation Statement (REV-1667 R) as filed with the Department of Revenue to verify payroll.

B. Application Approval

1. Upon approval, the Department will issue a **project commencement letter** to the approved applicant (“Taxpayer”) containing the following information:
 - a. The project start date.
 - b. A description of the project.
 - c. The number of jobs as of the project start date.
 - d. The current annual taxable payroll as of the project start date.
 - e. The number of new jobs to be created at the project site upon completion of the project.
 - f. The amount of private capital to be invested in the project and at the project site.
 - g. The date the Project Completion Report is due to be filed with the Department.
2. **Eligible sources of capital investment include:**
 - a. Company Equity
 - b. Investor Equity
 - c. Debt Financing – Public or Private
3. **Ineligible sources of capital investment:**
 - a. Public grant funding from any level of government (local, state, or federal)
 - b. Tax Credits
4. **Capital investment must be used for the following purposes:**
 - a. Land or Building Acquisition
 - b. Building Construction or Renovations
 - c. Leasehold Improvements
 - d. Infrastructure
 - e. Site Development
 - f. Environmental Cleanup
 - g. Purchase and Installation of Machinery and Equipment
 - h. Purchase and Installation of Computer Equipment / Software
 - i. Purchase and Installation of Furniture

5. Ineligible capital investment uses:

- a. Fees paid to consultants, lobbyists, or other parties to negotiate public financial incentives or otherwise lobby public officials
- b. Costs unrelated to the applicant's manufacturing expansion at the identified project site
- c. Costs incurred prior to the approved project start date, excluding payments made in advance of the project start date for the purchase of, or partial payment for, new equipment for the project that exceeds \$1,000,000 in value.

The applicant must return a signed copy of the project commencement letter to the Department within 60 days of the date of the letter.

By executing the project commencement letter, the taxpayer seeking the credits is authorizing the Department to request access to, and review of, the company's and its affiliates' state tax returns and waives confidentiality under Pennsylvania law and authorize release of this information. The project commencement letter authorizes the Pennsylvania Department of Revenue to release the tax returns and tax return information by any means possible, including but not limited to by phone discussions, mail, facsimile, e-mail or other electronic means.

C. Monitoring and Reporting

At the request of the Department, the taxpayer shall submit interim monitoring reports on the status of the approved project. The Department may engage with the Pennsylvania Department of Revenue as required for state tax clearance monitoring and validation of job creation criteria as specified in the commitment letter.

D. Project Completion Report

Upon completion of the project, the taxpayer must file a Project Completion Report with the Department for review within a stated period of time, depending upon the amount of private capital investment utilized in the creation of new or refurbished manufacturing capacity.

1. For a private capital investment of less than or equal to \$150,000,000, the taxpayer must complete and submit the Project Completion Report within **five years** of the project's start date.
2. For a private capital investment of more than \$150,000,001 and less than \$250,000,000, the taxpayer must complete and submit the Project Completion Report within **seven years** of the project's start date.
3. For a private capital investment of more than \$250,000,001 and less than \$350,000,000, the taxpayer must complete and submit the Project Completion Report within **nine years** of the project's start date.
4. For a private capital investment of more than \$350,000,001, the taxpayer must complete and submit the Project Completion Report within the period stated in the Commencement Letter.

The report will be used to verify the following:

1. The number of new jobs created and description of jobs (including NAICS code) at the project site.
2. The number of new jobs created during construction of the project.
3. The sources of the capital investment in the project and at the project site.
4. The uses of the capital investment in the project and at the project site.
5. The increase in the annual taxable payroll attributable to the new manufacturing jobs at the project site.

Any funds used for ineligible activities and any ineligible sources of capital investment will be deducted from the final investment calculation. If the taxpayer does not complete the project within the required time and does not reach the required capital investment threshold, it is ineligible for the tax deduction.

A tax deduction will not be calculated or awarded until the project has been completed.

All projects must be completed within the timeframe listed in the project commencement letter issued by the Department.

Upon receipt and review of the taxpayer's Project Completion Report, the Department will authorize the Pennsylvania Department of Revenue to perform a State Tax Clearance for compliance.

- State Tax Compliance requires the taxpayer, its shareholders, members and partners of the taxpayer to have filed all required state tax reports and returns for all applicable taxable years and paid any balance of state tax due as determined at settlement or assessment by the Department of Revenue, unless the tax due is under appeal at the time the finding was made by the Department of Revenue.
- Should the taxpayer, shareholders, members and partners of the taxpayer be found to be out of compliance, notices will be sent to the non-compliant taxpayer, shareholders, members or partners of the taxpayer with instructions on how to rectify any compliance issues. All non-compliant issues must be resolved in order to be eligible for the award.
- Instructions and a link to the clearance form can be accessed here: www.revenue.pa.gov/taxcredits
- The taxpayer must resolve non-compliance issues within the required time to be eligible to receive an award letter.

