PENNSYLVANIA

MANUFACTURING TAX CREDIT

An Evaluation of Program Performance

January 2023

COMMONWEALTH OF PENNSYLVANIA
INDEPENDENT FISCAL OFFICE

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INDEPENDENT FISCAL OFFICE

January 3, 2023

The Honorable Members of the Performance-Based Budget Board and Chairs of the House and Senate Finance Committees:

Act 48 of 2017 requires the Independent Fiscal Office (IFO) to review various state tax credits over a five-year period. For the fifth year, the IFO reviewed four tax credits: Manufacturing, Resource Manufacturing, Rural Jobs and Investment, and Waterfront Development Tax Credits. The act requires the IFO to submit tax credit reviews to the Performance-Based Budget Board and the Chairs of the House and Senate Finance Committees and to make reports available to the public on the IFO website.

This report contains the tax credit review for the Manufacturing Tax Credit. The IFO identified similar programs in other states, reviewed the limited research available, held discussions with stakeholders and met with agency staff who administer the tax credit. Based on that research, the IFO submits this report to fulfill the requirements contained in Act 48.

Only four states (Pennsylvania, Oklahoma, Maryland and Washington) offer a manufacturing tax credit incentive. Some states offer the credit as a fixed dollar amount per job ($500 to $4,000 depending on the state) while others compute the credit as a share of payroll (4.75% to 5.00% depending on the state). Each state program has its own requirements for minimum qualified wages and increases in payroll or employment. The annual program caps range from $4 million in Pennsylvania to $25 million in Oklahoma. This analysis examined available data and other issues that determine the effectiveness of the Manufacturing Tax Credit.

The IFO welcomes all questions and comments on the contents of this report. Questions and comments can be sent to contact@ifo.state.pa.us.

Sincerely,

Dr. Matthew J. Knittel
Director

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General Findings and Recommendations

Enacted in 2016, the Manufacturing Tax Credit (MTC) is available to qualified manufacturing firms that increase annual taxable payroll in year one by at least $1 million above a base year amount through the creation of new full-time jobs. The credit is equal to a maximum of 5% of the annual increase in payroll and the firm must maintain the new jobs/increased payroll for a minimum of five years. The Department of Community and Economic Development (DCED) may award up to $4 million in tax credits annually. In addition, DCED may issue unissued or recaptured credits from prior fiscal years. The purpose of the credit is to generate economic development through the creation of family-sustaining Pennsylvania manufacturing jobs.

The **general findings** of this report are as follows:

- DCED began authorizing tax credits in FY 2021-22 and the program only had five approved participants for that year.
- Program data are limited, but applicants have committed to creating 415 full-time manufacturing jobs with an average wage of $86,000. Tax credits were authorized at an average of roughly $3,800 per new job created ($1.6 million).
- Although data are limited, the current tax credit is likely insufficient to incentivize job creation. A 5% tax credit represents less than 4% of the first-year costs of adding an additional employee (assuming an average wage of $86,000 and 30% in benefits). The tax credit is only awarded for the first year, but the newly created job must be retained for five years. At this rate an employer is unlikely to create new jobs unless there is sufficient demand for the firm's services to support the expenditure. Therefore, it is likely the job would have been created regardless.
- Four states (Pennsylvania, Oklahoma, Maryland and Washington) offer a manufacturing tax credit incentive. Some states offer the credit as a fixed dollar amount per job ($500 to $4,000) while others compute the credit as a share of payroll (4.75% to 5.00%). Each state program has its own requirements for minimum qualified wages and minimum increases in payroll or employment. The annual program caps range from $4 million in Pennsylvania to $25 million in Oklahoma.

The final section of this report contains various **recommendations**. A summary is as follows:

- Policymakers should consider program revisions, reprogram the MTC funding to benefit another more efficient economic development program or convert to a grant program.
- If the credit is retained, DCED should compile and track program performance metrics.
- The definition of a "new job" should be amended consistent with a recommendation from DCED.

