

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

**MEASURE**

2017 BR NUMBER **1421**

**HOUSE BILL NUMBER 518**

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

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

**SUBJECT/TITLE An ACT relating to taxation.**

**SPONSOR Representative D. Keene**

**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>			FY 2019-2020 (substantial negative)
<b>EXPENDITURES</b>			
<b>NET EFFECT</b>			FY 2019-2020 (substantial negative)

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** HB 518 proposes an abandoned building tax credit, to revitalize brownfield and blighted areas of the Commonwealth. This proposal would create a nonrefundable, but transferable, credit for taxable years beginning on and after January 1, 2018, but before January 1, 2023, against individual income tax or corporation income tax and the limited liability entity tax equal to 100 percent of the cost of qualifying rehabilitation expenses. The credit shall not exceed \$500,000 for any building site and shall not exceed 50 percent of the greater of the taxpayer’s income tax liability or limited liability entity tax liability. Taxpayers must meet a minimum rehabilitation expense threshold that is based upon the location of the building site in order to qualify for the credit. The credit shall be earned in the taxable year in which the building site is placed in service and shall be taken in equal installments over 5 taxable years. The credit may be carried forward 5 taxable years. Taxpayers that qualify for the certified rehabilitation credit permitted by KRS 171.397 are not eligible for this credit.

**PROVISIONS/MECHANICS:** Creates a new section of KRS Chapter 141 to provide the state abandoned building income tax credit and requires reporting by the Department of Revenue to the Legislative Research Commission; amends KRS 141.0205 to order the credit; amends various sections of KRS Chapters 131 and 141 to conform to the reporting requirements and

makes technical corrections; amends KRS 154.32-080 to allow a preliminarily approved company also qualifying for the abandoned building tax credit, with an investment of \$1 million or more, to also request an advance disbursement.

**FISCAL EXPLANATION:** If enacted, there will be no fiscal impact to the general fund this biennium. For FY 2019-2020 and each fiscal year thereafter as long as the credit is available, it is estimated that there may be a substantial negative impact to the general fund based upon the numerous parcels that would qualify for rehabilitation and the number of taxpayers willing to rehabilitate those parcels. According to the Kentucky Energy and Environment Cabinet there may be as many as 8,000 brownfield sites in Kentucky. The total number of abandoned buildings and parcels in blighted areas in Kentucky is unknown.

**DATA SOURCE(S):** Energy and Environment Cabinet

**PREPARER:** Charlotte T. Quarles **NOTE NUMBER:** 128 **REVIEW:** JRS **DATE:** 2/27/2017

LRC 2017-BR1421-HB518