

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2018 REGULAR SESSION**

**MEASURE**

2018 BR NUMBER **1799**

**HOUSE** BILL NUMBER **487/HCS1**

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

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

**SUBJECT/TITLE AN ACT relating to economic development and workforce investment.**

**SPONSOR Representative Pratt**

**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>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>ANNUAL IMPACT AT FULL IMPLEMENTATION</b>
<b>REVENUES</b>		(Indeterminable)	(Indeterminable)	(Indeterminable)
<b>EXPENDITURES</b>		Minimal	Minimal	Minimal
<b>NET EFFECT</b>		(Indeterminable)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

**MEASURE'S PURPOSE:** HB 487 HCS1 sunsets the Kentucky Industrial Revitalization Act (KIRA) as of June 30, 2018, and amends the criteria of the Kentucky Reinvestment Act (KRA). It adds reporting requirements of the Cabinet for Economic Development and the Kentucky Department of Revenue related to KRA.

**PROVISIONS/MECHANICS:** Section 1 amends KRS 141.403 to add a sunset provision to keep an eligible company that has not received preliminary approval from receiving final approval and tax credits under KIRA after June 30, 2018. It allows approved companies and eligible companies with preliminary approval before June 30, 2018, to continue under the provisions of the statutes that govern KIRA.

Section 2 amends KRS 141.415 to remove the provisions relating to subchapter 34 of KRS Chapter 154 from it.

Section 3 creates a new section of KRS Chapter 141 to add the same provisions that were removed from KRS 141.415 in Section 2 of this Act. It adds a sunset provision to keep an eligible company that has not received preliminary approval from receiving final approval and

tax credits under KRA after January 1, 2022. It allows approved companies and eligible companies with preliminary approval before January 1, 2022, to continue under the provisions of the statutes that govern KRA. It also adds reporting requirements for the Department of Revenue.

Section 4 creates a new section of subchapter 26 of KRS Chapter 154 to sunset the subchapter for an eligible company that has not received preliminary approval by stating it shall not receive final approval by the authority after June 30, 2018. It allows outstanding eligible companies with preliminary or final approval before June 30, 2018 to continue under the provisions of the subchapter.

Section 5 amends KRS 154.34-010 to revise current definitions and add new definitions.

Section 6 amends KRS 154.34-070 to add the requirement of completing the reinvestment project within the 3 year timeframe to obtain final approval. It also updates language to use the new definition “inducement”; adds a description of office space to the requirement of the application; and makes technical changes.

Section 7 amends KRS 154.34-080 to remove eligible skills upgrade training costs to the records that an approved company has to make available to the authority.

Section 8 amends KRS 154.34-090 to remove “of Revenue of the Commonwealth” in describing the department and remove the reference to KRS 141.415, as clean-up of the statute and to conform to the changes made in Sections 2 and 3 of this Act.

Section 9 amends KRS 154.34-110 to alter the description of the type of operations listed within the purpose statement of the subchapter by removing the term “manufacturing” and adding “for eligible companies”. It adds reporting requirements for the Cabinet for Economic Development and adds the amount of eligible equipment and related costs an approved company must incur for leased projects to at least \$1 million and \$2.5 million for all other reinvestment projects. It also removes the “100% of job skills upgrade training costs” from the amount recoverable for approved companies; adds wage assessments to the inducements; and alters the description of facilities by removing “manufacturing” and adding “of eligible companies”.

Section 10 amends KRS 154.34-120 to update the reference to KRS 141.415 to conform to the changes made in Sections 2 and 3 of this Act.

Section 11 creates a new section of subchapter 34 of KRS Chapter 154 to provide guidance on wage assessments.

Section 12 creates a new section of subchapter 34 of KRS Chapter 154 to add the provision that reinvestment projects preliminarily or finally approved after June 26, 2009, but before the effective date of this Act, shall not be held to the changes of this Act. It also adds the sunset provision stated in Section 3 of this Act.

Sections 13 through 20 are conforming changes to the Act relating the reporting requirements of the tax credits.

Section 21 declares an emergency clause, which was added due to the June 30, 2018 deadline stated in Sections 1 and 4 of this Act.

**FISCAL EXPLANATION:** HB 487/HCS1 sunsets the economic development program KIRA and modifies the economic development program KRA. The revisions are made in effort to roll the KIRA program into KRA; to add state and local wage assessments as a method of recovery under KRA; and to add nonretail service and technology companies, headquarter operations, and coal mining and processing companies as eligible companies under KRA. Changing the criteria of the KRA program may allow additional entities to qualify for the incentives. Data is not available to estimate the fiscal impact, since it is unknown how many entities may apply under the revised program criteria. KRA does not have a cap on its incentives.

HB 487/HCS1 adds reporting requirements of KRA for the Cabinet for Economic Development and the Kentucky Department of Revenue. This reporting is expected to have a minimal negative impact in expenditures.

**DATA SOURCE(S):** LRC Staff, Kentucky Cabinet for Economic Development

**PREPARER:** Cynthia Brown **NOTE NUMBER:** 183 **REVIEW:** JAB **DATE:** 3/19/2018