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Introduction

Act 48 of 2017 requires the Independent Fiscal Office (IFO) to review various state tax credits over a five-year period.[1] For the fifth year, the IFO reviewed four tax credits: Manufacturing, Resource Manufacturing, Rural Jobs and Investment, and Waterfront Development Tax Credits. The act requires the IFO to submit tax credit reviews to the Performance-Based Budget Board and the Chairs of the House and Senate Finance Committees and to make reports available to the public on the IFO website.

The act specifies that tax credit reviews shall contain the following content:

- The purpose for which the tax credit was created.
- Whether the tax credit is accomplishing its legislative intent.
- Whether the tax credit could be more efficiently implemented through other methods.
- Any alternative methods which would make the tax credit more efficient.
- The costs to provide the tax credit, including the administrative costs to the Commonwealth and local government entities within this Commonwealth.

The act also specifies that the IFO shall develop a tax credit plan for all tax credits subject to review. The plans should include performance measures, and where applicable, the measures should reflect outcome-based measures (including efficiency measures), measures of status improvements of recipient populations, and economic outcomes or performance benchmarks against similar state programs or similar programs of other states or jurisdictions. The IFO submits this report to fulfill these requirements.

The remainder of this review contains three sections. **Section 2** discusses how the tax credit is administered and presents the limited historical data. **Section 3** presents relevant data for states that offer a similar manufacturing tax incentive program and an overview of available research related to these programs. **Section 4** concludes with the tax credit plan, as required by Act 48. A complete list of reports, studies and data sources used for this report can be found in the **Appendix**. If submitted, written comments provided by stakeholders and affected agencies are included in the Appendix.

[1] Act 48 of 2017 is also known as the Performance-Based Budgeting and Tax Credit Efficiency Act. See the Appendix for the Tax Credit Review Schedule.

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Manufacturing Tax Credit Overview

Article XVIII-G of the Tax Reform Code of 1971 (Act 84 of 2016) created the Manufacturing Tax Credit (MTC). The program provides tax credits for approved firms engaged in manufacturing that increase their annual taxable payroll in year one by at least $1 million above the amount in the base year through the creation of new full-time jobs.[2] To qualify for the MTC, a firm must maintain the new jobs and the increased payroll for at least five years from the start date.[3] The average hourly wage of each newly created job must be equal to or greater than the average wage for the county where the job is located and include employer-provided health benefits.[4]

The tax credit is available in an amount up to 5% of the firm's increase in annual taxable payroll if the payroll increases in year one by at least $1 million above the base year from the creation of new jobs. The credit is capped at $4 million annually, but DCED may also issue recaptured or unissued credits from prior fiscal years.

Tax credits are awarded on a first-come, first-served basis. The MTC can be claimed for a period determined by DCED but cannot exceed (1) five years from the date the taxpayer receives the MTC certificate or (2) six years from the start date.

Tax credits may be used to offset up to 100% of the firm's personal income, corporate net income, bank and trust company shares, title insurance companies share, insurance premiums, gross receipts, and mutual thrift institutions tax liabilities. Once the tax credit certificate is submitted to the Department of Revenue (DOR), the tax credit may be carried forward three years. The tax credit is non-refundable and may not be carried back to preceding tax years. Unused credits may be sold, assigned, or transferred but must be used within the year of sale, assignment, or transfer.[5] This section begins with a description of the goals and purpose of the tax credit. It then discusses the application process and administration of the tax credit and concludes with a presentation of limited program data.

Goals and Purpose

Act 48 of 2017 requires that all tax credit reviews published by the IFO shall discuss (1) the purpose for which the tax credit was created and (2) whether the tax credit is accomplishing its legislative intent. For this credit, the IFO reviewed documentation provided by DOR, DCED and the authorizing legislation for MTC. For this analysis, the IFO established the specific and quantifiable goals and general purpose of the MTC as follows:

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[2] Firms must be engaged in the mechanical, physical or chemical transformation of material, substances or components into new products that are creations of new items of tangible personal property for sale. Annual taxable payroll is the total amount of wages paid by an employer from which Pennsylvania personal income tax is withheld.
[3] Start date is the first date of the calendar quarter in which an application is submitted to DCED unless the applicant requests, and the Department agrees to, a later start date.
[4] Pennsylvania average county wage data is published on DCED's website.
[5] A sold or assigned credit may be used to offset up to 50% of the qualified tax liability for the taxable year and cannot be carried back, carried forward, or refunded.

