

Just the Facts:

Kentucky Reinvestment Act (KRA)

September 2013

This fact sheet provides an overview of the Kentucky Reinvestment Act (KRA) program. For a full discussion of the program requirements, please see KRS 154.34. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KRA program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Eligible Companies

Any Kentucky company engaged in manufacturing and related functions at a location operating within the Commonwealth on a permanent basis for a reasonable period of time preceding the request for assistance.

Minimum Requirements for Eligible Projects

Requirements to qualify for the incentives:

- Incur eligible equipment and related costs of at least \$2,500,000.
 - » Eligible equipment and related costs must be related to a qualifying Reinvestment Project which includes the acquisition, construction and installation of new equipment and the construction, rehabilitation and installation of improvements to facilities necessary to house the new equipment.
 - » Eligible equipment and related costs does not include costs related to the replacement or repair of existing machinery or equipment resulting from normal wear and usage.
- Agree to maintain a full-time employment base of at least 85 percent of employment at the facility as of the date of preliminary approval.
- Has not been awarded incentives under the Kentucky Industrial Revitalization Act (KIRA) within the previous five years.
- Applicant must certify that the project would not be economically feasible without the incentives.

Eligible skills upgrade training costs include costs incurred by an approved company in connection with an occupational training program for full-time employees specifically related to training or retraining employees as part of the reinvestment project and may be eligible for recovery. Examples of training costs include the cost of instructors (whether employees, contractors or consultants), educational institution administrative fees, training materials, facility rental and the amount paid to employees as wages for attending an occupational training program, including travel.

Approved Costs

Approved costs include the eligible equipment and related costs and eligible skills upgrade training costs that are approved by KEDFA for recovery, are incurred after the date of preliminary approval through the date of final approval and may be up to:

- 50 percent of the eligible equipment and related cost.
- 100 percent of the eligible skills upgrade training costs.

The minimum requirements of incurring eligible equipment and related cost expenditures of at least \$2,500,000 and maintaining 85 percent of the full-time employment level at the facility must be achieved in order to proceed with final approval.

Incentive

A tax incentive is available for up to 10 years from the date of final approval via:

- Tax credits up to 100 percent of corporate income or limited liability entity tax liability generated by or arising from the project.

The tax incentive remains in place until the authorized incentive amount is realized (up to 20 percent of the incentive per year) or for the term of the reinvestment agreement (up to 10 years), whichever occurs first. Unused credits that have been authorized for the project may be carried forward for the term of the reinvestment agreement, however, unused credits expire at the maturity of the agreement.

The Process

- The company makes application to the Kentucky Economic Development Finance Authority (KEDFA).
- The job retention percentage and approved cost are negotiated with the Cabinet and presented to KEDFA for approval.
- If KEDFA designates the applicant as a preliminarily approved company, it authorizes its project and enters into a memorandum of agreement with the company that sets forth the maximum incentives available and the various requirements.
- The company completes its project and provides KEDFA with documentation in connection with the project's eligible costs.
- A Reinvestment Agreement is approved by KEDFA that authorizes the incentives for the company and sets forth the terms and conditions.
- The agreement must be fully negotiated at the time of final approval and all fees due to KEDFA must be paid.
- An independent consultant may be employed, at the applicant's cost, to verify eligible costs of the project.
- The company must receive final approval within three years of preliminary approval.
- The company submits exhibits annually throughout the term of its Reinvestment Agreement to confirm compliance with its terms.

Fees

A non-refundable application fee of \$1,000 is payable upon submission of the KRA application. Prior to final approval, the company will be required to pay an administrative fee equal to one-fourth of one percent (0.25 percent) of the final KRA amount authorized in the Reinvestment Agreement up to a maximum of \$50,000. In addition, the company will pay all legal fees, including expenses of counsel to KEDFA, necessary for the preparation of the Reinvestment Agreement.

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