Once compliance has been attained, the Department will make an eligibility determination within ninety days of the submission of the Project Completion Report, Examination Report, and Affidavit.

If all eligibility criteria have been met, the Department will issue an award letter certifying the completion of the criteria as set forth in the project commencement letter and verified in the Project Completion Report to provide the maximum allowable deduction against the taxpayer's corporate net income tax liability.

Section III – Examination Report

A. Financial Compliance

The following procedures pertain to the financial compliance requirements of the QMIRD and the QMIRD contract executed between the taxpayer and the Department. An Examination Report for all projects must be submitted by the taxpayer with the Project Completion Report.

B. Requirements for the Independent Auditor

The Examination Engagement must be performed and the Examination Report prepared by a certified public accountant (CPA) licensed in Pennsylvania or a reciprocal CPA qualified to perform examinations in the Commonwealth. The Department encourages a competitive bidding process in selecting an independent auditor and the use of small audit firms, as well as those owned and controlled by socially and economically disadvantaged individuals. Prior approval by the Department of the CPA selection is not required unless the applicant is specifically notified in writing.

C. Examination Engagement

The Examination Engagement must be performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AT-C Section 205, Examination Engagements).

The Department must be listed as a specified party in the engagement letter and specifically be granted access to any work performed by the auditor. The Examination Engagement subject matter and criteria are as follows:

Subject Matter:

1. The taxpayer invested a minimum of \$50 million into a manufacturing expansion project recognized by the Department and identified in its commitment letter.
2. The taxpayer expended the private capital at the project site recognized by the Department and identified in its commitment letter.
3. The taxpayer expended the private capital within the time period specified in the project commencement letter described in Section II-B.
4. The taxpayer's investment included only sources of capital that were eligible under the governing statute and program guidelines.
5. The taxpayer's investment was used for eligible purposes as outlined in the governing statute and program guidelines.
6. The taxpayer expended less than 10% of the total project cost on engineering and design-related costs.

Criteria

The criteria for the Examination Engagement are found in the act of October 30, 2017 (P.L. 672, No. 43) (72 P.S. §§ 7407.6 and 7407.7) as amended, which created the QMIRD, and these guidelines.

D. Submission of Examination Report

The taxpayer will submit a copy of the Examination Report to the following:

Nicholas Odato
Department of Community & Economic Development
Financial Management Center – Tax Credit Division
Qualified Manufacturing Innovation and Reinvestment Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120-0225

Section IV – Qualified Manufacturing Innovation and Reinvestment Deduction Amount and Limitations

Private capital investment more than \$60M but less than \$100M, the maximum deduction over ten tax years will be equal to thirty-seven and one-half percent of the private capital investment utilized in the creation of new or refurbished manufacturing capacity. The maximum deduction allowed in any single tax year will be 7.5 percent. The deduction amount described in this paragraph only applies to applications made prior to January 1, 2024.

Private capital investment more than \$50M, the maximum deduction over twenty (20) tax years will be equal to twenty-five percent of the private capital investment utilized in the creation of new or refurbished manufacturing capacity. The maximum deduction allowed in any single tax year will be 5 percent.

A taxpayer cannot use the deduction to reduce its tax liability by more than fifty percent of its Corporate Net Income tax liability for a taxable year.

The deduction is non-transferrable. Any unused portion in a tax year shall expire at the end of the corresponding tax year.

The approved deduction is applicable against taxable income. To claim the deduction, a taxpayer must notify the Department of Revenue of its intent to use the deduction and provide a copy of the award letter to the Office of Economic Development. Instruction and authorization for use of the deduction will be communicated to the entity awarded the deduction. Please provide notification to:

Pennsylvania Department of Revenue
Office of Economic Development
1133 Strawberry Square
Harrisburg PA 17128-1100

Email: ra-rvtaxcredits@pa.gov

Questions may be directed to the Department of Revenue at 717-772-3896.

Section V – Application Timeline

1. Submit online Electronic Single Application for Assistance.
2. Receive project commencement letter from the Department to begin qualified project.
3. Complete qualified project within the timeframe stated from a designated start date.
4. Submit Project Completion Report and Examination Report to the Department within the timeframe designated in the Commencement Letter.
5. Receive award notification from the Department if all eligibility criteria have been satisfied.
6. Claim tax deduction.

Section VI – Program Requirements

A. Nondiscrimination

No assistance shall be awarded to a Qualified Taxpayer under this program unless the Qualified Taxpayer certifies that the Qualified Taxpayer shall not discriminate against any employee or against any person seeking employment by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act, which prohibits discrimination on the basis of race, color, religious creed, ancestry, age, sex, national origin, handicap or disability, or in violation of any applicable federal laws.