Goals

- Incentivize the expansion of existing Pennsylvania manufacturing firms.
- Attract new manufacturing firms to the Commonwealth.

Purpose

- Generate economic development through the creation of family-sustaining manufacturing jobs.

Administration

DCED administers the tax credit and reviews applications on an on-going basis throughout the fiscal year. The text that follows is a summary of the more detailed explanation of the application process contained in the Program Guidelines for the Manufacturing Tax Credit published by DCED:[6]

To apply for the MTC program, an applicant must complete an online application (DCED's Single Application for Assistance) and include the following information:

- Written narrative that includes a project summary, project plan and use of funds
- Base year amount of annual taxable payroll
- Increase in annual taxable payroll for new jobs above the base year amount of annual taxable payroll
- Desired start date
- Number of new jobs to be created
- Average wage of new jobs to be created
- Description of the new full-time jobs to be created
- Amount of private capital to be invested in the creation of new jobs

Within thirty days of completing the online application, the applicant must submit a jobs record spreadsheet to DOR. Approved applicants are required to resubmit the jobs record spreadsheet at the end of year one and each year thereafter until year five.

Upon approval, DCED issues a commitment letter that contains: (1) a description of new full-time jobs to be created, (2) the number of new jobs to be created, (3) the amount of private capital to be invested in the creation of new jobs, (4) the increase in year one of the annual taxable payroll for new jobs above the base year amount of annual taxable payroll, (5) the maximum MTC that can be claimed and (6) a statement that the firm intends to operate in the Commonwealth for at least five years after the start date. The commitment letter must be signed by the applicant and returned to DCED within sixty days of the commitment letter date.

DCED works in conjunction with DOR to confirm that the firm increased the annual taxable payroll in year one by at least $1 million above the base year amount from the creation of new jobs as specified in the

[6] See "Manufacturing Tax Credit: Program Guidelines," Department of Community and Economic Development (October 2022).

commitment letter. DOR evaluates all applications for state tax compliance. Applications considered non-compliant are ineligible for the credit, unless the applicant resolves the issue within the timeframe set by DOR. DCED issues tax credit certificates after all compliance checks are complete. Certificates are then submitted to DOR for redemption.

Any firm that receives a tax credit must maintain the same level of operations for a period of five years. A firm that receives a tax credit and does not maintain the specified level of operations or fails to create the approved number of new jobs will have its tax credit rescinded. DCED may waive this penalty if it determines that the firm did not meet the requirements due to circumstances beyond the firm's control.

The estimated annual staff time and cost for DCED and DOR to administer the MTC are currently nominal, but those costs are expected to rise if program utilization increases in the future.

Historical Data

This subsection summarizes the latest program data available for firms that received MTC commitment letters from DCED. Fiscal year (FY) 2021-22 was the first year DCED offered credits to manufacturing firms. Credits are "authorized" when DCED approves the MTC application and reserves a portion of the annual tax credit allocation. Credits are "awarded" after it is determined that the firm has met the new job creation requirements and increased annual payroll by the required amount in year one as specified in the commitment letter.

For FY 2021-22, $1.59 million in tax credits were authorized to five applicants that have business establishments in three counties (Allegheny, Luzerne and Lycoming), and the new employees may or may not reside in those same counties. As of June 30, 2022, no MTCs have been awarded or claimed.

Table 2.1 displays the number of new jobs that firms committed to create under the MTC program and the reported average wage associated with these manufacturing jobs. Firms must create the jobs within one year of the start date. The wage for newly created jobs must be at least equal to the county average wage where the job is located, and the positions must include employer-provided health benefits. Currently, firms have committed to create 415 new jobs with an average wage of $86,000. Firms also committed to increase their annual taxable payroll by $31.7 million over the base year and invest $3.5 billion of private capital in the creation of new jobs.

