

1 AN ACT relating to economic development.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF SUBCHAPTER 32 OF KRS CHAPTER  
4 154 IS CREATED TO READ AS FOLLOWS:

5 *(1) The authority is hereby authorized to negotiate and execute a tax incentive*  
6 *agreement pursuant to this subchapter based on the tiering system provided in*  
7 *Section 5 of this Act. Project tax credit amounts may be:*

8 *(a) Two thousand five hundred dollars (\$2,500) per new job created in Tier I*  
9 *counties;*

10 *(b) Five thousand dollars (\$5,000) per new job created in Tier II counties;*

11 *(c) Ten thousand dollars (\$10,000) per new job created in Tier III counties;*  
12 *and*

13 *(d) Twenty thousand dollars (\$20,000) per new job created in Tier IV counties.*

14 *(2) If an eligible company establishes or expands its headquarters in Kentucky and*  
15 *creates at least forty (40) new jobs, the eligible company may receive a tax credit*  
16 *equal to twenty percent (20%) of the value of the facility dedicated to the*  
17 *headquarters operations for up to ten (10) years.*

18 *(3) Eligible companies may choose the taxable year to claim the tax credit negotiated*  
19 *under this subchapter. The credit shall not be claimed on a return filed for a*  
20 *previous taxable year.*

21 *(4) (a) The tax incentive agreement established pursuant to this subchapter shall*  
22 *indicate the taxable year in which the credit shall be claimed.*

23 *(b) The authority shall report the credit amount and taxable year for which the*  
24 *credit may be claimed.*

25 *(c) The taxable year for when the credit shall be claimed shall not exceed more*  
26 *than four (4) taxable years after the date of final approval.*

27 ➔Section 2. KRS 154.32-010 is amended to read as follows:

- 1 (1) "Activation date" means the date established in the tax incentive agreement that is  
2 within two (2) years of final approval;
- 3 (2) "Affiliate" means the following:
- 4 (a) Members of a family, including only brothers and sisters of the whole or half  
5 blood, spouse, ancestors, and lineal descendants of an individual;
- 6 (b) An individual, and a corporation more than fifty percent (50%) in value of the  
7 outstanding stock of which is owned, directly or indirectly, by or for that  
8 individual;
- 9 (c) An individual, and a limited liability company of which more than fifty  
10 percent (50%) of the capital interest or profits are owned or controlled,  
11 directly or indirectly, by or for that individual;
- 12 (d) Two (2) corporations which are members of the same controlled group, which  
13 includes and is limited to:
- 14 1. One (1) or more chains of corporations connected through stock  
15 ownership with a common parent corporation if:
- 16 a. Stock possessing more than fifty percent (50%) of the total  
17 combined voting power of all classes of stock entitled to vote or  
18 more than fifty percent (50%) of the total value of shares of all  
19 classes of stock of each of the corporations, except the common  
20 parent corporation, is owned by one (1) or more of the other  
21 corporations; and
- 22 b. The common parent corporation owns stock possessing more than  
23 fifty percent (50%) of the total combined voting power of all  
24 classes of stock entitled to vote or more than fifty percent (50%) of  
25 the total value of shares of all classes of stock of at least one (1) of  
26 the other corporations, excluding, in computing the voting power  
27 or value, stock owned directly by the other corporations; or

- 1           2. Two (2) or more corporations if five (5) or fewer persons who are  
2           individuals, estates, or trusts own stock possessing more than fifty  
3           percent (50%) of the total combined voting power of all classes of stock  
4           entitled to vote or more than fifty percent (50%) of the total value of  
5           shares of all classes of stock of each corporation, taking into account the  
6           stock ownership of each person only to the extent the stock ownership is  
7           identical with respect to each corporation;
- 8           (e) A grantor and a fiduciary of any trust;
- 9           (f) A fiduciary of a trust and a fiduciary of another trust, if the same person is a  
10          grantor of both trusts;
- 11          (g) A fiduciary of a trust and a beneficiary of that trust;
- 12          (h) A fiduciary of a trust and a beneficiary of another trust, if the same person is a  
13          grantor of both trusts;
- 14          (i) A fiduciary of a trust and a corporation more than fifty percent (50%) in value  
15          of the outstanding stock of which is owned, directly or indirectly, by or for the  
16          trust or by or for a person who is a grantor of the trust;
- 17          (j) A fiduciary of a trust and a limited liability company more than fifty percent  
18          (50%) of the capital interest, or the interest in profits, of which is owned  
19          directly or indirectly, by or for the trust or by or for a person who is a grantor  
20          of the trust;
- 21          (k) A corporation, a partnership, or a limited partnership if the same persons own:  
22              1. More than fifty percent (50%) in value of the outstanding stock of the  
23              corporation; and  
24              2. More than fifty percent (50%) of the capital interest, or the profits  
25              interest, in the partnership or limited partnership;
- 26          (l) A corporation and a limited liability company if the same persons own:  
27              1. More than fifty percent (50%) in value of the outstanding stock of the

- 1 corporation; and
- 2 2. More than fifty percent (50%) of the capital interest or the profits in the
- 3 limited liability company;
- 4 (m) A partnership or limited partnership and a limited liability company if the
- 5 same persons own:
- 6 1. More than fifty percent (50%) of the capital interest or profits in the
- 7 partnership or limited partnership; and
- 8 2. More than fifty percent (50%) of the capital interest or the profits in the
- 9 limited liability company;
- 10 (n) An S corporation and another S corporation if the same persons own more
- 11 than fifty percent (50%) in value of the outstanding stock of each corporation;
- 12 S corporation designation being the same as that designation under the
- 13 Internal Revenue Code of 1986, as amended;
- 14 (o) An S corporation and a C corporation, if the same persons own more than
- 15 fifty percent (50%) in value of the outstanding stock of each corporation; S
- 16 and C corporation designations being the same as those designations under the
- 17 Internal Revenue Code of 1986, as amended; or
- 18 (p) Two (2) or more limited liability companies, if the same persons own more
- 19 than fifty percent (50%) of the capital interest or are entitled to more than fifty
- 20 percent (50%) of the capital profits in the limited liability companies;
- 21 (3) "Agribusiness" means the processing of raw agricultural products, including but not
- 22 limited to timber and industrial hemp, or the performance of value-added functions
- 23 with regard to raw agricultural products;
- 24 (4) "Alternative fuel production" means a Kentucky operation that primarily produces
- 25 alternative transportation fuels for sale. The alternative fuel production may
- 26 produce electricity as a by-product if the primary function of the operations remains
- 27 the production and sale of alternative transportation fuels;

- 1 (5) "Alternative transportation fuels" has the same meaning as in KRS 152.715;
- 2 (6) "Approved company" means an eligible company that has received final approval  
3 to receive incentives under this subchapter;
- 4 (7) "Approved costs" means the amount of eligible costs approved by the authority at  
5 final approval;
- 6 (8) "Authority" means the Kentucky Economic Development Finance Authority  
7 established by KRS 154.20-010;
- 8 (9) "Biomass resources" has the same meaning as in KRS 152.715;
- 9 (10) "Capital lease" means a lease classified as a capital lease by the Statement of  
10 Financial Accounting Standards No. 13, Accounting for Leases, issued by the  
11 Financial Accounting Standards Board, November 1976, as amended;
- 12 (11) "Carbon dioxide or hydrogen transmission pipeline" means the in-state portion of a  
13 pipeline, including appurtenant facilities, property rights, and easements, that is  
14 used exclusively for the purpose of transporting carbon dioxide or hydrogen to the  
15 point of sale, storage, or other carbon or hydrogen management applications;
- 16 (12) "Coal severing and processing" means activities resulting in the eligible company  
17 being subject to the tax imposed by KRS Chapter 143;
- 18 (13) "Commonwealth" means the Commonwealth of Kentucky;
- 19 (14) "Confirmed approved costs" means:
- 20 (a) For owned economic development projects, the documented eligible costs  
21 incurred on or before the activation date; or
- 22 (b) For leased economic development projects:
- 23 1. The documented eligible costs incurred on or before the activation date;  
24 and
- 25 2. Estimated rent to be incurred by the approved company throughout the  
26 term of the tax incentive agreement.

