

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **0744**

HOUSE BILL NUMBER **21**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE AN ACT relating to promise zone tax incentives.

SPONSOR Representative R. Nelson

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(indeterminable but substantial)	(indeterminable but substantial)
EXPENDITURES			
NET EFFECT		(indeterminable but substantial)	(indeterminable but substantial)

() indicates a decrease/negative

MEASURE’S PURPOSE: The purpose of the proposal, if enacted, is to stimulate economic activity within the counties of Bell, Clay, Harlan, Knox, Leslie, Letcher, Perry, and Whitley (AKA Promise Zone Counties) by providing sales tax, individual income tax, corporation income tax, and limited liability entity tax incentives for:

1. New businesses to locate in those counties as well as businesses currently located there; and
2. Individuals to maintain and seek employment within those counties.

PROVISIONS/MECHANICS:

Sales Tax Incentives for sellers located in the Promise Zone (Effective January 1, 2018-December 31, 2021): KRS 139.570 is amended to allow sellers located in the promise zone with annual gross receipts of \$3,000,000 or less in the immediately preceding calendar year to deduct an amount of compensation in any reporting period equal to the amount of tax due. Thus the seller would be allowed to retain the amount of sales tax collected from customers.

Individual Income Tax, Corporation Income Tax, Limited Liability Income Tax incentives for new business to locate in the promise zone or for existing businesses in the promise zone (Effective for taxable years beginning on or after January 1, 2017, but before January 1, 2021): A new section of KRS 141 is created to provide a nonrefundable credit equal to \$100 for each qualified employee hired whose wages during the taxable year are equal to or less than \$40,000.

Individual Income Tax incentives for employees (Effective for taxable years beginning on or after January 1, 2017, but before January 1, 2021): A new section of KRS Chapter 141 is created to provide a nonrefundable credit equal to the tax imposed by KRS 141.020 on wages earned by the employee during the taxable year if those wages are equal to or less than \$40,000.

FISCAL EXPLANATION: This proposal, if enacted, would have a substantial negative impact on the General Fund for FY 2017-2018 and thereafter.

DATA SOURCE(S): LRC Staff

PREPARER: Charlotte Quarles **NOTE NUMBER:** 12 **REVIEW:** JRS **DATE:** 1/5/2017

LRC 2017-BR0074-HB21