

# Locating and Expanding in Kentucky

## Kentucky Business Incentives & Financial Programs

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Kentucky's pro-business climate provides a number of incentives for businesses. The Kentucky Economic Development Finance Authority (KEDFA), established within the Cabinet for Economic Development to encourage economic development, business expansion, and job creation, provides financial support through an array of financial assistance and tax credit programs. Helping businesses in this way furthers the Commonwealth's goals of achieving long-term economic growth and employment opportunities for its citizens.

KEDFA approval is required for participation in the loan and tax incentive programs, except the Skills Training Investment credits, which are approved by the Bluegrass State Skills Corporation (BSSC). KEDFA meets the last Thursday of each month. Projects must be received by the last Friday of the month prior to the KEDFA meeting date in order to be considered.

To find out if your business qualifies contact the [Department for Business Development](#) where a professional economic development agent will be assigned to work with you. Your agent can answer your questions and guide you through the application processes.

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### New and Expanding Industry

- [Kentucky Business Investment \(KBI\) Program – \(PDF\)](#)  
Provides income tax credits and wage assessments to new and existing agribusinesses, regional and national headquarters, manufacturing companies, 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 view a map of the enhanced incentive counties.
- [Kentucky Enterprise Initiative Act \(KEIA\)\(PDF\)](#)  
For new or expanded service or technology, manufacturing, or tourism attraction project 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. It is also available for Kentucky sales and use tax refunds for eligible equipment used for research and development and data processing equipment.
- [Direct Loan Program \(KEDFA\) \(PDF\)](#)  
KEDFA encourages economic development business expansion and job creation by providing business loans to supplement other financing. The Direct Loan Program provides loans at below-market interest rates (subject to the availability of state revolving loan funds) for fixed asset financing for agribusiness, tourism, industrial ventures, or the service industry. Retail projects are not eligible.

- [Industrial Revenue Bonds - IRB \(PDF\)](#)  
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](#) for the IRB Procedures.
  - [Community Development Block Grants Loans - CDBG](#)  
Federally funded low interest loans made available through the Department for Local Government.
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## **Job Retention**

- [Kentucky Reinvestment Act \(KRA\) - \(PDF\)](#)  
Provides tax credits to an existing Kentucky company engaged in manufacturing and related functions on a permanent basis for a reasonable period of time that will be investing in eligible equipment and related costs of at least \$2,500,000.
  - [Kentucky Industrial Revitalization Act \(KIRA\) PDF](#)  
Investments in the rehabilitation of manufacturing or coal mining and processing operations that are in imminent danger of permanently closing or that have closed temporarily may qualify for tax credits. An eligible company shall also include one that has closed but resumes mining operations. Eligible entities include manufacturing companies that save or create 25 jobs and coal mining and processing companies that intend to employ a minimum of 500 persons and have a raw production of at least three million tons from the economic revitalization project facility.
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## **High-Tech**

- [SBIR-STTR Matching Funds Program](#)  
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.
- [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 more information, contact:

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- [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 administers the funds under contract with the Council on Postsecondary Education.

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## Energy and Environment

- [Kentucky New Energy Ventures Fund](#)  
The Kentucky New Energy Ventures Fund provides seed stage capital to support the development and commercialization of alternative fuel and renewable energy products, processes, and services in Kentucky. The funds exist to stimulate private investment in Kentucky-based technology companies with high growth potential. KNEV makes grants of \$30,000 and investments ranging from \$250,000 to \$750,000+. Qualified companies must be Kentucky-based and funds are to be used for business development activities.
- [Incentives for Energy Independence Act – IEIA \(PDF\)](#)  
Requires a capital investment of at least \$25 million for an alternative fuel facility using biomass, or an investment of at least \$100 million for an alternative fuel facility using coal, as its primary feedstock. A capital investment of at least \$1 million is required for a renewable power facility that meets minimum electric output standards based upon the power source. The negotiated incentives cannot exceed 50 percent of the capital expenditures and may include a reimbursement of sales and use taxes paid on tangible personal property; a tax credit of the income tax and limited liability entity tax owed by the company; and, wage assessment incentives up to 4 percent of gross wages of each employee whose job was created as part of the project. Advanced disbursements may also be available.
- [Kentucky Environmental Stewardship Act \(KESA\) \(PDF\)](#)  
For companies manufacturing products that have a substantial positive impact on human health and the environment. Companies with projects approved under KESA must have at least \$5 million in eligible cost and can potentially recover up to 25 percent of the projects fixed asset cost and 100 percent of employee skills training. The tax incentive is available for recovery over a 10-year period.