27 For both owned and leased economic development projects, "confirmed approved

1 costs" may be less than approved costs, but shall not be more than approved costs;

2 (15) "Department" means the Department of Revenue;

3 (16) "Economic development project" means:

4 (a) The acquisition, leasing, or construction of a new facility;

5 (b) The acquisition, leasing, rehabilitation, or expansion of an existing facility; or

6 (c) The installation and equipping of a facility;

7 by an eligible company. "Economic development project" does not include any  
8 economic development project that will result in the replacement of facilities  
9 existing in the Commonwealth, except as provided in KRS 154.32-060;

10 (17) (a) "Eligible company" means any corporation, limited liability company,  
11 partnership, limited partnership, sole proprietorship, business trust, or any  
12 other entity with a proposed economic development project that is engaged in  
13 or is planning to be engaged in one (1) or more of the following activities  
14 within the Commonwealth:

15 1. Manufacturing;

16 2. Agribusiness;

17 3. Nonretail service or technology;

18 4. Headquarters operations, regardless of the underlying business activity  
19 of the company;

20 5. Alternative fuel, gasification, energy-efficient alternative fuel, or  
21 renewable energy production;

22 6. Carbon dioxide or hydrogen transmission pipeline;

23 7. Coal severing and processing; or

24 8. Hospital operations.

25 (b) "Eligible company" does not include companies where the primary activity to  
26 be conducted within the Commonwealth is forestry, fishing, the provision of  
27 utilities, construction, wholesale trade, retail trade, real estate, rental and

1 leasing, educational services, accommodation and food services, or public  
2 administration services;

3 (18) "Eligible costs" means:

4 (a) For owned economic development projects:

- 5 1. Start-up costs;
- 6 2. Nonrecurring obligations incurred for labor and nonrecurring payments  
7 to contractors, subcontractors, builders, and materialmen in connection  
8 with the economic development project;
- 9 3. The cost of acquiring land or rights in land and any cost incidental  
10 thereto, including recording fees;
- 11 4. The cost of contract bonds and of insurance of all kinds that may be  
12 required or necessary for completion of an economic development  
13 project which is not paid by a contractor or otherwise provided for;
- 14 5. All costs of architectural and engineering services, including test  
15 borings, surveys, estimated plans and specifications, preliminary  
16 investigations, and supervision of construction, as well as for the  
17 performance of all the duties required for construction of the economic  
18 development project;
- 19 6. All costs which are required to be paid under the terms of any contract  
20 for the economic development project;
- 21 7. All costs incurred for construction activities, including site tests and  
22 inspections; subsurface site work; excavation; removal of structures,  
23 roadways, cemeteries, and other surface obstructions; filling, grading,  
24 and providing drainage and storm water retention; installation of utilities  
25 such as water, sewer, sewage treatment, gas, electric, communications,  
26 and similar facilities; off-site construction of utility extensions to the  
27 boundaries of the real estate; construction and installation of railroad

1                   spurs as needed to connect the economic development project to existing  
2                   railways; or similar activities as the authority may determine necessary  
3                   for construction of the economic development project; and

4                   8.    All other costs of a nature comparable to those described above; and

5           (b)   For leased economic development projects:

6                   1.    Start-up costs;

7                   2.    Building/leasehold improvements; and

8                   3.    Fifty percent (50%) of the estimated annual rent for each year of the tax  
9                   incentive agreement.

10           Notwithstanding any other provision of this subsection, for economic development  
11           projects that are not in enhanced incentive counties, the cost of equipment eligible  
12           for recovery as an eligible cost shall not exceed twenty thousand dollars (\$20,000)  
13           for each new full-time job created as of the activation date;

14   (19) "Employee benefits" means payments by an approved company for its full-time  
15           employees for health insurance, life insurance, dental insurance, vision insurance,  
16           defined benefits, 401(k), or similar plans;

17   (20) "Energy-efficient alternative fuel production" means a Kentucky operation that  
18           produces for sale energy-efficient alternative fuels;

19   (21) "Energy-efficient alternative fuels" means homogeneous fuels that:

20           (a)   Are produced from processes designed to densify feedstock coal, waste coal,  
21                   or biomass resources; and

22           (b)   Have an energy content that is greater than the feedstock coal, waste coal, or  
23                   biomass resource;

24   (22) "Enhanced incentive counties" means counties certified as Tier III or Tier IV by  
25           the authority pursuant to KRS 154.32-050;

26   (23) "Final approval" means the action taken by the authority authorizing the eligible  
27           company to receive incentives under this subchapter;



- 1 (24) (a) "Full-time job" means a job held by a person who:
- 2 1. Is required to work a minimum of thirty-five (35) hours per week; and
- 3 2. a. Is subject to the Kentucky individual income tax imposed by KRS
- 4 141.020; or
- 5 b. Works remotely away from the economic development project if
- 6 the job meets all of the following conditions:
- 7 i. Is held by a Kentucky resident;
- 8 ii. Was created as a result of the economic development project;
- 9 and
- 10 iii. The payroll of this job is expensed to the economic
- 11 development project.
- 12 (b) "Full-time job" does not include a job held by a resident of any state with a
- 13 reciprocal agreement between the Commonwealth and the other state as
- 14 described in KRS 141.070;
- 15 (25) "Gasification process" means a process that converts any carbon-containing
- 16 material into a synthesis gas composed primarily of carbon monoxide and
- 17 hydrogen;
- 18 (26) "Gasification production" means a Kentucky operation that primarily produces for
- 19 sale:
- 20 (a) Alternative transportation fuels;
- 21 (b) Synthetic natural gas;
- 22 (c) Chemicals;
- 23 (d) Chemical feedstocks; or
- 24 (e) Liquid fuels;
- 25 from coal, waste coal, coal-processing waste, or biomass resources, through a
- 26 gasification process. The gasification production may produce electricity as a by-
- 27 product if the primary function of the operations remains the production and sale of

