

# Financial Incentives Summary

Kentucky's innovative and progressive tax incentive programs provide the flexible financial assistance businesses need when locating, expanding or reinvesting in the state. Below are a selection of programs that may be available to a company that can be used to reduce or recover costs of their business investment in Kentucky.

A detailed listing of all business incentive programs is available at [http://thinkkentucky.com/Locating\\_Expanding/kybizince.aspx](http://thinkkentucky.com/Locating_Expanding/kybizince.aspx).

## I. New and Expanding Industry

### Kentucky Business Investment Program (KBI)

KBI allows companies to recover land, building and equipment costs over a 10-year term by utilizing a combination of a 100 percent credit against the state corporate income tax associated with the project AND, by assessing the employees at the operation up to 4 percent of their wages, local participation is required. With the wage assessment portion, the employees receive a credit against their state personal income tax and local occupational tax equal to their assessment so their net income is unaffected.

An eligible company must be engaged in one of the following activities: 1) manufacturing; 2) agribusiness; 3) regional or national headquarters operations; or 4) certain nonretail service or technology activities. The minimum requirements for an eligible project are as follows: 1) create a minimum of 10 new, full-time jobs for Kentucky residents; 2) incur at least \$100,000 in eligible costs; and 3) meet a minimum level of wages and benefits. The tax incentives involved with this program are available for up to 10 years. The incentive may be taken as: 1) up to 100 percent credit against the Kentucky income tax imposed on corporate income or limited liability entity tax arising from the project; 2) a wage assessment of up to 4 percent (including up to 1 percent required local participation) of the gross wages of each employee in other counties. (KRS 154.32-010 to KRS 154.32-100)

A detailed fact sheet on the program is available at <http://thinkkentucky.com/kyedc/pdfs/KBIFactSheet.pdf?02032016>.

### Kentucky Enterprise Initiative Act (KEIA)

A KEIA-approved company is eligible to receive a refund of a portion of the Kentucky sales and use tax paid for construction materials, building fixtures and equipment used in research and development as well as electronic processing equipment.

An eligible company must incur a minimum investment of \$500,000 and is eligible to receive a refund of sales and use tax paid for the following items purchased during the term of the project and not to exceed the approved recovery amount authorized in the KEIA agreement • Building and construction materials, • Research and development equipment, • Electronic processing equipment purchases totaling a minimum of \$50,000

The term of the agreement is negotiated with KEDFA and may be extended by approval of KEDFA for good cause shown. However, the term shall not be extended beyond seven (7) years from the date of original approval. The

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maximum sales and use tax refund incentive available for commitment by KEDFA in each fiscal year for all projects is limited to \$20,000,000 for building and construction materials and \$5,000,000 for equipment used for research and development or electronic processing. (KRS 154.31-010 to 154.31-030)

A detailed fact sheet on the program is available at <http://thinkkentucky.com/kyedc/pdfs/keia.pdf?02032016>.

## II. Job Retention

### Kentucky Reinvestment Act (KRA)

Provides tax credits to an existing Kentucky company engaged in manufacturing and related functions on a permanent basis for a reasonable period of time that will be investing in eligible equipment and related costs of at least \$2,500,000.

To be eligible, a company must be a permanent Kentucky company engaged in manufacturing. Requirements of the program include: 1) incurring eligible equipment and related costs of at least \$2,500,000; 2) establishing an employment retention base of at least 85 percent of existing employment; 3) not having received incentives under the Kentucky Industrial Revitalization Act (KIRA) within the previous 5 years; and 4) the applicant certifying the project would not be economically feasible without the incentives. Approved costs for recovery include eligible equipment and related costs up to: 1) 50 percent of the eligible equipment and related costs; and 2) 100 percent of the job skills upgrade training costs. The incentive is available for up to 10 years and may be recovered via Kentucky income tax credits of up to 100 percent of tax imposed on the corporate income or limited liability tax generated by or arising from the project. The maximum incentive claimed in any single year may not exceed 20 percent of the authorized incentive. (KRS 154.34-010 to KRS 154.34-120)

A detailed fact sheet on the program is available at <http://thinkkentucky.com/kyedc/pdfs/KRAFactSheet.pdf?02032016>.

