



# **KENTUCKY AGRITECH INITIATIVE**

Financial Incentives & Support Programs

# ENERGY & ENVIRONMENT RELATED PROGRAMS

## Kentucky Soil Erosion & Water Quality Cost Share Program and Kentucky Soil Stewardship Program

**(via Kentucky Energy and Environment Cabinet)**

These programs were created to help agricultural operations protect Kentucky's soil and water resources and to implement their agriculture water quality plans.

The program helps landowners address existing soil erosion, water quality and other environmental problems associated with their farming or woodland operation.

Cost share rates are a maximum of 75% of the actual installation cost of the practice not to exceed \$20,000 per year. [Click here](#) for additional information.

## Energy Project Assessment District (EPAD) Financing Program

**(via Kentucky Energy and Environment Cabinet)**

EPAD, also known as Energize Kentucky, is a public-private partnership. While the funding is provided by private lenders, the EPAD assessments are legally authorized by the state legislation but implemented by local governments.

Designed for energy and water saving improvements to commercial properties, EPAD's no down payment, long-term financing can be a powerful tool for economic development. [Click here](#) to learn more about eligibility and the application process.

# ENERGY & ENVIRONMENT RELATED PROGRAMS

## AML Pilot Program

**(via Kentucky Energy and Environment Cabinet)**

The Kentucky Division of Abandoned Mine Lands facilitates the distribution of federally funded AML Pilot Grants.

These grants are geared toward economic and community development with correlations to historic, AML eligible, mine sites.

Federal funds are limited and the application process is competitive.

To learn more about this program, please [click here](#).

## Voluntary Environmental Remediation Program

**(via Kentucky Energy and Environment Cabinet)**

Kentucky offers tax incentives and credits to individuals or businesses that complete a cabinet-approved cleanup on a qualified property. For qualified parties, the state and local property tax rates on a remediated brownfield property are reduced.

For three years following the issuance of a no-further-remediation letter, the property will not be subject to local ad valorem property taxes. The state ad valorem property tax rate will be reduced from 31.5 cents per \$100 of assessed value to 1.5 cents per \$100 of assessed value.

Qualified parties can also receive up to \$150,000 worth of income tax credits for expenditures made in order to meet the requirements of the cabinet-approved cleanup. The allowable credit for any taxable year is a maximum of 25% of the credit authorized. The credit may be carried forward for 10 successive years following the issuance of a no further remediation letter. [Click here](#) for additional information.

# TAX CREDITS FOR NEW & EXPANDING INDUSTRY

## Kentucky Business Investment (KBI) Program

(via the Kentucky Cabinet for Economic Development)

KBI provides income tax credits and wage assessments to new and existing:

- Agribusinesses,
- Regional and national headquarters,
- Manufacturing companies,
- Alternative fuel, gasification, energy-efficient alternative fuels, renewable energy production companies,
- Carbon dioxide transmission pipelines, and
- Non-retail service or technology related companies that locate or expand operations in Kentucky.

Projects locating in certain counties may qualify for enhanced incentives. [Click here](#) to review guidelines of program and learn more.

## Kentucky Enterprise Initiative Act (KEIA)

(via the Kentucky Cabinet for Economic Development)

KEIA supports new or expanded companies engaged in:

- Manufacturing,
- Non-retail service or technology activities,
- Agribusiness,
- Headquarters operations,
- Alternative fuel, gasification, energy-efficient alternative fuels, renewable energy production,
- Carbon dioxide transmission pipelines, or
- Tourism attraction projects in Kentucky.

KEIA provides a refund of Kentucky sales and use tax paid by approved companies for building and construction materials permanently incorporated as an improvement to real property and for eligible equipment used for R&D, data processing equipment or flight simulation equipment.

[Click here](#) for additional information.

# BOND FUNDS

## Industrial Revenue Bonds (IRB)

(via Kentucky Cabinet for Economic Development)

IRBs issued by state and local governments in Kentucky can be used to finance manufacturing projects and their warehousing areas, major transportation and communication facilities, most health care facilities, and mineral extraction and processing projects.

[Click here](#) to learn more about IRBs.





# WORKFORCE TRAINING

## Bluegrass State Skills Corp. Grant Reimbursement Program & Skilled Training Investment Credit

**(via the Kentucky Cabinet for Economic Development)**

The Bluegrass State Skills Corp. (BSSC) was established in 1984 to stimulate economic development through customized business and industry-specific skills upgrade and occupational upgrade training.

BSSC approves incentives for qualified companies through a Grant-in-Aid (GIA) program and/or a Skilled Training Investment Credit (STIC).

The GIA provides reimbursement dollars to companies/consortia and the STIC provides a tax credit against Kentucky income taxes to businesses for company-specific training activities. [Click here](#) for additional information.

## KCTCS-TRAINS Funding

KCTCS-TRAINS is a fund designated by the Kentucky General Assembly to help companies willing to invest in workforce development for their employees. These funds are administered by KCTCS and are available through KCTCS colleges. Companies receive funding to assist with the cost of providing workforce training and assessment services to current and potential employees through KCTCS colleges.

KCTCS-TRAINS funds are distributed on a project basis and require a company cash match of 50% plus a 10% administrative fee for use of the funds.

Available in 2020, companies who have not previously taken advantage of KCTCS TRAINS funding may be eligible for funding at 75% for a period up to one year and a total project cost up to \$150,000. [Click here](#) to learn more.

# AGRI-BUSINESS OPPORTUNITIES

## Kentucky Agricultural Development Fund

(via Kentucky Office of Agricultural Policy)

The Kentucky Agricultural Development Fund provides incentives for innovative proposals that increase net farm income, stimulates markets for – and creates new ways to add value to – Kentucky agricultural products and explores new opportunities for Kentucky farmers.

It also includes the On-Farm Water and On-Farm Energy programs. [Click here](#) for more information.

## Kentucky Agricultural Finance Corporation

(via Kentucky Office of Agricultural Policy)

Kentucky Agricultural Finance Corp. provides capital access for agricultural diversification and infrastructure projects.

Participating loan programs include Agricultural Infrastructure, Beginning Farmer, Diversification through Entrepreneurship in Agri-business and Large Animal Veterinary Programs.

Direct Loan Programs include the Agricultural Process Loan Program and the Coordinated Value-Added Assistance Loan Program. For more information about the programs, please [click here](#).

# INNOVATION & TECHNOLOGY RELATED PROGRAMS

## Kentucky Enterprise Fund

The Kentucky Enterprise Fund provides seed-stage capital to Kentucky-based companies that are commercializing a technology-based product or process. The funds exist to stimulate private investment in Kentucky-based technology companies with high growth potential.

The Kentucky Science and Technology Corporation (KSTC) administers the funds under contract with the Council on Postsecondary Education. For additional information, please contact Kelby Price at [kprice@kstc.com](mailto:kprice@kstc.com).

## Commonwealth Seed Capital LLC

Commonwealth Seed Capital, LLC (CSC) is an independent fund that makes debt or equity investments in early-stage Kentucky business entities to facilitate the commercialization of innovative ideas and technologies.

Investments are typically made in these specified innovation areas: health and human development; information technology and communications; bioscience; environmental and energy technologies; and materials science and advanced manufacturing.

CSC invests in companies that have a significant Kentucky presence, the prospect for substantial growth, and the potential to generate an appropriate rate of return. For additional information, please contact Gene Fuqua at [gene.fuqua@commonwealthseed.com](mailto:gene.fuqua@commonwealthseed.com).



# INNOVATION & TECHNOLOGY RELATED PROGRAMS

## Kentucky Commercialization Ventures (KCV)

To grow the commonwealth's tech sector, Kentucky Commercialization Ventures (KCV) provides the tools and expertise to translate innovations, research findings and intellectual property into market-ready products, services and job-creating startups.

At its core, KCV focuses on commercializing the best ideas from Kentucky's public universities and colleges. KCV also serves as a commercialization resource for individual entrepreneurs and companies seeking to establish and grow their businesses in Kentucky.

No other state's commercialization program combines the strength of all its public higher education institutions. That makes KCV unique and better positioned to compete for federal grants that support forward-thinking companies and entrepreneurs. [Click here](#) to learn more.

## SBIR-STTR Matching Funds Program

**(via the Kentucky Cabinet for Economic Development)**

The Cabinet will match, on a competitive basis, Phase 1 and Phase 2 federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards received by Kentucky high-tech small businesses and those willing to become Kentucky-based businesses.

This includes matching Phase 1 federal awards up to \$150,000 to support the exploration of the technical merit or feasibility of an idea or technology, and up to \$500,000 of federal Phase 2 awards, which support full-scale research and development. [Click here](#) for additional information.

# INVESTORS, ENTREPRENEURS & SMALL BUSINESSES

## Angel Investment Tax Credit

**(via the Kentucky Cabinet for Economic Development)**

The Kentucky Angel Investment Tax Credit offers a credit of up to 40% of an investment in Kentucky small businesses. Prior to investment, both the investor and small business must submit applications for certification. Each investment must be certified in advance, as well.

[Click here](#) for program details and qualifying criteria.

## Kentucky Small Business Credit Initiative (KSBCI)

**(via the Kentucky Cabinet for Economic Development)**

KSBCI is designed to generate jobs and increase the availability of credit by reducing the risks participating lenders assume when making loans to small businesses.

KSBCI helps lenders finance creditworthy small businesses that would typically fall just outside of their normal lending guidelines. KSBCI supports up to 20% on Collateral Support projects. [Click here](#) for additional information.

# INVESTORS, ENTREPRENEURS & SMALL BUSINESSES

## The Kentucky Small Business Tax Credit (KSBTC)

(via the Kentucky Cabinet for Economic Development)

KSBTC is designed to encourage small business growth and job creation by providing a nonrefundable tax credit to eligible businesses hiring one or more eligible individuals and investing at least \$5,000 in qualifying equipment or technology.

With certain exceptions, most for-profit businesses with 50 or fewer full-time employees are considered eligible for this program.

The KSBTC program has a limited allocation of available tax credits. [Click here](#) for additional information.



# ADDITIONAL TAX CREDITS

## Qualified Research Facility Tax Credit

(via Kentucky Department of Revenue)

The qualified research facility tax credit is a nonrefundable credit equal to 5% of the qualified costs of construction of research facilities that may be applied against income taxes imposed by KRS 141.020 (individual income tax) or KRS 141.040 (corporation income tax) and the limited liability entity tax (LLET) imposed by KRS 141.0401 with the ordering of credits as provided in KRS 141.0205.

Any unused credit may be carried forward 10 years. To learn more, please [click here](#).

## Recycling or Composting Equipment Tax Credit

(via Kentucky Department of Revenue)

The recycling or composting equipment tax credit is a credit that may be applied against income taxes imposed by KRS 141.020 (individual income tax) or KRS 141.040 (corporation income tax) and the limited liability entity tax (LLET) imposed by KRS 141.0401.

This credit is for any taxpayer that purchases recycling or composting equipment to be used exclusively within this state for recycling or composting postconsumer waste materials. The total amount of the tax credit shall be an amount equal to 50% of the installed cost of the recycling or composting equipment. [Click here](#) for additional information.

# ADDITIONAL TAX CREDITS

## Ethanol Tax Credit

**(via Kentucky Department of Revenue)**

The ethanol tax credit is a nonrefundable credit that may be applied against income taxes imposed by KRS 141.020 (individual income tax) or KRS 141.040 (corporation income tax) and the limited liability entity tax (LLET) imposed by KRS 141.0401 in an amount certified by the department.

This credit is for any taxpayer that produces ethanol pursuant to KRS 141.422, 141.4242, 141.4246, 141.4248, and 103 KAR 15:110. The total amount of tax credit is \$1 per ethanol gallon produced, unless the total amount of approved credit for all taxpayers exceeds the annual cap of \$5 million, then the credit is prorated amongst approved applicants. [Click here](#) to learn more.