- 1 alternative transportation fuels, synthetic natural gas, chemicals, chemical  
2 feedstocks, or liquid fuels;
- 3 (27) "Headquarters" means the principal office where the principal executives of the  
4 entity are located and from which other personnel, branches, affiliates, offices, or  
5 entities are controlled;
- 6 (28) "Hospital" means a facility licensed by the Cabinet for Health and Family Services  
7 under KRS Chapter 216B for the operation of a hospital and the basic services  
8 provided by a hospital;
- 9 (29) "Incentives" means the incentives available under this subchapter, as listed in KRS  
10 154.32-020(3);
- 11 (30) "Job target" means the annual average number of new full-time jobs that the  
12 approved company commits to create and maintain at the economic development  
13 project, which shall not be less than ten (10) new full-time jobs *in Tier I and Tier*  
14 *II counties or five (5) new full-time jobs in Tier III and Tier IV counties*;
- 15 (31) "Kentucky gross receipts" has the same meaning as in KRS 141.0401;
- 16 (32) "Kentucky gross profits" has the same meaning as in KRS 141.0401;
- 17 (33) "Lease agreement" means an agreement between an approved company and an  
18 unrelated entity conveying the right to use a facility, the terms of which reflect an  
19 arms' length transaction. "Lease agreement" does not include a capital lease;
- 20 (34) "Leased project" means an economic development project site occupied by an  
21 approved company pursuant to a lease agreement;
- 22 (35) "Manufacturing" means any activity involving:
- 23 (a) Processing, assembling, or production of any property, including the  
24 processing resulting in a change in the conditions of the property and any  
25 activity related to the processing, assembling, or production of property,  
26 together with the storage, warehousing, distribution, and related office  
27 facilities; or

- 1 (b) Production of vital medications, personal protective equipment, or equipment  
2 necessary to produce personal protective equipment;
- 3 (36) (a) "Nonretail service or technology" means any activity where service or  
4 technology is provided predominantly outside the Commonwealth and  
5 designed to serve a multistate, national, or international market.
- 6 (b) "Nonretail service or technology" includes but is not limited to call centers,  
7 centralized administrative or processing centers, telephone or Internet sales  
8 order or processing centers, distribution or fulfillment centers, data processing  
9 centers, research and development facilities, and other similar activities;
- 10 (37) "Owned project" means an economic development project owned in fee simple by  
11 the approved company or an affiliate, or possessed by the approved company or an  
12 affiliate pursuant to a capital lease;
- 13 (38) "Personal protective equipment" means protective clothing, helmets, gloves, face  
14 shields, goggles, face masks, respirators, and other equipment designed to protect  
15 the user from injury or the spread of infection or illness;
- 16 (39) "Preliminary approval" means the action taken by the authority preliminarily  
17 approving an eligible company for incentives under this subchapter;
- 18 (40) "Renewable energy production" means a Kentucky operation that utilizes wind  
19 power, biomass resources, landfill methane gas, hydropower, solar power, or other  
20 similar renewable resources to generate electricity for sale to unrelated entities;
- 21 (41) "Rent" means the actual annual rent or fee paid by an approved company under a  
22 lease agreement;
- 23 (42) "Start-up costs" means nonrecurring costs incurred to furnish and equip a facility  
24 for an economic development project, including costs incurred for:
- 25 (a) Computers, furnishings, office equipment, manufacturing equipment, and  
26 fixtures;
- 27 (b) The relocation of out-of-state equipment; and

- 1 (c) Cost of fixed telecommunications equipment;  
2 as certified to the authority in accordance with KRS 154.32-030;
- 3 (43) "Synthetic natural gas" means the same thing as in KRS 152.715;
- 4 (44) "Tax incentive agreement" means the agreement entered into pursuant to KRS  
5 154.32-040 between the authority and an approved company;
- 6 (45) "Term" means the period of time for which a tax incentive agreement may be in  
7 effect, which shall not exceed fifteen (15) years for an economic development  
8 project located in an enhanced incentive county, or ten (10) years for an economic  
9 development project located in a Tier I or Tier II county~~[not located in any other~~  
10 ~~county]~~;
- 11 **(46) "Tier" means the sorting of all Kentucky counties into quartiles based on each**  
12 **county's unemployment rate and population ranking pursuant to Section 5 of this**  
13 **Act;**
- 14 ~~(47)~~~~(46)~~ "Vital medications" means any drug or biologic used to prevent or treat a  
15 serious life-threatening disease or medical condition for which there is no other  
16 available source with sufficient supply of that drug or biologic or alternative drug or  
17 biologic;
- 18 ~~(48)~~~~(47)~~ "Wage" means the per hour earnings of a full-time employee, including  
19 wages, tips, overtime, bonuses, and commissions, as reflected on the employee's  
20 federal form W-2 wage and tax statement, but excludes employee benefits; and
- 21 ~~(49)~~~~(48)~~ "Wage target" means the average total hourly compensation amount,  
22 including the minimum wage and employee benefits, that the approved company  
23 commits to meet for all new full-time jobs created and maintained as a result of the  
24 economic development project, which shall not be less than:
- 25 (a) One hundred twenty-five percent (125%) of the federal minimum wage in  
26 enhanced incentive counties; or
- 27 (b) One hundred fifty percent (150%) of the federal minimum wage in all other

1 counties.

2 ➔Section 3. KRS 154.32-020 is amended to read as follows:

3 (1) The purposes of this subchapter are:

4 (a) To provide incentives for eligible companies and to encourage the location or  
5 expansion of manufacturing facilities, agribusiness operations, nonretail  
6 service or technology facilities, headquarters operations, alternative fuel  
7 production facilities, gasification production facilities, energy-efficient  
8 alternative fuel production facilities, renewable energy production facilities,  
9 carbon dioxide or hydrogen transmission pipelines, coal severing and  
10 processing, and hospital operations in the Commonwealth to advance the  
11 public purposes of:

- 12 1. Creation of new jobs that, but for the incentives offered by the authority,  
13 would not exist within the Commonwealth;
- 14 2. Creation of new sources of tax revenues for the support of public  
15 services provided by the Commonwealth;
- 16 3. Improvement in the quality of life for Kentucky citizens through the  
17 creation of sustainable jobs with higher salaries; and
- 18 4. Providing an economic stimulus to bolster in-state production of vital  
19 medications and personal protective equipment; and

20 (b) To provide a tiered system of enhanced incentives for companies ~~that locate~~  
21 ~~in enhanced incentive counties~~ in recognition of the depressed economic  
22 conditions in certain~~those~~ counties and the increased need for the growth  
23 and development caused by the depressed economic conditions.

24 (2) To qualify for the incentives provided by subsection (3) of this section, an approved  
25 company shall:

26 (a) Incur eligible costs of at least one hundred thousand dollars (\$100,000);

27 (b) 1. Create at least ten (10) new full-time jobs and maintain an annual

1 average number of at least ten (10) new full-time jobs in Tier I or Tier  
2 II counties; or

3 2. Create at least five (5) new full-time jobs and maintain an annual  
4 average number of at least five (5) new full-time jobs in enhanced  
5 incentive counties; and

6 (c) 1. Pay at least ninety percent (90%) of all new full-time employees whose  
7 jobs were created as a result of the economic development project a  
8 minimum wage of at least one hundred twenty-five percent (125%) of  
9 the federal minimum wage in enhanced incentive counties, and one  
10 hundred fifty percent (150%) of the federal minimum wage in Tier I or  
11 Tier II~~other~~ counties throughout the term of the economic  
12 development project; and

13 2. Provide employee benefits for all new full-time jobs equal to at least  
14 fifteen percent (15%) of the minimum wage requirement established by  
15 subparagraph 1. of this paragraph. If the eligible company does not  
16 provide employee benefits equal to at least fifteen percent (15%) of the  
17 minimum wage requirement established by subparagraph 1. of this  
18 paragraph, the eligible company may still qualify for incentives if it  
19 provides the full-time employees hired as a result of the economic  
20 development project total hourly compensation equal to or greater than  
21 one hundred fifteen percent (115%) of the minimum wage requirement  
22 established in subparagraph 1. of this paragraph through increased  
23 hourly wages combined with employee benefits; or

24 (d) Produce vital medications, personal protective equipment, or equipment  
25 necessary to produce personal protective equipment.

