

Just the Facts:

Kentucky Industrial Revitalization Act (KIRA)

March 2017

This fact sheet provides an overview of the Kentucky Industrial Revitalization Act (KIRA) program. For a full discussion of the program requirements, please see KRS 154.26. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KIRA program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Eligible Companies

Eligible companies include companies requiring investments in existing facilities that meet either of the following criteria:

- Employing or intending to employ a minimum of 25 full-time employees engaged in manufacturing or agribusiness operations at the same facility, whether acquired, owned or leased, located and operating within the Commonwealth on a permanent basis for a reasonable period of timing preceding the request for approval
 - » Includes facilities where manufacturing or agribusiness operations have been temporarily suspended
- Having, or in the case of closed facilities, intending, raw production of at least three million (3,000,000) tons of coal mined from the economic revitalization project facility and employing or, in the case of closed facilities, intending to employ, a minimum of 500 full-time employees engaged in coal mining and processing operations at facilities, whether owned or leased, located and operating within the Commonwealth on a permanent basis for a reasonable period of timing preceding the request for approval.
 - » Includes facilities where coal mining and processing operations have been closed, temporarily suspended, or severely reduced

Eligible Projects

Eligible projects include the acquisition, construction, equipping and rehabilitation of machinery and equipment and, with respect thereto, the construction, rehabilitation and installation of improvements of facilities necessary or desirable for the machinery and equipment. Companies may be eligible for incentives limited to seventy-five percent (75%) of the costs of the rehabilitation or construction of buildings and the refurbishing or purchasing of machinery and equipment.

Incentives

Tax incentives are available for the approved company for up to 10 years via:

- Tax Credits up to 100 percent of corporate income or limited liability entity tax liability arising from the project.

- Wage Assessment incentives up to five percent (including up to one percent required local participation) of gross wages of each employee. The employee receives credits for the fees against state income taxes and local occupational taxes so there is no impact on the employee.

The tax incentives remain in place until the authorized incentive amount is realized or for the term of the tax incentive agreement, whichever occurs first. Unused credits that have been authorized for the project may be carried forward for the term of the tax incentive agreement; however, unused credits expire at the maturity of the agreement.

The Process

- The company makes application to the Kentucky Economic Development Finance Authority (KEDFA).
 - » A local letter of support is required to be submitted with the application.
 - » The company must provide a detailed description of the facility, including its productivity, efficiency and financial stability; explain in detail why it intends to close the facility and set out its alternatives; or, provide a description of the potential for resumption of operations at a coal mining and processing facility; as applicable.
- The total amount of incentive available to a project is negotiated with the Cabinet.
- KEDFA preliminarily approves the company and enters into a memorandum of agreement with the company that sets forth the maximum incentives available under KIRA.
- An independent consultant (as contracted by the Cabinet) is hired at the company's expense to verify that closure of the company is imminent without these incentives. The consultant is required to present the final report of findings to KEDFA.
- A public hearing will be conducted to receive comments from the public regarding the project.
- A Revitalization Agreement is approved by KEDFA that authorizes the KIRA incentives for the company.
- The company may begin claiming incentives and the ten year term of the agreement begins on the date of final approval.
- The company has five years from the date of final approval by KEDFA to complete its project and provide KEDFA with documentation in connection with the project's costs.

Fees

There is a \$500 non-refundable application fee payable upon submission of the KIRA application. Fees which the company may expect to incur as a result of final approval include an administrative fee equal to 1/10 of 1 percent of the final KIRA amount authorized in the Revitalization Agreement. In addition, the company will incur legal fees necessary for the preparation of the Revitalization Agreement.

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