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## Entrepreneurs & Small Business

- [Kentucky Small Business Credit Initiative \(KSBCI\)](#)  
Designed to generate jobs and increase the availability of credit by reducing the risks participating lenders assume when making loans to small businesses. Using three distinct credit enhancement programs, KSBCI will help lenders finance creditworthy small businesses that would typically fall just outside of their normal lending guidelines. Please [click here](#) for a listing of approved projects.
- [Small Business Loan Program \(PDF\)](#)  
The Small Business Loan Program is designed to help small businesses acquire funding needed to start or grow their small business. A small business must be engaged in manufacturing, agribusiness, or service and technology. Loan funds may be used to acquire land and buildings, purchase and install equipment, or for working capital. The minimum loan amount is \$15,000 and the maximum is \$100,000. The approved company must create one new full-time job within one year of the loan closing. KEDFA can fund up to 100 percent of the project costs and the loan can be used in conjunction with other lenders. The term of the loan can range from 3-10 years.
- [The Kentucky Small Business Tax Credit \(KSBTC\)](#)  
The KSBTC program 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 is limited to allocating a total of \$3 million in tax credits per state fiscal year.
- [U.S. Small Business Administration](#)  
Federal agency that provides a number of guaranteed loan and other financial assistance programs to small businesses.
- [Angel Investment Tax Credit](#)  
The Kentucky Angel Investment Tax Credit offers tax credits of up to 50 percent 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. Refer to the Kentucky Angel Investment Tax Credit Fact Sheet for program details and qualifying criteria.

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## Workforce Training

- [Bluegrass State Skills Corporation Skills Training Investment Credit](#)  
Provides credit against Kentucky income tax to existing businesses that sponsor occupational or skills upgrade training programs for the benefit of their employees.
  - [Bluegrass State Skills Corporation Grant Reimbursement Program](#)  
Provides matching grant funds for customized business and industry-specific training programs.
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## **Tax Increment Financing (TIF)**

- [Tax Increment Financing \(TIF\)\(PDF\)](#)  
Tax Increment Financing (TIF) is an economic development tool to use future gains in taxes to finance the current improvements that will create those gains. The state participates with local governments and eligible agencies in three TIF programs:
  - Real Property Ad Valorem Tax Revenues
  - Signature Projects
  - Mixed-Use Redevelopment in Blighted Urban Areas

[Click here to view a list of active state participation Tax Increment Financing projects.](#)

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## **Agri-business Opportunities**

- [Kentucky Agricultural Development Fund](#)  
The Kentucky Agricultural Development Fund provides incentives for innovative proposals that increase net farm income, stimulates markets for Kentucky agricultural products, creates new ways to add value to Kentucky agricultural products, and explores new opportunities for Kentucky farmers. For more information visit the Governor's Office of Agricultural Policy's website, [agpolicy.ky.gov](http://agpolicy.ky.gov) or call (502) 564-4627.
  - [Kentucky Agricultural Finance Corporation](#)  
The Kentucky Agricultural Finance Corporation 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 visit the Governor's Office of Agricultural Policy's KAFC website, [kafc.ky.gov](http://kafc.ky.gov) or contact Bill McCloskey at (502) 564-4627.
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## **Other Business Incentives and Financial Programs**

- [Kentucky Investment Fund Act - KIFA \(PDF\)](#)  
KIFA provides tax credits to individuals and companies that invest in approved venture capital funds. Investors in KIFA approved funds are entitled to a 40 percent credit against Kentucky individual or corporate income tax or Kentucky corporate license tax. KEDFA (see above) approves investment funds and fund managers.
  - [EB-5 Immigrant Investor](#)  
EB-5 is an opportunity for immigrants to invest in the United States in exchange for green card eligibility for themselves and qualifying family members.
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## Tourism Development

The following tourism-related incentives are administered through the Kentucky Tourism, Arts and Heritage Cabinet.

- [Tourism Development Act](#)  
The Tourism Development Act provides developers of approved new or expanding tourism projects the ability to recover up to 25 percent of the project's development costs over a 10-year term. Projects including, but not limited to, lodging facilities constructed on state park, federal park or national forest lands are eligible to recover up to 50 percent of the development costs over a 20-year term.
- [Kentucky Film Incentive](#)  
The Kentucky Film Incentive is designed to encourage the development of the film industry in Kentucky. The incentive provides qualifying applicants the ability to recover up to 20 percent of qualified expenditures through a refundable income tax credit. Qualifying applicants must invest a minimum of \$50,000 for documentaries and national touring Broadway shows, \$200,000 for commercials, \$500,000 for full-length films.

[Summary of Kentucky Business Incentives \(PDF\)](#)

### Quick Links

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### Contact Business Development

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