26 (3) The incentives available under this subchapter are as follows:

27 (a) Tax credits of up to one hundred percent (100%) of the Kentucky income tax

1 imposed under KRS 141.020 or 141.040 and the limited liability entity tax  
2 imposed under KRS 141.0401 on the income, Kentucky gross profits, or  
3 Kentucky gross receipts of the approved company generated by or arising  
4 from the economic development project, as set forth in KRS 141.415 and  
5 154.32-070. **Tax credits under this section shall be calculated under Section**  
6 **1 of this Act;**

7 (b) Authorization for the approved company to impose a wage assessment against  
8 the gross wages of each new employee subject to the Kentucky income tax as  
9 provided in KRS 154.32-090; and

10 (c) Notwithstanding any provision of law to the contrary, for any economic  
11 development project with an eligible investment of more than two hundred  
12 million dollars (\$200,000,000), the authority may authorize approval to the  
13 economic development project based upon terms and incentives applicable to  
14 economic development project locating in an enhanced incentive county.

15 (4) The General Assembly hereby finds and declares that the authority granted in this  
16 subchapter and the purposes accomplished hereby are proper governmental and  
17 public purposes for which public moneys may be expended, and that the  
18 inducement of the location of economic development projects within the  
19 Commonwealth is of paramount importance to the economic well-being of the  
20 Commonwealth.

21 ➔Section 4. KRS 154.32-040 is amended to read as follows:

22 The authority, upon final approval of a company, may enter into a tax incentive  
23 agreement with the approved company. The terms and conditions of the tax incentive  
24 agreement shall be negotiated between the authority and the approved company. The  
25 terms of the tax incentive agreement shall include but not be limited to the following  
26 provisions:

27 (1) The maximum approved costs that may be recovered over the term of the tax

- 1 incentive agreement and the annual maximum for approved costs;
- 2 (2) That the approved company shall provide the authority with all documentation  
3 requested in a manner acceptable to the authority;
- 4 (3) Identification of the contribution of the local government to the economic  
5 development project, if any;
- 6 (4) The activation date, which shall be within two (2) years of final approval;
- 7 (5) That the approved company shall implement the activation date by notifying the  
8 authority;
- 9 (6) That the approved company shall provide documentation satisfactory to the  
10 authority within the timeframes required by the authority that it has met the  
11 minimum employment, minimum investment, and minimum wage requirements,  
12 including employee benefits, established by KRS 154.32-020;
- 13 (7) That failure of the approved company to meet any of the minimum job, minimum  
14 investment, or minimum wage requirements, including employee benefits,  
15 established by KRS 154.32-020, on the activation date shall result in cancellation of  
16 the tax incentive agreement;
- 17 (8) The term of the agreement, which shall not exceed fifteen (15) years for an  
18 economic development project located in an enhanced incentive county, or ten (10)  
19 years for an economic development project located in a Tier I or Tier II~~[another]~~  
20 county;
- 21 (9) That, if confirmed approved costs are less than the maximum approved costs  
22 included in the tax incentive agreement, the confirmed approved costs shall become  
23 the maximum amount that may be recovered by the approved company;
- 24 (10) If the economic development project is a leased project, that future rent payments  
25 that are included in eligible costs shall be included as confirmed approved costs  
26 upon submission of a valid lease agreement executed after preliminary approval;
- 27 (11) Establishment of a job target and minimum wage target, including employee



- 1           benefits;
- 2   (12) A requirement that the job target and minimum wage target, including employee
- 3           benefits, be measured:
- 4           (a) On the activation date, against the actual new full-time jobs created and the
- 5                 average wages, including employee benefits, paid for those jobs; and
- 6           (b) Annually during each year of the agreement, against the annual average of the
- 7                 new full-time jobs and the average wages paid for those jobs, including
- 8                 employee benefits;
- 9   (13) A provision requiring the approved company to notify the authority immediately if
- 10           the approved company sells or otherwise transfers or disposes of the land on which
- 11           an economic development project is located, if a lease relating to the economic
- 12           development project is terminated or lapses, or if the approved company ceases or
- 13           fundamentally alters operations at the economic development project;
- 14   (14) A provision detailing the reductions in incentives that will occur pursuant to KRS
- 15           154.32-030(4) if an approved company fails to meet its job target or minimum wage
- 16           target, including employee benefits;
- 17   (15) That the agreement may be assigned by the approved company upon the adoption
- 18           of a resolution by the authority to that effect;
- 19   (16) That the approved company shall make available to the authority all of its records
- 20           pertaining to the economic development project, including but not limited to payroll
- 21           records, records relating to eligible costs, and any other records pertaining to the
- 22           economic development project that the authority may require;
- 23   (17) That the authority may share information with the department for the purposes of
- 24           monitoring and enforcing the terms of the tax incentive agreement;
- 25   (18) That, if an approved company fails to comply with its obligations under the tax
- 26           incentive agreement other than the jobs target or minimum wage target, the
- 27           authority may take any or all of the following actions:

- 1 (a) Suspend the incentives available to the approved company;
- 2 (b) Terminate the incentives available to the approved company; or
- 3 (c) Pursue any other remedy set forth in the tax incentive agreement or to which it
- 4 may be entitled by law; and

5 (19) Any other provisions not inconsistent with this subchapter and determined to be  
6 necessary or appropriate by the parties to the tax incentive agreement.

7 ➔Section 5. KRS 154.32-050 is amended to read as follows:

8 (1) The authority shall identify and certify or decertify ~~the tiers for all enhanced~~  
9 ~~incentive~~ counties on an annual basis as provided in this section. The authority  
10 shall certify all counties in Kentucky into four (4) tax credit tiers. The incentives  
11 available under this subchapter shall be determined based on the county where  
12 the economic development project is located by an approved company.

13 (2) Each fiscal year, the authority shall:

14 (a) Obtain from the Department of Workforce Development in the Education and  
15 Labor Cabinet, the final unemployment figures for the prior calendar year for  
16 each county and for the Commonwealth as a whole; and

17 (b) For each county, identify ~~those counties which have had~~:

18 1. a. A countywide unemployment rate that exceeds the statewide  
19 unemployment rate in the most recent five (5) consecutive  
20 calendar years; or

21 b.~~[2.]~~ An average countywide rate of unemployment exceeding the  
22 statewide unemployment rate by two hundred percent (200%) in  
23 the most recent calendar year; and

24 2. The county population ranking pursuant to KRS 154.21-017~~†~~

25 ~~(c) Certify the counties identified in paragraph (b) of this subsection as enhanced~~  
26 ~~incentive counties~~.

27 (3) On or before January 1, 2027, and no later than January 1 annually thereafter,

1 the authority shall determine a county's tax credit tier based on the five (5) year  
2 average of:

3 (a) A county's unemployment rate; and

4 (b) A county's population ranking pursuant to KRS 154.21-017.

