

# Positive Tweaks for Kentucky's Economic Development Incentive Programs

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In the vein of continuous improvement, Kentucky's economic development incentives were significantly enhanced effective June 29, 2021 by the General Assembly. For one of Graydon's clients, the pool of eligible employees to earn tax credits increased by 130% with changes to the Kentucky Business Investment (KBI) program.

Prior to June 29, companies could only count Kentucky-resident employees who lived within the region that the company was located or headquartered as eligible employees under the KBI program. Now, a company can count employees regardless of where they reside in Kentucky as long as they pay Kentucky individual income taxes and their job is expensed to a qualified economic development project. So, as an example, an employee living in Lexington working for a company headquartered in Covington will count towards that company's qualified economic development project, which is a welcome change.

Kentucky went further and added hospital operations and coal severing/processing as eligible companies under KBI and a building-materials sales tax break program known as the Kentucky Enterprise Initiative Act (KEIA). Plus, the new Kentucky Reinvestment Act (KRA) replaces a former manufacturing-only tax credit program with an expanded, more useful tool to help Kentucky retain and grow companies that invest \$1M+ for leased projects and \$2.5M+ for all other reinvestment projects with negotiated corporate income tax credits in industries such as:

- **HQ operations**
- **Nonretail service or technology**
- **Alternative fuel/renewable energy**
- **Manufacturing**
- **Hospital operations**
- **Coal severing/processing**
- **Carbon dioxide transmission pipeline**
- **Agribusiness**

Under KRA, an eligible company can receive up to 10 years and up to 100% of corporate income tax liability or limited liability entity tax liability generated by or arising from the economic development project. A company needs to pledge an 85% retention factor of its full-time employees to earn this credit.

The KBI program is the workhorse for the Kentucky Cabinet for Economic Development to

attract, retain and expand companies with corporate income tax credits and wage assessments from state and local income taxes. The changes with the KRA program should prove to be beneficial for existing companies addressing the perceived incongruity that only new companies get incentives in Kentucky.

Graydon Economic Development Services has experience with multiple companies earning valuable incentives. [Click here](#) for additional information or contact [Daniel E. Tobergte, Esq.](#), Graydon Economic Development Services at [dtobergte@graydon.law](mailto:dtobergte@graydon.law) or 859-750-4041.