Table 2.1
Manufacturing Tax Credit Overview

County	Credits Authorized	New Jobs	Average Wage	Tax Credits Authorized/Job
Allegheny	$385,000	100	$97,000	$3,850
Luzerne	$939,000	258	$68,000	$3,640
Lycoming	$262,000	57	$92,000	$4,596
Grand Total	**$1,586,000**	**415**	**$86,000**	**$3,822**

Note: Table represents credits authorized in FY 2021-22. No credits were awarded at the time of this evaluation.
Source: Department of Community and Economic Development.

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State Comparison

Many states offer incentives for job creation and typically these incentives fall into one of three categories: (1) broad-based job creation programs, (2) programs targeting specific industries or populations or (3) programs targeting blighted, deteriorated or underserved geographic areas of the state. This section limits its comparison to incentives that provide job creation programs targeted to the manufacturing industry. These tax incentives are generally provided annually for a period of one to ten years. In addition to the creation of jobs, some states have a payroll requirement as a condition of program eligibility; most programs have a minimum wage requirement.

Table 3.1 provides key characteristics for the four states that currently have job creation programs primarily targeted to manufacturing firms. Each state requires firms to create a certain number of new jobs and/or increase their annual taxable payroll. However, the tax credit computation differs by state. Oklahoma and Washington offer tax credits based on the number of new jobs created. Maryland and Pennsylvania compute the incentive based on wages associated with the newly created jobs. Each state imposes an annual cap. Amounts range from $4 million (Pennsylvania) to $25 million (Oklahoma).

Most programs require firms to pay new employees a minimum wage rate. In Maryland, firms receive incentives for wages that pay at least 150% of the state minimum wage. In Oklahoma, the employee must have an annual wage or salary of $7,000 or more. Washington's program links the level of credit to the wage paid. The credit is $2,000 for each qualified position created with annual wages/benefits below $40,000. The credit increases to $4,000 if annual wages/benefits exceed $40,000.

Table 3.1
Comparison of Manufacturing Tax Incentives

State	Base Credit Rate	Wage Requirement	Annual Payroll or Employment Requirement	Cap
Maryland	4.75% of wages paid for qualified jobs for up to 10 years	150% state minimum wage	Create a number of jobs based on location tier of business	$5 million
Oklahoma	$500/new job ($1,000 in Enterprise Zone) for up to 5 years	$7,000 or more each year	Requires net increase in employees	$25 million
Pennsylvania	5% of increase in annual taxable payroll	Equal to county average wage based on job location	Increase annual taxable payroll by $1 million through creation of new full-time jobs	$4 million
Washington	$2,000 or $4,000/job	$40,000 for higher credit	Increase employment by 15% over the following four calendar quarters	$7.5 million

Sources: CCH and various state agency websites.

Literature Review

As part of its analysis, the IFO reviewed studies and reports on the impact of programs similar to the Pennsylvania MTC. The text that follows provides a summary of the literature reviewed. These reports are included to provide context, and the IFO has no opinion or insights regarding the analysis contained therein.

Evaluation of the More Jobs for Marylanders Program (2021)[7]

The More Jobs for Marylanders program provides tax credits to manufacturing businesses that locate or expand in Maryland. The program was created in 2017 and is administered by the Maryland Department of Commerce. Among other benefits, enrolled manufacturers receive income tax credits as a share of wages paid for newly created jobs.

The Department of Legislative Services conducted an evaluation of the More Jobs for Marylanders Program in 2021.[8] A total of 42 projects received $3.2 million in income tax credits by the first benefit year. The reported number of jobs created was 846 with an average wage of $65,300. Firms are eligible to receive tax credits for qualified positions for an additional nine years if program guidelines are met. The projected ten-year tax credit amount is $37.2 million.

