

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

**MEASURE**

2017 BR NUMBER **0225**

**HOUSE** BILL NUMBER **44**

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

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

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

**SPONSOR** **Representative J. York**

**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**

<b>FISCAL ESTIMATES</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>		(indeterminable but substantial)	(indeterminable but substantial)
<b>EXPENDITURES</b>			
<b>NET EFFECT</b>		(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 thirty (30) Kentucky 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.

Those counties are Bell, Breathitt, Boyd, Carter, Clay, Elliott, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lincoln, Martin, Magoffin, McCreary, Morgan, Owsley, Pike, Perry, Pulaski, Rockcastle, Rowan, Wayne, and Whitley (AKA Promise Zone 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:** 8 **REVIEW:** JRS **DATE:** 1/5/2017