5 The tier rankings shall be effective July 1, 2027, and no later than July 1  
6 annually thereafter.

7 (4) The cabinet shall publish tax credit tiers approved under this section annually on  
8 January 1 as follows:

9 (a) Tier I shall be the top twenty (20) counties with the highest composite score  
10 as calculated pursuant to subsection (3) of this section;

11 (b) Tier II shall be the next twenty (20) counties after Tier I with the highest  
12 composite score as calculated pursuant to subsection (3) of this section;

13 (c) Tier III shall be the next forty (40) counties after Tier II with the highest  
14 composite score as calculated pursuant to subsection (3) of this section; and

15 (d) Tier IV shall be the next forty (40) counties after Tier III with the highest  
16 composite score as calculated pursuant to subsection (3) of this section.

17 ~~county not certified under subsection (2) of this section may also be certified~~  
18 ~~by the authority as an enhanced incentive county if the authority determines~~  
19 ~~the county is one (1) of the sixty (60) most distressed counties in the~~  
20 ~~Commonwealth based on the following criteria with equal weight given to~~  
21 ~~each criterion:~~

22 ~~(a) The average countywide rate of unemployment in the most recent three (3)~~  
23 ~~consecutive calendar years, using the information obtained under subsection~~  
24 ~~(2)(a) of this section;~~

25 ~~(b) The percentage of adults twenty five (25) years of age and older who have attained~~  
26 ~~at least a high school education or equivalent, on the basis of the most recent~~  
27 ~~data available from the United States Department of Commerce, Bureau of the~~

1 Census; and

2 ~~(e) The quality of the roads in the county. Quality of roads shall be determined by the~~  
3 ~~access within a county to roads, ranked in descending order from best quality~~  
4 ~~to worst quality, as certified to the authority by the Kentucky Transportation~~  
5 ~~Cabinet as follows:~~

6 1. ~~Two (2) or more interstate highways;~~

7 2. ~~One (1) interstate highway;~~

8 3. ~~A state four (4) lane parkway;~~

9 4. ~~A four (4) lane principal arterial access to an interstate highway;~~

10 5. ~~A state two (2) lane parkway; and~~

11 6. ~~None of the preceding road types}.~~

12 ~~(5) [(4)]~~ (a) If the authority determines that an enhanced incentive county no longer  
13 meets the criteria to be certified as an enhanced incentive county under this  
14 section, the authority shall decertify that county.

15 (b) Any economic development project located in an enhanced incentive county  
16 that was decertified by the authority after May 1, 2009, shall have until July 1  
17 of the third year following the fiscal year in which the county was decertified  
18 to obtain final approval from the authority.

19 ~~(6) [(5)]~~ (a) As used in this subsection, "industrial park" means a regional industrial  
20 park as defined in KRS 42.4588, or an industrial park created pursuant to an  
21 interlocal agreement in which revenues are shared as provided in KRS 65.210  
22 to 65.300.

23 (b) An economic development project undertaken in an industrial park that is  
24 located in two (2) or more counties, one (1) of which is an enhanced incentive  
25 county, may be approved for the enhanced incentive county incentives set  
26 forth in this subchapter.

27 ~~(7) [(6)]~~ *On or before July 1, 2028, and no later than July 1 every two (2) years*

thereafter, the cabinet shall report to the Legislative Research Commission for referral to the Interim Joint Committee on Appropriations and Revenue the following information for each county:

(a) The county name;

(b) The tier ranking for that county;

(c) The five (5) year average unemployment rate; and

(d) The five (5) year average county population ranking~~[A county not certified under subsection (2) or (3) of this section may be certified by the authority as an enhanced incentive county if the county has been declared a disaster relief area by any state or federal agency on or after December 1, 2021. The enhanced county certification shall be effective for a period of two (2) years from the date of certification by the authority. Following the two (2) year period, if a county certified under this subsection does not meet the criteria under subsections (2) and (3) of this section to be certified as an enhanced incentive county, the county shall be decertified in accordance with subsection (4) of this section].~~

➔Section 6. KRS 154.32-090 is amended to read as follows:

- (1) An approved company or, with the authority's consent, an affiliate of an approved company may impose wage assessments against employees as provided in this section if a wage assessment is included in the incentives awarded to the approved company in the tax incentive agreement. The level of wage assessment shall be negotiated as part of the tax incentive agreement.
- (2) If an economic development project is located in an enhanced incentive county, the approved company or, with the authority's consent, an affiliate of the approved company may require that each employee subject to the tax imposed by KRS 141.020, whose job is determined by the authority to be created as a result of the economic development project, as a condition of employment, agree to an

1 assessment of up to one hundred percent (100%) of the individual income tax rate  
2 imposed by KRS 141.020, and that assessment shall operate as the  
3 Commonwealth's wage assessment. Although not required for an economic  
4 development project located in an enhanced incentive county, a local jurisdiction  
5 may agree to forgo all or a portion of its local occupational license fee as a local  
6 wage assessment.

7 (3) (a) If the economic development project is located in a Tier I or Tier II~~not~~  
8 ~~located in an enhanced incentive~~ county, and is located in a local jurisdiction  
9 where:

- 10 1. No local occupational license fee is imposed;
- 11 2. a. A local occupational license fee greater than or equal to twenty  
12 percent (20%) of the individual income tax rate in KRS 141.020 is  
13 imposed; and  
14 b. The local jurisdiction agrees to forgo, as the local wage  
15 assessment, at least twenty percent (20%) of the individual income  
16 tax rate imposed by KRS 141.020 via credits against the local  
17 occupational license fee for the affected employees; or
- 18 3. a. A local occupational license fee less than twenty percent (20%) of  
19 the individual income tax rate in KRS 141.020 is imposed; and  
20 b. The local jurisdiction agrees to forgo the total amount of the local  
21 occupational license fee as the local wage assessment; then

22 (b) An approved company or, with the authority's consent, an affiliate of an  
23 approved company may require that each employee subject to tax imposed by  
24 KRS 141.020, whose job is determined by the authority to be created as a  
25 result of the economic development project, as a condition of employment,  
26 agree to pay an assessment of up to sixty percent (60%) of the individual  
27 income tax rate imposed by KRS 141.020 and that assessment shall operate as

1 the Commonwealth's wage assessment.

2 (4) (a) If the economic development project is located in a Tier I or Tier II ~~not~~  
3 ~~located in an enhanced incentive~~ county, and is located in a local jurisdiction  
4 where:

5 1. a. A local occupational license fee greater than or equal to twenty  
6 percent (20%) of the individual income tax rate in KRS 141.020 is  
7 imposed; and

8 b. The local jurisdiction agrees to forgo an amount of the local  
9 occupational license fee that is less than twenty percent (20%) of  
10 the individual income tax rate in KRS 141.020 as the local wage  
11 assessment; or

12 2. a. A local occupational license fee of lesser than twenty percent  
13 (20%) of the individual income tax rate in KRS 141.020 is  
14 imposed; and

15 b. The local jurisdiction agrees to forgo only a portion of the total  
16 amount of the local occupational license fee as the local wage  
17 assessment; then

18 (b) An approved company or, with the authority's consent, an affiliate of an  
19 approved company may require that each employee subject to tax imposed by  
20 KRS 141.020, whose job is determined by the authority to be created as a  
21 result of the economic development project, as a condition of employment,  
22 agree to pay an assessment equal to three (3) times the forgone local wage  
23 assessment rate and that assessment shall operate as the Commonwealth's  
24 wage assessment.