Pursuant to the Act of June 19, 2018 (Act 36 of 2018, P.L. 229, No. 36), known as the Employment First Act, it is the policy of the Commonwealth that competitive integrated employment shall be the preferred outcome for all individuals with a disability eligible to work under Federal or State law, regardless of severity of disability and assistance required. To that end, Grantees are strongly encouraged to employ individuals with disabilities in a competitive integrated environment. A workplace is considered a competitive integrated environment when the individual with disabilities is paid wages that are on par with their nondisabled counterparts and the workplace setting includes both individuals with and without disabilities.

B. Conflict of Interest Provision

An officer, director, or employee of an applicant who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

C. Project Records

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The program office requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the program office, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

Section VI – Inquiries / Contact Information

Inquiries should be directed to:

Department of Community & Economic Development
Financial Management Center – Tax Credit Division
Qualified Manufacturing Innovation and Reinvestment Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120-0225

Phone: 717-787-7120



QUALIFIED MANUFACTURING INNOVATION AND REINVESTMENT DEDUCTION PROJECT COMPLETION REPORT

APPENDIX A

SECTION I: GENERAL INFORMATION

1. NAME OF BUSINESS:		
2. MAILING ADDRESS:		
3. CITY:	4. STATE:	5. ZIP:
6. PROJECT SITE ADDRESS:		
7. CITY:	8. STATE:	9. ZIP:
10. CONTACT NAME:		
11. PHONE NUMBER:	12. FAX NUMBER:	
13. EMAIL:		
14. FEDERAL TAXPAYER ID (EIN):		

SECTION II: PROJECT INFORMATION

1. PROJECT START DATE:	2. PROJECT COMPLETION DATE:
3. TOTAL INVESTMENT MADE AT THE PROJECT SITE:	4. PRIVATE INVESTMENT MADE AT THE PROJECT SITE:
5. DESCRIPTION OF COMPLETED PROJECT (ATTACH ADDITIONAL SHEETS IF NECESSARY):	

SECTION III: JOBS

1. CURRENT NUMBER OF JOBS AT THE PROJECT SITE:	2. CURRENT ANNUAL TAXABLE PAYROLL AT PROJECT SITE:
3. CURRENT NUMBER OF JOBS IN PA:	4. NUMBER OF JOBS CREATED DURING CONSTRUCTION OF THE PROJECT:
5. DESCRIPTION OF JOBS CREATED AT PROJECT SITE (ATTACH ADDITIONAL SHEETS IF NECESSARY):	

SECTION IV: SOURCES AND USES				
USES OF FUNDS	SOURCES OF FUNDS			
	COMPANY EQUITY	INVESTOR EQUITY	DEBT FINANCING	TOTALS
Land Acquisition				
Building Acquisition				
Building Construction				
Building Renovations				
Leasehold Improvements				
Land and Building Subtotal				
Infrastructure				
Site Development				
Environmental Cleanup				
Infrastructure Subtotal				
Machinery and Equipment				
Computer Equipment/Software				
Furniture				
Equipment Subtotal				
TOTAL PROJECT COST				
TOTAL CAPITAL INVESTMENT				

Please attach all documents verifying the sources and uses of the capital investment as outlined on page 3 of the guidelines.



QUALIFIED MANUFACTURING INNOVATION AND REINVESTMENT DEDUCTION AFFIDAVIT

APPENDIX B

The undersigned, being duly sworn, deposes and says:

1. I am the _____ of _____ (the "Company")
(Title) (Company Name)
2. The Company has hired the number of employees indicated on Appendix A, which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Appendix A is true, correct and complete as of the date hereof.
3. The Company has increased its annual taxable payroll as indicated on Appendix A, which is incorporated herein by reference and made a part hereof, and the undersigned certifies that the information contained in Appendix A is true, correct and complete as of the date hereof.
4. The Company has invested the amount of capital indicated on Appendix B for the uses indicated on Appendix B, which is incorporated herein by reference and made a part of hereof, and the undersigned certifies that the information contained in Appendix B is true, correct and complete as of the date hereof.
5. This Affidavit has been given by the undersigned, individually and on behalf of the Company, to the Department for the purpose of inducing the Department to award a Qualified Manufacturing Innovation and Reinvestment Deduction to the Company, and the undersigned expressly recognizes and acknowledges that this Affidavit is being relied on by the commonwealth in connection with such award.
6. Under penalties of perjury, I declare that the information contained in this Affidavit, Appendix A, Appendix B and any accompanying documentation is, to the best of my knowledge, true, correct and complete as of the date hereof.

Signature

Name of Signatory

SWORN TO AND SUBSCRIBED BEFORE ME THIS _____ DAY of _____, 20____.

Notary Public

MY COMMISSION EXPIRES: