

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS KENTUCKY

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

KENTUCKY’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Catalent Pharma Solutions	\$62.0	300	\$5.2
Zotefoams	\$22.0	25	\$0.7
South Shore BioFuels	\$19.1	45	\$0.6
Emerge Technologies	\$4.9	48	\$0.7
Midea America	\$2.7	25	\$0.8
North American Stainless	\$11.6	36	\$1.2
Itsuwa Kentucky	\$5.2	43	\$0.9
RB Distribution	\$6.5	80	\$1.0
OncoMed Specialty	\$2.0	150	\$1.6
KapStone Container	\$4.5	30	\$0.5
Graham Packaging	\$22.0	68	\$1.5
Blue Shore Fishery	\$1.3	66	\$1.0

OVERVIEW OF MAJOR KENTUCKY INCENTIVE PROGRAMS

KENTUCKY BUSINESS INVESTMENT (KBI) PROGRAM

An eligible company must be engaged in one of the following activities: 1) manufacturing; 2) agribusiness; 3) regional or national headquarters operations; or 4) certain nonretail service or technology activities. The minimum requirements for an eligible project are as follows: 1) create a minimum of 10 new, full-time jobs for Kentucky residents; 2) incur at least \$100,000 in eligible costs; and 3) meet a minimum level of wages and benefits. The tax incentives involved with this program are available for up to 15 years for enhanced incentive counties or up to 10 years for all other counties. The incentive may be taken as: 1) up to 100 percent credit against the Kentucky income tax imposed on corporate income or limited liability entity tax arising from the project; 2) a wage assessment of up to 5 percent of the gross wages of each employee in enhanced counties or up to 4 percent (including up to 1 percent required local participation) of the gross wages of each employee in other counties.

KENTUCKY REINVESTMENT ACT (KRA)

To be eligible, a company must be a permanent Kentucky company engaged in manufacturing. Requirements of the program include: 1) incurring eligible equipment and related costs of at least \$2,500,000; 2) establishing an employment retention base of at least 85 percent of existing employment; 3) not having received incentives under the Kentucky Industrial Revitalization Act (KIRA) within the previous 5 years; and 4) the applicant certifying the project would not be economically feasible without the incentives. Approved costs for recovery include eligible equipment and related costs up to: 1) 50 percent of the eligible equipment and related costs; and 2) 100 percent of the job skills upgrade training costs. The incentive is available for up to 10 years and may be recovered via Kentucky income tax credits of up to 100 percent of tax imposed on the corporate income or limited liability tax generated by or arising from the project. The maximum incentive claimed in any single year may not exceed 20 percent of the authorized incentive.

KENTUCKY ENTERPRISE INITIATIVE ACT (KEIA)

An eligible company must incur a minimum investment of \$500,000 and 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 KEIA agreement:

- Building and construction materials
- Research and development equipment
- Electronic processing equipment purchases totaling a minimum of \$50,000

The term of the agreement is negotiated with KEDFA 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 original approval. The maximum sales and use tax refund incentive

Kentucky shows an average deal value of \$2.23 million with 74 new jobs created per deal

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.

OTHER KENTUCKY INCENTIVE PROGRAMS

- Kentucky Environmental Stewardship Act (KESA)
- Kentucky Industrial Revitalization Act (KIRA)
- Incentives for Energy Independence Act (IEIA)
- Kentucky Small Business Investment Credit
- Unemployment Tax Credit
- Recycling Equipment Credit
- Corporate Income Tax Credit for Use of Kentucky Coal
- Biodiesel Fuel Tax Credit
- Kentucky Clean Coal Incentive
- Certified Historic Structures Income Tax Credit
- Voluntary Environmental Remediation Property Income Tax Credit
- Major Recycling Project Tax Credit
- G.E.D. State Income Tax Credit
- Insurance Coverage Affordability and Relief to Small Employers (ICARE)
- Broadband Loan/Grant Program
- Kentucky Economic Development Finance Authority (KEDFA)
- Small Business Direct Loans
- Community Development Block Grant (CDBG) Loans
- Linked Deposit Program
- Small Business Innovation Research Incentive Program
- Statewide Student Business Plan / Concept Competition
- Kentucky New Energy Ventures Fund
- Research Facilities State Income Tax Credit
- Kentucky Enterprise Fund and Rural Innovation Fund
- Kentucky Science and Engineering Foundation and Kentucky Commercialization Fund
- Tax Increment Financing
- Industrial Revenue Bonds
- Kentucky Investment Fund Act
- Local Government Economic Development Fund (LGEDF)
- Utility Incentive Rates
- Coal Incentive Tax Credit

For more information, contact:

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