## III. Entrepreneurs & Small Business

### Kentucky Small Business Credit Initiative (KSBCI)

Designed to generate jobs and increase the availability of credit by reducing the risks participating lenders assume when making loans to small businesses. Using three distinct credit enhancement programs, KSBCI will help lenders finance creditworthy small businesses that would typically fall just outside of their normal lending guidelines. Please [click here](#) for a listing of approved projects.

A detailed fact sheet on the program is available at <http://thinkkentucky.com/Entrepreneurship/KSBCI.aspx>

### The Kentucky Small Business Tax Credit (KSBTC)

The KSBTC program is designed to encourage small business growth and job creation by providing a nonrefundable tax credit to eligible businesses hiring one or more eligible individuals and investing at least \$5,000 in qualifying equipment or technology. With certain exceptions, most for-profit businesses with 50 or fewer full-time employees are



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considered eligible for this program. The KSBTC program is limited to allocating a total of \$3 million in tax credits per state fiscal year.

An eligible small business is any business organized for profit with 50 or fewer full-time employees that is not an affiliate or subsidiary of a larger corporate structure, unless the total number of all employees in the larger structure is less than 50. A small business that meets the following requirements may be eligible for an income tax credit during the year of approval by KEDFA, not to exceed \$25,000: 1) create at least one new, full-time job that must be in place for 12 months and pay no less than 150 percent of the federal minimum wage; and 2) expend at least \$5,000 on qualifying equipment or technology. An eligible company may not apply until one year after both of the minimum requirements are achieved. The maximum credit available for commitment by KEDFA in each fiscal year for all projects is limited to \$3,000,000. (KRS 154.60-010 to 154.60-030)

A detailed fact sheet on the program is available at <http://thinkkentucky.com/ksbtc/>

## Angel Investment Tax Credit

The Kentucky Angel Investment Tax Credit offers tax credits of up to 50 percent of an investment in Kentucky small businesses. Prior to investment, both the investor and small business must submit applications for certification. Each investment must be certified in advance as well. Refer to the Kentucky Angel Investment Tax Credit Fact Sheet for program details and qualifying criteria.

A detailed fact sheet on the program is available at <http://www.thinkkentucky.com/Entrepreneurship/KAITC.aspx>

## IV. Workforce Training

### The Kentucky Skills Network

Kentucky has resources that allow flexible and customizable training specific to the company's needs and standards. The Kentucky Skills Network offers a one-stop delivery system of workforce services for new, expanding and existing companies. Uses for workforce development funding include reimbursable grants for classroom training, on-the-job training, tuition and certification training, train-the-trainer travel, and entry level and skills upgrade training. Some of these sources provide funding and other in-kind services for pre-employment assessment and training, recruitment, pre-employment job screening, labor market research, interviewing, job fair assistance, job placement, safety and health consultation services. Upon the completion of a needs assessment, specific amounts and use of funding will be identified in a manner to assure that the unique needs of the company are met. The value of the free and in-kind services would be determined once specific conversations about that process progress.

Additional details on the programs are available at [http://thinkkentucky.com/workforce/Kentucky\\_Skills\\_Network.aspx](http://thinkkentucky.com/workforce/Kentucky_Skills_Network.aspx)

### Bluegrass State Skills Corporation

The BSSC, in cooperation and coordination with other employment and training organizations, has the capability to customize a comprehensive program of skills training services for new, expanding and existing companies.

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The Grant-in-Aid Program allows BSSC to administer and fund Kentucky's industry-specific training efforts through grants approved by the Board of Directors of the BSSC; to act as a broker of skills training and employment services; to facilitate and fund new training programs and to administer any special state appropriations for industry specific training. The program allows for a 50 percent reimbursement for eligible training costs. (KRS 154.12-204 to 154.12-208)

The Skills Training Investment Credit Act is an economic development initiative, which aids existing companies in their efforts to develop a skilled workforce. It allows companies to recover 50 percent of their approved costs for occupational and skills upgrade training through an income tax credit limited to \$500 per Kentucky resident employed not to exceed \$100,000 per company per biennium. (KRS 154.12-2084 to 154.12-2089; and 141.405)

Additional details on the programs are available at <http://thinkkentucky.com/Workforce/BSSC.aspx>