The evaluation found that this program would require significant future funding and recommended a reduction in the number of years the credit could be claimed, as well as a reduction in the value of the income tax credit. It also noted that this program could be terminated or even consolidated with other overlapping state tax credit programs. Recommendations were also made to limit eligibility to small businesses, streamline the geographic designations and update reporting requirements.

State of Oklahoma Incentive Evaluation Commission: Investment/New Jobs Tax Credit Evaluation (2018)[9]

The Oklahoma Incentive Evaluation Commission released an evaluation of the state's Investment/New Jobs Tax Credit in 2018. Oklahoma's Investment/New Jobs Tax Credit offers incentives to manufacturers, aircraft maintenance facilities and web search portal companies that invest in depreciable property or create new jobs. The credit is equal to 1% of the cost of the depreciable property purchased or $500 per employee. The credit is doubled if the company makes a $40 million or larger investment or resides in an Enterprise Zone. Credits can be claimed for five years if the company maintains the same level of full-time employees and qualifying depreciable property is not sold, transferred or disposed of during that time frame. Credits claimed may be carried forward for 15 years for job creation or indefinitely for capital investment.

Upon review, the Oklahoma Incentive Evaluation Commission made a general recommendation to reconfigure the program and specific recommendations that include: (1) modify the credit to 4% of capital investments or $2,000 per new job, (2) only award credits in the year the investment is made or when jobs are created, (3) restrict the capital expenditure to new or expanding facilities rather than capital

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[7] "Evaluation of More Jobs for Marylanders," Department of Legislative Services, Office of Policy Analysis, (January 2021).
[8] The More Jobs for Marylanders Program allows for a refund of sales and use taxes, a property tax credit, and the waiver of select business filing fees in addition to an income tax credit for the creation of new jobs. Only data on the income tax credit for job creation was included in the analysis.
[9] "State of Oklahoma Incentive Evaluation Commission: Investment/New Jobs Tax Credit Evaluation," PFM Consulting Group LLC, (November 2019).

replacement and (4) increase the minimum wage required for new jobs. The Commission also noted that the program should add additional reporting requirements and claw-back provisions. If a firm fails to maintain the jobs or investments in the five-year period, then tax credits could be rescinded. Overall, the report found the amount of program data collected to be insufficient for an accurate economic analysis and recommended collecting additional data going forward.

In addition to the manufacturing-specific job creation tax credit studies reviewed for this report, the following studies, excerpted from the IFO's review of the Pennsylvania New Jobs Tax Credit (JCTC) report, are relevant to this analysis:[10]

- *A 2016 report by Anderson Economic Group and commissioned by the state of Tennessee evaluated business tax credits using data from 2010 through 2015. Overall, they found evidence that firms tend to "cluster" hiring in the years that they are eligible for incentives but hire fewer employees in the following years.*[11]
- *A 2016 study of the Maryland Job Creation Tax Credit found that the credit is "unlikely to increase employment unless a firm believes there is sufficient demand for their products."*[12] *The report cited the relatively low value of the incentive in comparison to the cost to hire an additional employee as the likely reason for this outcome. The report also noted that decision-making is likely based on confidence about the future and not just the availability of current incentives.*
- *Although the reports utilized various data, methodologies and state program parameters, most studies reviewed for the [IFO's JCTC] report find that state JCTC programs do not have a significant impact on the creation of jobs. Findings regarding the number of new jobs created that would not have occurred in the absence of the program generally range from 2 to 8 percent. One study estimated the incentivized share at roughly 25 percent, but the total number of jobs generated by the program reviewed for that study was small.*[13] *Several studies note that if all of the job creation would have occurred regardless of the credit, then JCTC spending actually results in a negative economic impact, as the state could have spent the funds in another more efficient manner (e.g., other more efficient economic development programs, infrastructure, education, etc.).*[14]
- *Most recently, a 2018 study by the Upjohn Institute examined 34 separate "but for" estimates that used statistical analyses across many state incentive programs. The "but for" estimate is the share of jobs or expansions that are actually incentivized by an economic development incentive, such as a jobs tax credit. The report found that 23 studies had a positive bias (i.e., the methodology caused the "but for" assumption to be overstated), four had a negative bias and seven used an unbiased methodology. For those seven studies, the share of location expansion / job creation*