25 (5) If the project is not located in an enhanced incentive county, and:

26 (a) Is located in a local jurisdiction that does not impose a local occupational  
27 license fee, the local jurisdiction shall be required to provide some alternative

- 1           inducement satisfactory to the authority at the local level in order for a  
2           preliminarily approved company to receive final approval. However, the  
3           authority may waive this requirement if there are reasonable circumstances  
4           that prevent the local jurisdiction from providing a reasonable inducement; or
- 5       (b) Is located in a local jurisdiction that does impose a local occupational license  
6           fee, the jurisdiction may request that the authority waive the local  
7           occupational license fee requirements established by subsection (3) or (4) of  
8           this section if the local jurisdiction offers alternative inducements of similar  
9           value satisfactory to the authority. The authority shall review all requests for a  
10          waiver, and may waive the local occupational license fee requirements and  
11          instead require the local jurisdiction to provide alternative inducements of  
12          similar value if the authority determines that the circumstances warrant an  
13          alternative contribution by the local jurisdiction.
- 14   (6) Each employee paying the assessment shall simultaneously be entitled to a credit  
15          against the Kentucky individual income tax required to be withheld under KRS  
16          141.310 equal to the state portion of the assessment and shall be entitled to a credit  
17          against the local occupational license tax equal to the local portion of the  
18          assessment.
- 19   (7) If more than one (1) local jurisdiction imposes an occupational license fee, the local  
20          jurisdiction portion of the assessment shall be prorated proportionately among the  
21          taxes imposed by the local jurisdictions unless one (1) local jurisdiction agrees to  
22          forgo the receipt of these taxes in an amount equal to the local jurisdiction portion  
23          of the wage assessment, in which case no proration shall be made.
- 24   (8) If a full-time employee subject to state tax imposed by KRS 141.020 is already  
25          employed by the approved company at a site other than the site of the economic  
26          development project, that full-time employee's job shall be deemed to have been  
27          created when the full-time employee is transferred to the site of the economic



1 development project if the full-time employee's existing job is filled with a new  
2 full-time employee.

3 (9) If an approved company elects to impose the assessment as a condition of  
4 employment, it shall be authorized to deduct the assessment from each payment of  
5 wages to the employee.

6 (10) Notwithstanding any other provision of the Kentucky Revised Statutes, if an  
7 approved company elects not to deduct the assessment from each payment of wages  
8 to the employee, but rather requests a reimbursement of state tax imposed by KRS  
9 141.020 or local occupational tax in the aggregate after they have been paid to the  
10 state or local jurisdiction, no interest shall be paid by the state or by the local  
11 jurisdiction on that reimbursement.

12 (11) No credit, or portion thereof, shall be allowed against any occupational license fee  
13 imposed by or dedicated solely to the board of education in a local jurisdiction.

14 (12) An approved company imposing an assessment shall make its payroll, books, and  
15 records available to the authority or the department upon request, and shall file with  
16 the authority or department documentation pertaining to the assessment as the  
17 authority or department may require.

18 (13) Any assessment of the wages of employees of an approved company in connection  
19 with their employment at an economic development project shall permanently cease  
20 at the expiration of the tax incentive agreement.

21 ➔Section 7. KRS 154.61-010 is amended to read as follows:

22 As used in this subchapter:

23 (1) "Above-the-line production crew" means employees involved with the production  
24 of a motion picture or entertainment production whose salaries are negotiated prior  
25 to commencement of production, such as actors, directors, producers, and writers;

26 (2) "Animated production" means a nationally distributed feature-length film created  
27 with the rapid display of a sequence of images using 2-D or 3-D graphics of

- 1 artwork or model positions in order to create an illusion of movement;
- 2 (3) "Approved company" means an eligible company approved for incentives provided  
3 under KRS 141.383 and 154.61-020;
- 4 (4) "Below-the-line production crew" means employees involved with the production  
5 of a motion picture or entertainment production except above-the-line production  
6 crew. "Below-the-line production crew" includes but is not limited to:
- 7 (a) Casting assistants;
- 8 (b) Costume design;
- 9 (c) Extras;
- 10 (d) Gaffers;
- 11 (e) Grips;
- 12 (f) Location managers;
- 13 (g) Production assistants;
- 14 (h) Set construction staff; and
- 15 (i) Set design staff;
- 16 (5) "Cabinet" means the Cabinet for Economic Development;
- 17 (6) "Commonwealth" means the Commonwealth of Kentucky;
- 18 (7) "Compensation" means compensation included in adjusted gross income as defined  
19 in KRS 141.010;
- 20 (8) "Continuous film production" means a motion picture or entertainment production  
21 that:
- 22 (a) 1. Has a projected budget of a minimum of ten million dollars  
23 (\$10,000,000) per calendar year for qualifying expenditures and  
24 qualifying payroll expenditures allocated to all qualifying motion picture  
25 or entertainment productions to be filmed or produced in Kentucky, with  
26 a minimum of one million five hundred thousand dollars (\$1,500,000)  
27 per production in Kentucky; and

- 1           2.    Has a minimum of fifty percent (50%) of the funds available and the
- 2                    ability to raise the remaining funds necessary to complete the filming
- 3                    and production, which may be verified by:
- 4                    a.    Bank statements or other financial documents; or
- 5                    b.    A fundraising plan at the request of the council;
- 6       (b)   Demonstrates a distribution contract for each motion or entertainment
- 7                    production;
- 8       (c)   Films and produces a minimum of twelve (12) or more days per production
- 9                    within the Commonwealth; and
- 10      (d)   Maintains:
- 11            1.    An apprenticeship program or on-the-job training program as defined in
- 12                    KRS 343.010; or
- 13            2.    Partners with a film studies program with an accredited institution of
- 14                    postsecondary education located in the Commonwealth;
- 15   (9)   "Council" means the Kentucky Film Leadership Council created in KRS 154.12-
- 16       282;
- 17   (10)   "Documentary" means a production based upon factual information and not
- 18       subjective interjections;
- 19   (11)   "Eligible company" means any person that intends to film or produce a motion
- 20       picture or entertainment production in the Commonwealth;
- 21   (12)   "Employee" has the same meaning as in KRS 141.010, and, for purposes of this
- 22       subchapter, also may include the employees or independent contractors of an
- 23       approved company or the employees of a loan-out entity engaged by an approved
- 24       company if they meet the requirements of KRS 141.310;
- 25   (13)   "Enhanced incentive county" has the same meaning as in KRS 154.32-010;
- 26   (14)   "Feature-length film" means a live-action or animated production that is:
- 27       (a)   More than thirty (30) minutes in length; and

1 (b) Produced for distribution in theaters or via digital format, including but not  
2 limited to DVD, Internet, or mobile electronic devices;

3 (15) "Industrial film" means a business-to-business film that may be viewed by the  
4 public, including but not limited to videos used for training or for viewing at a trade  
5 show;

6 (16) "Kentucky-based company" has the same meaning as in KRS 164.6011;

7 (17) "Loan-out entity" means a corporation, partnership, limited liability company, or  
8 other entity through which an artist or other person is loaned out to perform services  
9 for the approved company. A loan-out entity shall be registered and in good  
10 standing with the Kentucky Secretary of State. Notwithstanding the business  
11 organization, the loan-out entity and all employees of and other persons performing  
12 services for the loan-out entity shall be subject to all applicable provisions of the  
13 Kentucky personal income tax and any applicable payroll or other tax provisions;

14 (18) (a) "Motion picture or entertainment production" means:

15 1. The following if filmed in whole or in part, or produced in whole or in  
16 part, in the Commonwealth:

17 a. A feature-length film;

18 b. A television program;

19 c. An industrial film; or

20 d. A documentary; or

21 2. A national touring production of a Broadway show produced in  
22 Kentucky.

