

This fact sheet provides an overview of the Kentucky Enterprise Initiative Act (KEIA) program. For a full discussion of the program requirements, please see KRS 154.31. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KEIA program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Eligible Companies

Any business entity primarily engaged in manufacturing or service or technology activities, or in operating or developing a tourism attraction in Kentucky. Eligible company does not include any company whose primary activity is retail sales. Service and technology companies must use technology or provide a service to customer or affiliate entities primarily outside the Commonwealth and serve a multistate, national or international market.

Minimum Requirements for Eligible Projects

To qualify for the incentives available under the KEIA program, an eligible company must make a minimum investment of \$500,000 in an economic development project as that term is defined in KRS 154.31. Eligible investment costs include expenditures for building and construction materials, research and development equipment, and acquisition of real property that is owned, used or occupied by the approved company. Effective June 26, 2009, "electronic processing equipment", which is defined as the use of technology having electronic, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities, now in existence or later developed to perform a service or technology activity, is also an eligible cost. Labor costs are excluded from eligible investment costs.

Eligible Expenses and Incentives

A KEIA approved company is eligible to receive a refund of sales and use tax paid for the following items purchased during the term of the project and not to exceed the approved recovery amount authorized in the memorandum of agreement:

- Building and construction materials
- Research and development equipment
- Electronic processing equipment (minimum \$50,000 investment)

Upon approval by KEDFA, the approved entity enters into an agreement with KEDFA. The term of the agreement is negotiated with Cabinet staff prior to KEDFA approval and may be extended by approval of KEDFA for good cause shown. However, the term shall not be extended beyond seven (7) years from the date of approval.

The maximum sales and use tax refund incentive available for commitment by KEDFA in each fiscal year for all projects is limited to \$20,000,000 for building and construction materials and \$5,000,000 for equipment used for research and development or electronic processing. *Sales and use tax paid on expenditures made prior to KEDFA approval as an "approved company" will not be eligible for the refund.*

The Process

- The company makes application to KEDFA with the assistance of a Project Manager from Business Development. The application will require a timeline for completion of the project.
- The total amount of incentives to be recommended for approval of a project is negotiated with the Cabinet.
- The project is presented to KEDFA for approval at which time an Agreement is approved by KEDFA that authorizes the incentives for the company and sets forth the maximum approved recovery amount and the terms and conditions.
- The company completes its project and submits the required documentation throughout the term of its project in compliance with the Agreement.
 - KEDFA requires documentation in connection with the project's KEIA eligible investment costs as outlined in Exhibit A to the Agreement.
 - The Department of Revenue requires documentation in connection with the project as outlined in Exhibit B to the Agreement.
 - Projects with a term of three (3) years from approval or less shall submit their application for refund to the Department of Revenue within 60 days of project completion.
 - Projects with a term greater than three (3) years from approval shall submit annual information returns and any supporting documentation to the Department of Revenue within 60 days following the end of the calendar year beginning in the third year of the project term. The application for refund should be submitted to the Department of Revenue within 60 days of the earlier of completion of the project or the expiration of the project term as provided in the Agreement.
- The Department of Revenue will issue a refund check not to exceed the amount authorized to the approved company following verification of the sales and use tax paid.

Fees

There is a non-refundable application fee of \$500 payable upon submission of the KEIA application. Effective June 26, 2009, the application fee will be waived if a project applies for KEIA and another tax incentive program.

For further information contact: Chuck Willis
Kentucky Cabinet for Economic Development
Department of Financial Incentives
300 West Broadway
Frankfort, Kentucky 40601
(502) 564-4554 ext. 3332
Chuck.Willis@ky.gov

07/31/09