## Cellulosic Ethanol Tax Credit

**(via Kentucky Department of Revenue)**

The cellulosic ethanol tax credit is a nonrefundable credit that may be applied against income taxes imposed by KRS 141.020 (individual income tax) or KRS 141.040 (corporation income tax) and the limited liability entity tax (LLET) imposed by KRS 141.0401 in an amount certified by the department.

This credit is for any taxpayer that produces cellulosic ethanol pursuant to KRS 141.422, 141.4244, 141.4246, 141.4248 and 103 KAR 15:120. The total amount of tax credit is \$1 per cellulosic gallon produced, unless the total amount of approved credit for all taxpayers exceeds the annual cap of \$5 million, then the credit is prorated amongst approved applicants. [Click here](#) to learn more.



# PROPERTY TAX SAVINGS

## Goods in Transit

Personal property placed in a warehouse or distribution center to be permanently shipped out of state within six months is considered goods in transit and is exempt from state, city, county, and special district property taxes. However, fire and other special districts or other special districts may have the option to tax such property at the local level. (KRS 132.097) (KRS 132.099)

## Manufacturing Machinery

Exemption of manufacturing machinery from all city, county, school and other special district property taxes. The state rate is only 15 cents per \$100 of assessed value. (KRS 132.020 and 132.200)

## Raw Materials

Exemption of raw materials and products on hand at the plant in the course of manufacture from all city, county, school and other special district property taxes. The state rate on these inventories is only 5 cents per \$100 of assessed value. (KRS 132.020 and 132.200)

## Pollution Control Equipment

Exemption of certified pollution control facilities and equipment from all city, county, school and other special district property taxes. The state rate is only 15 cents per \$100 of assessed value. (KRS 132.020 and 224.1-300)



# SALES & USE TAX SAVINGS

## Manufacturing Machinery

Machinery for new and expanded industry (manufacturing) is exempt from sales and use Tax if certain requirements are met. Replacement machinery for manufacturing is exempt when it increases consumption of recycled materials not less than 10%, performs a different function, manufactures a different product, or has a greater productive capacity. Repair parts, replacement parts, and spare parts are taxable. (KRS 139.480 and 103 KAR 30:120)

## Raw Materials

Raw materials that enter into and become a part of the manufactured product are exempt from sales and use tax. (KRS 139.470)

## Energy

Energy and energy-producing fuels used in manufacturing that exceed 3% of the total cost of production are exempt from sales and use tax (includes direct and indirect materials and labor, overhead expenses, depreciation on plant equipment and plant buildings, insurance and taxes on plant equipment, compensation insurance, rent on plant buildings, miscellaneous factory expenses, and office and administrative expenses allocated to the cost of production.) (KRS 139.480 and 103 KAR 30:140)

# ADDITIONAL SALES & USE TAX SAVINGS

## Supplies, Tools and Materials

Supplies used directly in manufacturing which have a useful life of less than one year (lubricating and compounding oils, grease, machine waste, abrasives, chemicals, solvents, fluxes, anodes, filtering materials, fire brick, catalysts, dyes, refrigerants, etc.), excluding repair, replacement, or spare parts of any kind, are exempt from sales and use tax. (KRS 139.470)

Industrial tools that have a useful life of less than one year, limited to hand tools (such as jigs, dies, drills, cutters, rolls, reamers, chucks, saws, spray guns, etc.) and tools attached to a machine (such as molds, grinding balls, grinding wheels, dies, bits, cutting blades, etc.), excluding repair, replacement, or spare parts of any kind, are exempt from sales and use tax. (KRS 139.470)

Materials and supplies that are not reusable after one manufacturing cycle, excluding repair, replacement or spare parts of any kind, are exempt from sales and use tax. (KRS 139.470)



## NOTE

The foregoing list is not intended to be an exhaustive list of financial incentives and support programs available. Every company and project is different and we encourage you to work directly with program coordinators to assess eligibility for each program and availability of relevant resources from other state entities.



# THANK YOU

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TEAM   
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CABINET FOR ECONOMIC DEVELOPMENT