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**MEMORANDUM**

**TO:** Interim Joint Committee on Appropriations and Revenue

**FROM:** Jennifer C. Hays, Committee Staff Administrator  
Interim Joint Committee on Appropriations and Revenue

**DATE:** July 1, 2023

**SUBJECT:** Overview and Staff Summary of Confidential Taxpayer Information  
Kentucky Industrial Revitalization Act (KIRA) Tax Incentives  
KRS Chapter 154, Subchapter 26

The purpose of this memorandum is to relay summary information to members of the Interim Joint Committee on Appropriations and Revenue related to the tax incentives available for approved projects through the Kentucky Industrial Revitalization Act (KIRA). The Department of Revenue is statutorily required to provide taxpayer-specific information related to the tax incentives to the Committee. The Committee then uses the information for program evaluation purposes; however, this information remains confidential and is not available for public use. Posting the full report to the Committee's website may violate KRS 131.190.

The KIRA statutes were first enacted during the 1992 Regular Session of the Kentucky General Assembly. Programmatic statutes were amended several times, first to allow the qualification of supplemental projects for the tax incentives and then to allow expansions to the program for specific industrial sectors such as mining and agribusiness. The final change was enacted during the 2021 Regular Session of the Kentucky General Assembly to restrict final approval of all projects to eligible companies preliminarily approved by the Kentucky Economic Development Finance Authority (KEDFA) on or before June 30, 2021.

KIRA allows two types of tax incentives over the life of the revitalization agreement, for a period not to exceed 10 years, and in an amount not to exceed 75% of the approved costs of the revitalization project. The incentives are:

1. A credit to the taxpayer's individual income tax or corporation income tax, as applicable, and a credit to the taxpayer's limited liability entity tax, if applicable; and
2. A job revitalization assessment fee not to exceed 5% of the gross wages of each employee subject to the income tax whose job was retained or created as a result of the revitalization project, including an assessment up to 1% if the local governmental body imposes an occupational license fee.

The following bullet points outline the historical information related to KIRA.

- Twenty-four revitalization projects received final approval from KEDFA.
- The first revitalization project received final approval on June 3, 1993, with the second and third projects receiving final approval in 1994 and 1995, respectively.
- The 24 projects were granted total incentives of \$247,680,316.
- Eighteen of the 24 projects were granted job revitalization assessment fees related to employees' wages.
- Thirteen of the 18 projects awarded job revitalization assessment fees have a state fee of 4%. The job revitalization assessment fees for the other five projects are less than 4%.
- From 1993 through 2022:
  - Denied incentives equal \$1,313,756;
  - Tax credits claimed on returns equal \$61,418,500;
  - Job revitalization assessment fees withheld from employees equal \$96,561,538; and
  - Total incentives equal \$157,980,038.
- The incentive utilization rate is 63.8%, dividing the total amount of incentives claimed by the total amount of incentives granted ( $\$157,980,038 / \$247,680,316$ ).
- Since no new projects are being added, the incentive utilization rate will increase as the last projects are completed.
- Tax year 2010 represents the peak period for the number of active KIRA projects, with 15 projects filing returns and claiming tax incentives during that fiscal year.
- Tax year 2011 represents the peak period for the amount of tax incentives claimed, with a total of \$13,999,532 during that fiscal year.
- Beginning in tax year 2020, less than \$1 million of incentives is collectively claimed for each fiscal year thereafter.
- The KIRA incentive program will be fully sunset in fiscal year 2031-2032, when the revitalization agreement for the last active project will expire.