[10] "Pennsylvania New Jobs Tax Credit Report: An Evaluation of Program Performance," Pennsylvania Independent Fiscal Office (January 2019).
[11] "The Economic Impact of Business Tax Credits in Tennessee," Anderson Economic Group, LLC (December 26, 2016).
[12] "Evaluation of the Job Creation Tax Credit," Maryland Department of Legislative Services (November 2016).
[13] "Evaluation of the Job Creation Tax Credit," Maryland Department of Legislative Services, Office of Policy Analysis (November 2016).
[14] "Quality Jobs Program, 2009 Report," Louisiana Department of Economic Development (December 2010) and "Evaluation of the Job Creation Tax Credit," Maryland Department of Legislative Services (November 2016).

incentivized by the economic development incentive was 3.4 percent (median result) and 6.7 percent (average result). The study also notes that smaller incentive packages (like Pennsylvania) will "tend to have effects on the low end."[15]

For Pennsylvania, the 5% wage credit offsets a small share of the annual cost of the new employee. Assuming an average salary of $86,000 plus 30% in benefit costs, or $111,800, the credit offsets roughly $4,300, or 3.8% of the total cost of the employee for the first year, and the new job must be maintained for five years.

[15] "But For" Percentages for Economic Development Incentives: What percentage estimates are plausible based on research literature?" Timothy Bartik, W.E. Upjohn Institute, Working Paper 18-289 (July 2018), pp. 8-10.

Tax Credit Plan

Act 48 of 2017 directs the IFO to review tax credits and develop a tax credit plan for all tax credits subject to review. The act states that tax credit plans should include performance metrics for each credit. The act does not specify any other elements of the tax credit plan. For this review, the IFO defined the tax credit plan more broadly to include the following elements: (1) the general findings of the review, (2) specific recommendations, including performance metrics and (3) key decision points for policymakers to consider.

General Findings

For the purpose of this report, the IFO identified similar programs in other states, reviewed the research available and spoke with stakeholders, as well as the agencies that administer the tax credit. The following bullet points summarize the main findings of this research:

- In FY 2021-22, DCED began to authorize tax credits and the program only had five approved participants for that year.
- Program data are limited, but applicants have committed to creating 415 full-time manufacturing jobs with an average wage of $86,000. Tax credits were authorized at an average of roughly $3,800 per new job created ($1.6 million).
- Although data are limited, the current tax credit is likely insufficient to incentivize job creation. A 5% tax credit represents less than 4% of the first-year costs of adding an additional employee (assuming an average wage of $86,000 plus 30% in benefit costs). The tax credit is only awarded for the first year, but the newly created job must be retained for five years. At this modest rate, an employer is unlikely to create new jobs unless there is sufficient demand for the firm's products to support the expenditure. Therefore, its is likely the job would have been created regardless.
- Four states (Pennsylvania, Oklahoma, Maryland and Washington) offer a manufacturing tax credit incentive. Some states offer the credit as a fixed dollar amount per job ($500 to $4,000) while others compute the credit as a share of payroll (4.75% to 5.00%). Each state program has its own requirements for minimum qualified wages and required increases in payroll or employment. The annual program caps range from $4 million in Pennsylvania to $25 million in Oklahoma.

Specific Recommendations

Based on the general findings, the IFO submits the following recommendations to enhance the efficiency of the tax credit and improve its ability to achieve its goals and purpose.

Policymakers should consider program revisions, reprogram MTC funds to benefit another more efficient economic development program or convert to a grant program.

The findings of this report indicate that the Pennsylvania MTC program is unlikely to incentivize job creation in its current form. If the tax credit is retained, policymakers should consider increasing the incentive (e.g., higher share of wages paid over more years). Alternatively, policymakers could roll the funding from the MTC program into another DCED economic development program that research suggests would yield a higher return on investment. The MTC could also be converted to a grant program, where DCED strategically awards larger amounts to a smaller number of firms.

