

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2022 REGULAR SESSION**

MEASURE

2022 BR NUMBER 1350

HOUSE BILL NUMBER 308

TITLE AN ACT relating to the establishment of a tax credit to promote investments in Kentucky businesses.

SPONSOR Representative Richard Heath

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2021-2022	2022-2023	2023-2024	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				(\$15,000,000)
EXPENDITURES				
NET EFFECT				(\$15,000,000)

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of HB 308 is to encourage investment in a growth zone, which means (1) a rural county having a population of less than 50,000; (2) an underemployment zone having a labor force participation rate below the national average; or (3) an opportunity zone as defined for federal purposes. Insurance companies that make an investment contribution to a growth fund are issued a tax credit certificate and may claim a tax credit against the insurance premiums taxes imposed under KRS Chapter 136.

FISCAL EXPLANATION: Beginning October 1, 2022, a growth fund shall make application to the Department of Revenue for approval of the investment authority and business plan for investment in a growth zone. The department shall not approve initial investment authority that would allow more than \$15 million in tax credits to be taken in any one year. Additionally, the department shall not issue approval for any amount of investment authority, on or after October 1, 2023.

Upon approval of the application, the department shall issue a written approval to the growth fund and tax credit certificate to each investor. The growth fund will have two years to invest 100% of its investment authority, with at least 75% of its investment authority in growth businesses located in rural counties.

The investor may claim no more than 20% of the credit in each of the years that include the second, third, fourth, fifth, and sixth anniversaries of the growth fund collecting all investment amounts.

Because of this delayed time for claiming the tax credit, there would be no fiscal impact in the current or upcoming biennium. At full implementation, the tax credit for any year cannot exceed \$15 million. This maximum tax credit would be allowed for six years, totaling \$75 million over the life of the growth fund.

DATA SOURCE(S): LRC staff

PREPARER: Jennifer Hays NOTE NUMBER: 39 REVIEW: JAB DATE: 2/9/2022