23 (b) "Motion picture or entertainment production" does not include the filming or  
24 production of obscene material or television coverage of news or athletic  
25 events;

26 (19) "Obscene" has the same meaning as in KRS 531.010;

27 (20) "Person" has the same meaning as in KRS 141.010;

- 1 (21) (a) "Qualifying expenditure" means expenditures made in the Commonwealth for  
2 the following if directly used in or for a motion picture or entertainment  
3 production:
- 4 1. The production script and synopsis;
  - 5 2. Set construction and operations, wardrobe, accessories, and related  
6 services;
  - 7 3. Lease or rental of real property in Kentucky as a set location;
  - 8 4. Photography, sound synchronization, lighting, and related services;
  - 9 5. Editing and related services;
  - 10 6. Rental of facilities and equipment;
  - 11 7. Vehicle leases;
  - 12 8. Food; and
  - 13 9. Accommodations.
- 14 (b) "Qualifying expenditure" does not include Kentucky sales and use tax paid by  
15 the approved company on the qualifying expenditure;
- 16 (22) "Qualifying payroll expenditure" means compensation paid to above-the-line crew  
17 and below-the line crew while working on a motion picture or entertainment  
18 production in the Commonwealth if the compensation is for services performed in  
19 the Commonwealth;
- 20 (23) "Resident" has the same meaning as in KRS 141.010;
- 21 (24) "Secretary" means the secretary of the Cabinet for Economic Development;
- 22 (25) "Tax incentive agreement" means the agreement entered into pursuant to KRS  
23 154.61-030 between the council and the approved company;~~and~~
- 24 (26) "Television program" means any live-action or animated production or  
25 documentary, including but not limited to:
- 26 (a) An episodic series;
  - 27 (b) A miniseries;

1 (c) A television movie; or

2 (d) A television pilot;

3 that is produced for distribution on television via broadcast, cable, or any digital  
4 format, including but not limited to cable, satellite, internet, or mobile electronic  
5 devices; and

6 (27) "Tier" means the sorting of all Kentucky counties into quartiles based on each  
7 county's unemployment rate and population ranking pursuant to Section 5 of this  
8 Act.

9 ➔Section 8. KRS 154.61-020 is amended to read as follows:

10 (1) The purposes of KRS 141.383 and this subchapter are to encourage:

11 (a) The film and entertainment industry to choose locations in the  
12 Commonwealth for the filming and production of motion picture or  
13 entertainment productions;

14 (b) The development of a film and entertainment industry in Kentucky;

15 (c) Increased employment opportunities for the citizens of the Commonwealth  
16 within the film and entertainment industry; and

17 (d) The development of a production and postproduction infrastructure in the  
18 Commonwealth for film production and touring Broadway show production  
19 facilities containing state-of-the-art technologies.

20 (2) The council, together with the Department of Revenue, shall administer the tax  
21 credit established by KRS 141.383, this section, and KRS 154.61-030.

22 (3) To qualify for the tax incentive provided in subsection (5) of this section, the  
23 following requirements shall be met:

24 (a) For an approved company that is also a Kentucky-based company that:

25 1. Films or produces a feature-length film, television program, or industrial  
26 film in whole or in part in the Commonwealth, the minimum combined  
27 total of qualifying expenditures and qualifying payroll expenditures

- 1 shall be one hundred twenty-five thousand dollars (\$125,000);
- 2 2. Produces a national touring production of a Broadway show in whole or
- 3 in part in the Commonwealth, the minimum combined total of
- 4 qualifying expenditures and qualifying payroll expenditures shall be
- 5 twenty thousand dollars (\$20,000); or
- 6 3. Films or produces a documentary in whole or in part in the
- 7 Commonwealth, the minimum combined total of qualifying
- 8 expenditures and qualifying payroll expenditures shall be ten thousand
- 9 dollars (\$10,000); and
- 10 (b) For an approved company that is not a Kentucky-based company that:
- 11 1. Films or produces a feature-length film, television program, or industrial
- 12 film in whole or in part in the Commonwealth, the minimum combined
- 13 total of qualifying expenditures and qualifying payroll expenditures
- 14 shall be two hundred fifty thousand dollars (\$250,000); or
- 15 2. Films or produces a documentary in whole or in part in the
- 16 Commonwealth or that produces a national touring production of a
- 17 Broadway show, the minimum combined total of qualifying
- 18 expenditures and qualifying payroll expenditures shall be twenty
- 19 thousand dollars (\$20,000).
- 20 (4) (a) Beginning on January 1, 2022, the total tax incentive approved under KRS
- 21 141.383 and this subchapter shall be limited to seventy-five million dollars
- 22 (\$75,000,000) for calendar year 2022 and each calendar year thereafter.
- 23 (b) Beginning with calendar year 2024:
- 24 1. Twenty-five million dollars (\$25,000,000) shall be allocated for all
- 25 approved companies with a continuous film production; and
- 26 2. On the first day of July of each calendar year, any unused balance of the
- 27 amount allocated under subparagraph 1. of this paragraph for continuous

1 film productions shall be made available for all approved companies  
2 with motion picture or entertainment productions.

3 (5) (a) To qualify for the tax incentive available under KRS 141.383 and this  
4 subchapter all applicants shall:

- 5 1. Begin filming or production in Kentucky within six (6) months of  
6 approval by the council; and
- 7 2. Complete filming or production in Kentucky within two (2) years of the  
8 filming or production start date.

9 (b) The tax credit shall be against the Kentucky income tax imposed under KRS  
10 141.020 or 141.040, and the limited liability entity tax imposed under KRS  
11 141.0401, and shall be refundable as provided in KRS 141.383.

12 (c) 1. For a motion picture or entertainment production or continuous film  
13 production filmed or produced in its entirety in an enhanced incentive  
14 county, the amount of the incentive shall be equal to thirty-five percent  
15 (35%) of the approved company's:

- 16 a. Qualifying expenditures;
- 17 b. Qualifying payroll expenditures paid to resident and nonresident  
18 below-the-line production crew; and
- 19 c. Qualifying payroll expenditures paid to resident and nonresident  
20 above-the-line production crew not to exceed one million dollars  
21 (\$1,000,000) in payroll expenditures per employee.

22 2. a. To the extent the approved company films or produces a motion  
23 picture or entertainment production or continuous film production  
24 in part in an enhanced incentive county and in part a **Tier I or Tier**  
25 **II** Kentucky county~~[that is not an enhanced incentive county]~~, the  
26 approved company shall be eligible to receive the incentives  
27 provided in this paragraph for those expenditures incurred in the



enhanced incentive county and all other expenditures shall be subject to the incentives provided in paragraph (d) of this subsection.