If the credit is retained, DCED should compile and track program performance metrics.

Agencies that administer the tax credit are best positioned to compile and track credit performance. If the MTC is retained, performance metrics collected for the program should be uniformly compiled and monitored. Potential metrics could include the following:

- New jobs filled by residents versus non-residents
- Employer cost of benefits provided to new hires
- Number of new jobs retained at three years and at five years
- MTC (amount and jobs created) awarded as part of a larger economic development package
- Whether the new hire had been previously unemployed and duration of unemployment
- Whether new hires receive formal job training
- Identify firms that had no presence in Pennsylvania prior to the MTC award

DCED recommends modifying the definition of a "new job".

Several counties across Pennsylvania, especially in the southeast and southwest, have a larger concentration of high-paying positions specifically in the medical and higher education fields. This makes it difficult for manufacturers in those counties to qualify for the program due to the higher average county wage. Therefore, DCED recommends modifying the definition of new job to reflect "a full-time job created in year one which has an average wage at least equal to the county average manufacturing wage where the job is located" instead of the overall average county wage.

Key Decision Points

In addition to the specific recommendations above, policymakers should also consider general issues that merit discussion if the MTC is amended. These issues are strategic and will be related to the overall goals and purpose of the tax credit as envisioned by policymakers.

- Should revisions to the current program be enacted to enhance economic outcomes? Potential changes include: (1) allow higher funding amounts per job created, (2) flexible incentives for the hiring of in-state residents and unemployed individuals and (3) a minimum required capital investment.
- Should the program be modified to target small firms or certain types of manufacturers or reprogrammed to offer a higher subsidy for higher wages?

Conclusion

Act 48 requires that the IFO make a determination regarding whether the tax credit has achieved its goals and purpose. For this review, the analysis establishes the specific and quantifiable program goals as:

- Incentivize the expansion of existing Pennsylvania manufacturing firms.
- Attract new manufacturing firms to the Commonwealth.

The analysis establishes the program purpose as:

- Generate economic development through the creation of family-sustaining manufacturing jobs.

As noted, this program is relatively new and less than one year of data was available for review. Therefore, additional data are needed to make the determination of whether the program has achieved its goals and purpose. However, based on research available for the New Jobs Tax Credit that was reviewed by the IFO in 2019, it is unlikely that a tax credit equal to 5% of payroll is sufficient to incentivize the creation of new jobs that are retained for at least five years. As a result, most activity eligible for the credit would likely have occurred even in the absence of the credit.

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Appendix

Performance-Based Budgeting and Tax Credit Review Schedule

Year	Performance-Based Budgets					
1	Corrections	Board of Probation and Parole	PA Commission on Crime & Delinquency	Juvenile Court Judges' Commission	Banking and Securities	General Services
2	Economic & Community Development	Human Services – Part 1	Health	Environmental Protection	PA Emergency Management Agency	State
3	PennDOT	Human Services – Part 2	State Police	Military & Veterans Affairs		
4	Education	Human Services – Part 3	Aging	PA Historical & Museum Commission	Agriculture	Labor and Industry
5	Drug and Alcohol Programs	Insurance	Revenue	Executive Offices	Conservation and Natural Resources	

Year	Tax Credits					
1	Film Production	New Jobs	Historic Preservation Incentive			
2	Research and Development	Keystone Innovation Zones	Mobile Telecom and Broadband	Organ and Bone Marrow		
3	Neighborhood Assistance	Resource Enhancement and Protection (REAP)	Entertainment Economic Enhancement Program	Video Game Production	Keystone Special Development Zones	
4	Educational Tax Credits	Coal Refuse and Reclamation	Mixed-Use Development	Brewers'		
5	Resource Manufacturing	Manufacturing and Investment	Waterfront Development	Rural Jobs and Investment		

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Sources

"But For" Percentages for Economic Development Incentives: What percentage estimates are plausible based on research literature?" Timothy Bartik, W.E. Upjohn Institute, Working Paper 18-289 (July 2018), pp. 8-10.

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