

171.396 Definitions for KRS 171.396, 171.3961, 171.397, and 171.398.

As used in this section and KRS 171.3961, 171.397, and 171.398:

- (1) "Affordable" means the occupant's housing costs, including utilities, total thirty percent (30%) or less of the occupant's gross income;
- (2) "Certified historic structure" means a structure that is located within the Commonwealth of Kentucky that is:
 - (a) Listed individually on the National Register of Historic Places; or
 - (b) Located in a historic district listed on the National Register of Historic Places and is certified by the council as contributing to the historic significance of the district;
- (3) "Certified rehabilitation" means a completed substantial rehabilitation of a certified historic structure that the council certifies meets the United States Secretary of the Interior's Standards for Rehabilitation;
- (4) "Certified rehabilitation credit cap" means an annual amount of one hundred million dollars (\$100,000,000) for applications received on or after:
 - (a) April 30, 2022, but before April 30, 2026, allocated with:
 1. Twenty-five percent (25%) of the credit cap awarded to owner-occupied residential property; and
 2. Seventy-five percent (75%) of the credit cap awarded to property other than owner-occupied residential property, which includes the major certified rehabilitation allowed under KRS 171.3963; and
 - (b) April 30, 2026, but before April 15, 2027, and on or before each April 15 thereafter, allocated with:
 1. Fifteen percent (15%) of the credit cap awarded to owner-occupied residential property; and
 2. Eighty-five percent (85%) of the credit cap awarded to property other than owner-occupied residential property, including commercial residential property;plus any amounts added to the certified rehabilitation credit cap pursuant to KRS 171.397(2)(c) and 171.398;
- (5) "Commercial residential property" means a certified historic structure that:
 - (a) Is not owner-occupied residential property;
 - (b) Has a minimum of fifty percent (50%) of its square footage designated to residential space which shall be available for lease, rent, or sale upon completion of the rehabilitation; and
 - (c) Is affordable to individuals earning eighty percent (80%) or less of the median family income for a minimum of five (5) years after the building is placed in service;
- (6) "Council" means the Kentucky Heritage Council;
- (7) "Disqualifying work" means work that is performed within three (3) years of the completion of the certified rehabilitation that, if performed as part of the rehabilitation certified under KRS 171.397 and 171.398, would have made the

rehabilitation ineligible for certification;

- (8) "Exempt entity" means any tax exempt organization pursuant to sec. 501(c)(3) of the Internal Revenue Code, any political subdivision of the Commonwealth, any state or local agency, board, or commission, or any quasi-governmental entity;
- (9) "Local government" means a city, county, urban-county, charter county, or consolidated local government;
- (10) "Median family income" means the median family income for the county in which the residence is located as determined by the most recent American Community Survey Five-Year Estimate;
- (11) "Owner-occupied residential property" means a building or portion thereof, condominium, or cooperative occupied by the owner as his or her principal residence;
- (12) "Qualified rehabilitation expense" means any amount that is properly chargeable to a capital account, whether or not depreciation is allowed under Section 168 of the Internal Revenue Code, and is expended at any time in connection with the certified rehabilitation of a certified historic structure. It shall include the cost of restoring landscaping and fencing that contributes to the historic significance of this structure, but shall not include the cost of acquisition of a certified historic structure, enlargement of or additions to an existing building, or the purchase of personal property;
- (13) "Substantial rehabilitation" means rehabilitation of a certified historic structure for which the qualified rehabilitation expenses, during a twenty-four (24) month period selected by the taxpayer or exempt entity, ending with or within the taxable year, exceed:
 - (a) Twenty thousand dollars (\$20,000) for an owner-occupied residential property; or
 - (b) For all other property, the greater of:
 1. The adjusted basis of the structure; or
 2. Twenty thousand dollars (\$20,000);
- (14) "Taxpayer" means any individual, corporation, limited liability company, business development corporation, partnership, limited partnership, sole proprietorship, association, joint stock company, receivership, trust, professional service organization, or other legal entity through which business is conducted that:
 - (a) Elects to claim the credit on a return and receive a refund as provided in KRS 171.397(2)(b)2.a. and 171.398; or
 - (b) Is the recipient of a credit which is transferred as provided in KRS 171.397(2)(b)2.b. and 171.398; and
- (15) "Qualified purchased historic home" means any substantially rehabilitated certified historic structure if:
 - (a) The taxpayer claiming the credit authorized under KRS 171.397 and 171.398 is the first purchaser of the structure after the date of completion of the substantial rehabilitation;
 - (b) The structure or a portion thereof will be the principal residence of the

taxpayer; and

(c) No credit was allowed to the seller under this section.

A qualified purchased historic home shall be deemed owner-occupied residential property for purposes of this section.

Effective: April 14, 2026

History: Amended 2026 Ky. Acts ch. 161, sec. 57, effective April 14, 2026. -- Amended 2021 Ky. Acts ch. 156, sec. 30, effective June 29, 2021. -- Amended 2014 Ky. Acts ch. 102, sec. 19, effective July 15, 2014. -- Amended 2009 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 33, effective June 26, 2009. -- Amended 2006 Ky. Acts ch. 149, sec. 224, effective July 12, 2006. -- Created 2005 Ky. Acts ch. 168, sec. 150, effective March 18, 2005.

Legislative Research Commission Note (3/18/2005). 2005 Ky. Acts ch. 168, sec. 165, provides that this section shall apply to tax years beginning on or after January 1, 2005.