- b. The approved company shall track the requisite expenditures by county. If the approved company can demonstrate to the satisfaction of the cabinet that it is not practical to use a separate accounting method to determine the expenditures by county, the approved company shall determine the correct expenditures by county using an alternative method approved by the cabinet.

(d) For a motion picture or entertainment production or continuous film production filmed or produced in whole or in part in any *Tier I or Tier II* Kentucky county~~[other than in an enhanced incentive county]~~, the amount of the incentive shall be equal to:

1. Thirty percent (30%) of the approved company's:
  - a. Qualifying expenditures;
  - b. Qualifying payroll expenditures paid to below-the-line production crew that are not residents; and
  - c. Qualifying payroll expenditures paid to above-the-line production crew that are not residents, not to exceed one million dollars (\$1,000,000) in payroll expenditures per employee; and
2. Thirty-five percent (35%) of the approved company's:
  - a. Qualifying payroll expenditures paid to resident below-the-line production crew; and
  - b. Qualifying payroll expenditures paid to resident above-the-line production crew not to exceed one million dollars (\$1,000,000) in payroll expenditures per employee.

➔Section 9. KRS 141.383 is amended to read as follows:

- 1 (1) As used in this section:
- 2 (a) "Above-the-line production crew" has the same meaning as in KRS 154.61-
- 3 010;
- 4 (b) "Approved company" has the same meaning as in KRS 154.61-010;
- 5 (c) "Below-the-line production crew" has the same meaning as in KRS 154.61-
- 6 010;
- 7 (d) "Continuous film production" has the same meaning as in KRS 154.61-010;
- 8 (e) "Council" means the Kentucky Film Leadership Council created in KRS
- 9 154.12-282;
- 10 (f) "Loan-out entity" has the same meaning as in KRS 154.61-010;
- 11 (g) "Qualifying expenditure" has the same meaning as in KRS 154.61-010;
- 12 (h) "Qualifying payroll expenditure" has the same meaning as in KRS 154.61-
- 13 010;
- 14 (i) "Secretary" has the same meaning as in KRS 154.61-010; and
- 15 (j) "Tax incentive agreement" has the same meaning as KRS 154.61-010.
- 16 (2) (a) There is hereby created a tax credit against the tax imposed under KRS
- 17 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in
- 18 KRS 141.0205.
- 19 (b) The incentive available under paragraph (a) of this section is:
- 20 1. A refundable credit for applications approved prior to April 27, 2018;
- 21 2. A nonrefundable and nontransferable credit for applications approved on
- 22 or after April 27, 2018, but before January 1, 2022; and
- 23 3. A refundable credit for applications approved on or after January 1,
- 24 2022, if the provisions of paragraph (c) of this subsection are met.
- 25 (c) 1. The total tax incentive approved under KRS 154.61-020 shall be limited
- 26 to:
- 27 a. One hundred million dollars (\$100,000,000) for calendar year

- 1                                2018 and each calendar year through the calendar year 2021;
- 2                                b.    Seventy-five million dollars (\$75,000,000) for the calendar year
- 3                                2022 and each calendar year thereafter; and
- 4                                c.    Beginning with calendar year 2024, the amount in subdivision b.
- 5                                of this subparagraph shall be allocated accordingly:
- 6                                i.    Twenty-five million dollars (\$25,000,000) shall be allocated
- 7                                for all approved companies with a continuous film
- 8                                production; and
- 9                                ii.   On the first day of April 2025, and on April 1 of each
- 10                                calendar year thereafter, any unused balance allocated under
- 11                                subpart i. of this subdivision for continuous film productions
- 12                                shall be made available for all approved companies with a
- 13                                motion picture or entertainment production.
- 14                                2.    To qualify for the refundable credit, all applicants shall:
- 15                                a.    Begin filming or production in Kentucky within six (6) months of
- 16                                approval by the council; and
- 17                                b.    Complete filming or production in Kentucky within two (2) years
- 18                                of their production start date.
- 19    (3)   An approved company may receive a refundable tax credit if:
- 20                                (a)   The department has received notification from the council that the approved
- 21                                company has satisfied all requirements of KRS 154.61-020 and 154.61-030;
- 22                                and
- 23                                (b)   The approved company has provided a detailed cost report and sufficient
- 24                                documentation to the council, which has been forwarded by the council to the
- 25                                department, that:
- 26                                1.    The purchases of qualifying expenditures were made after the execution
- 27                                of the tax incentive agreement; and

- 1           2.    The approved company or loan-out entity has withheld income tax as  
2                    required by KRS 141.310 on all qualified payroll expenditures, and  
3                    remitted and certified the withheld amount to the department.
- 4   (4)   Interest shall not be allowed or paid on any refundable credits provided under this  
5            section.
- 6   (5)   The department may promulgate administrative regulations under KRS Chapter  
7            13A to administer this section.
- 8   (6)   On or before September 1, 2010, and on or before each September 1 thereafter, for  
9            the immediately preceding fiscal year, the department shall report to the council and  
10           the Interim Joint Committee on Appropriations and Revenue the names of the  
11           approved companies and the amounts of refundable income tax credit claimed.
- 12   (7)   No later than September 1, 2021, and by November 1 every four (4) years  
13           thereafter, the department and the Cabinet for Economic Development shall  
14           cooperatively provide historical data related to the tax credit allowed in this section  
15           and KRS 154.61-020 and 154.61-030, including data items beginning with tax  
16           credits claimed for taxable years beginning on or after January 1, 2018:
- 17       (a)   The name of the taxpayer claiming the tax credit;
- 18       (b)   The date that the application was approved and the date the filming or  
19           production was completed;
- 20       (c)   The taxable year in which the taxpayer claimed the tax credit;
- 21       (d)   The total amount of the tax credit, including any amount denied, any amount  
22           applied against a tax liability, any amount refunded, and any amount  
23           remaining that may be claimed on a return filed in the future;
- 24       (e)   Whether the taxpayer is a Kentucky-based company as defined in KRS  
25           154.61-010;
- 26       (f)   Whether the taxpayer films or produces a:
- 27           1.   Feature-length film, television program, or industrial film;

- 1                   2.   National touring production of a Broadway show; or
- 2                   3.   Documentary;
- 3           (g)   Whether the filming or production was performed:
- 4                   1.   Entirely in an enhanced county; or
- 5                   2.   In whole or in part in any **Tier I or Tier II** Kentucky county~~[-other than~~
- 6                         ~~in an enhanced incentive county];~~
- 7           (h)   The amount of qualifying expenditures incurred by the taxpayer;
- 8           (i)   The amount of qualifying payroll expenditures paid to:
- 9                   1.   Resident below-the-line crew; and
- 10                  2.   Nonresident below-the-line production crew;
- 11                         including the number of crew members in each category;
- 12           (j)   The amount of qualifying payroll expenditures paid to:
- 13                   1.   Resident above-the-line crew; and
- 14                   2.   Nonresident above-the-line crew;
- 15                         including the number of crew members in each category; and
- 16           (k)   A brief description of the type of motion picture or entertainment production
- 17                         project.
- 18   (8)   The information required to be reported under this section shall not be considered
- 19           confidential taxpayer information and shall not be subject to KRS Chapter 131 or
- 20           any other provisions of the Kentucky Revised Statutes prohibiting disclosure or
- 21           reporting of information.