

**154.20-195 Certified mixed-use rehabilitation tax credit -- Definitions for section -- Application -- Approval -- Notification of department. (Effective July 1, 2027)**

- (1) As used in this section:
  - (a) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;
  - (b) "Certified mixed-use rehabilitation" means the development, rehabilitation, renovation, and improvement of a qualified abandoned building that will serve at least two (2) of the following purposes, in its finished, rehabilitated state:
    1. Commercial;
    2. Residential; or
    3. Retail;
  - (c) "Department" means the Department of Revenue;
  - (d) "Eligible rehabilitation expenses" means all costs incurred in association with the certified mixed-use rehabilitation of a qualified abandoned building and includes:
    1. Building and construction materials;
    2. The costs of fixture installation; and
    3. Labor and mechanics costs;
  - (e) "Qualified abandoned building" means a vacant structure that:
    1. Contains a minimum of two hundred twenty-five thousand (225,000) square feet of gross leasable area;
    2. Is located within an urban core area;
    3. Has a minimum vacancy rate by square footage of at least fifty percent (50%) for a continuous period of at least six (6) months immediately prior to the certified mixed-use rehabilitation; and
    4. Is not a project that has been awarded the certified rehabilitation credit under KRS 171.397;
  - (f) "Taxpayer" means any person or entity who:
    1.
      - a. Incurs eligible rehabilitation expenses for a certified mixed-use rehabilitation; or
      - b. Is the recipient of a certified mixed-use rehabilitation credit which is transferred as provided in subsection (7)(b) of this section; and
    2. Is subject to the taxes imposed by KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, 141.020, 304.3-270, or 141.040 and 141.0401; and
  - (g) "Urban core area" means a central, downtown part of this state that is located within a metropolitan statistical area with a population of greater than three hundred thousand (300,000) based on the most recent federal decennial census.
- (2) There is hereby created the certified mixed-use rehabilitation credit.

- (3) For taxable years beginning on or after January 1, 2028, but before January 1, 2032, a taxpayer shall be allowed a refundable, transferable certified mixed-use rehabilitation credit against the taxes imposed by:
  - (a) KRS 141.020 or 141.040 and 141.0401, with the ordering of the credits as provided in KRS 141.0205; or
  - (b) KRS 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, and 304.3-270, with the ordering of the credits as provided in KRS 136.376.
- (4) The credit shall be:
  - (a) Equal to twenty percent (20%) of the eligible rehabilitation expenses incurred during the taxable year; and
  - (b) Limited to:
    - 1. Twenty-five million dollars (\$25,000,000) per eligible taxpayer; and
    - 2. A total of fifty million dollars (\$50,000,000) for all tax credits preliminarily approved for each calendar year in which the credit is available.
- (5) (a) An eligible taxpayer seeking the credit provided under this section shall file an application with the authority for preliminary approval by December 31, 2027, and by each December 31 thereafter of the calendar year immediately preceding in the calendar year in which the certified mixed-use rehabilitation will take place, and include the following:
  - 1. Project location;
  - 2. Proposed start and completion date of the project;
  - 3. Anticipated costs to be incurred;
  - 4. Verification that the building meets the requirements established in subsection (1) of this section as a qualified abandoned building;
  - 5. Detailed rehabilitation plans that outline the projected use of the qualified abandoned building in its final, rehabilitated state; and
  - 6. Any other information the authority may require to provide preliminary project approval.
- (b) The authority shall provide preliminary approval with the anticipated credit amount to be awarded by January 15, 2028, and each January 15 thereafter as long as the credit is available and shall:
  - 1. Create the application by which a taxpayer may apply for preliminary and final credit approval;
  - 2. Provide notification to the taxpayer of preliminary and final credit approval; and
  - 3. Promulgate administrative regulations in accordance with KRS Chapter 13A necessary to implement this section.
- (6) (a) If the total amount of credits granted preliminary approval for a calendar year under subsection (5) of this section:
  - 1. Exceeds fifty million dollars (\$50,000,000), each taxpayer shall receive no more than its applicable pro rata share as determined by the

authority; or

2. Is less than fifty million dollars (\$50,000,000), the difference between the amount of credits preliminarily approved and the maximum amount available in accordance with subsection (4) of this section, shall be added to the maximum amount of credit available for preliminary approval in the next calendar year.
- (b) In the event that credits are divided pro rata among all applicants, the authority shall provide notification to the taxpayer with preliminary credit approval.
- (7) Within thirty (30) days of completion of the certified mixed-use rehabilitation project, the taxpayer shall:
    - (a) Submit an application to the authority for final credit approval;
    - (b) Include an irrevocable election to:
      1. Use the credit; or
      2. Transfer the credit, in which case the following shall be included:
        - a. Transferee's taxpayer identification number; and
        - b. Amount of credit to be transferred; and
    - (c) Provide documentation of final project dates and actual costs incurred as projected in subsection (5) of this section.
  - (8) Within sixty (60) days of the taxpayer's final application submission, the authority shall:
    - (a) Review and verify all actual eligible rehabilitation expenses incurred; and
    - (b) Provide notification of final credit determination to the taxpayer and the department, which may be claimed on the taxpayer's return for the taxable year.
  - (9) The authority shall notify the department following approval of a certified mixed-use rehabilitation project and include:
    - (a) The name and taxpayer identification number of each approved taxpayer;
    - (b) The location of each certified mixed-use rehabilitation project approved;
    - (c) The total amount of credit available for each taxpayer; and
    - (d) Any other information required by the department.

**Effective:** July 1, 2027

**History:** Created 2026 Ky. Acts ch. 198, sec. 30, effective July 1, 2027.