

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

**MEASURE**

2017 BR NUMBER **1392**

**HOUSE** BILL NUMBER **399**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER \_\_\_\_\_

**SUBJECT/TITLE** **An ACT relating to the establishment of a tax credit to promote investments in rural Kentucky businesses and making and appropriation therefor.**

**SPONSOR** **Representative J. Blanton**

**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
<b>REVENUES</b>			See Fiscal Explanation Below
<b>EXPENDITURES</b>			
<b>NET EFFECT</b>			See Fiscal Explanation Below

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** The purpose of this bill is to attract capital to stimulate business development in rural areas, retain and attract new businesses and industry in those areas, stimulate growth, and create jobs. This bill would allow a new tax credit against the taxes imposed on insurance companies and financial institutions, for contributions made by them into rural growth funds, which make investments in businesses that are principally operating in certain rural areas of the state and that are engaged in agriculture, agribusiness, manufacturing, plant sciences, or services or technology activities.

**PROVISIONS/MECHANICS:** This measure creates new sections of KRS Chapter 136 to establish a new tax credit against the taxes imposed on insurance companies and financial institutions, for contributions made by them into rural growth funds which make investments in certain businesses principally operating in certain areas of the state; declares findings and the purpose of the credit; defines terms; requires an entity to follow a process to apply for certification as a rural growth fund, and for investors in that entity to receive tax credits awarded by the Department of Revenue; allows the department to issue \$60,000,000 in tax credits; provides credit sunset terms and other conditions for participating in the program and for

claiming the credit; provides for revocation of tax credits; allows the department to audit rural growth funds; limits any liability of the Commonwealth in regard to rural growth funds or investments made by them; requires various reports to be filed with the department and the Legislative Research Commission to enable evaluations of the credit program; provides for the ordering of the credit; declares a short title to be the Kentucky Rural Jobs Tax Credit Act of 2017.

**FISCAL EXPLANATION:** The bill allows the Department of Revenue to accept applications from entities seeking approval as a rural growth fund beginning October 1, 2017. The department is allowed 60 days to complete their review and make a determination. If approved the rural growth fund has 60 days to collect the credit eligible contributions from the investors and collect one or more investments of cash, that when added to the investor contributions, equal the total amount of approved investment authority. The maximum amount of tax credits allowed under this proposed bill is \$60,000,000. No more than 25 percent may be claimed in each taxable year that includes the second, third, fourth, and fifth anniversaries of the closing date. Based upon these requirements, a negative impact to the general fund will not occur until FY 2019-2020.

FY 2019-2020 - (\$15,000,000)

FY 2020-2021 – (\$15,000,000)

FY 2021-2022 – (\$15,000,000)

FY 2022-2023 – (\$15,000,000)

**DATA SOURCE(S):** LRC

**PREPARER:** Charlotte T. Quarles **NOTE NUMBER:** 85 **REVIEW:** JRS **DATE:** 2/21/2017

LRC 2017-BR1392-HB399