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FOR A GREATER LOUISVILLE

## West Louisville Business Incentives

### Overview of West Louisville Business Incentives

#### Kentucky Business Taxes

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- [Kentucky Jobs Development Act \(KJDA\)](#)
- [Kentucky Industrial Revitalization Act \(KIRA\)](#)
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#### Kentucky Economic Opportunity Zone (KEOZ)

Five census tracts that border Louisville's central business district have qualified as a *Kentucky Economic Opportunity Zone (KEOZ)*. New or expanded manufacturing, service or technology industries may be eligible for KEOZ benefits if they invest at least \$100,000 and create at least 10 new full-time jobs for residents of the Zone.

Benefits include up to a 100% credit against their Kentucky income tax liability for up to 10 years.

*Manufacturing* businesses can recoup costs associated with land, buildings, site development, building fixtures and equipment. *Service and technology* businesses can recoup 50% of eligible relocation and start-up costs (up to \$20,000 in eligible costs, or in other words, \$10,000 in tax credits, per job created) and 50% of annual occupancy costs (or fair-market value equivalent) of the facility.

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#### Kentucky Industrial Development Act (KIDA)

The Kentucky Industrial Development Act (KIDA) provides tax incentives to new or expanding manufacturing operations that invest at least \$100,000 in the facility, employ at least 15 new full-time Kentucky residents and meet certain salary requirements.

The business can recoup up to 100% of annual debt service costs for

What others have to say:

**Ara Hacet**  
President  
Carbide Industries

Our site was built in the 1940s to support the war effort. For us, the most beneficial aspect of being in West Louisville is the location. Our proximity to the interstates, both for our employees and our shipping needs, is very important to our business. Also, the Ohio River has been an asset to our company in the past.  
- Ara Hacet

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West Louisville Brochure:

up to 10 years for the financing of land, buildings, site development, building fixtures and equipment associated with the project. The company must acquire the real estate through either transfer of title or through a capitalized lease. Eligible equipment is limited to \$10,000 in credits per new job created.

Benefits include a 100% waiver of state corporate income tax liability, *OR* the retention 3% of the gross wages of the *new* employment generated by the project as a credit against state occupational taxes.

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### **Kentucky Jobs Development Act (KJDA)**

The Kentucky Jobs Development Act (KJDA) provides tax incentives to new or expanding service and technology-based companies that earn at least 75% of their revenues from outside the state, employ at least 15 new full-time Kentucky residents and meet certain salary requirements.

This tax credit program enables the company to recoup 50% of annual occupancy costs (or fair-market-value equivalent if owned) of the facility for up to 10 years and 50% of eligible start-up cost expenditures up to \$20,000 per job created (maximum start-up credits of \$10,000 per job).

Benefits include a 100% credit against the state corporate income tax arising from the project, *AND* the retention of up to 5% of the gross wages of the *new* employment generated by the project as a credit against state and local occupational taxes.

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### **Kentucky Industrial Revitalization Act (KIRA)**

The Kentucky Industrial Revitalization Act (KIRA) provides tax incentives to manufacturing companies that are in imminent danger of permanently closing or that have temporarily closed, and retains or creates 25 jobs.

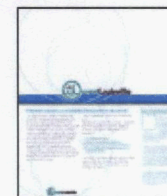
Companies may receive state income tax credits, Kentucky Corporation License Fee credits, and job assessment fees for up to 10 years limited to 75% of the costs of the rehabilitation or construction of buildings and the refurbishing or purchasing of machinery and equipment.

Benefits include the retention of up to 5% of the gross wages of the each new or retained employee whose job was saved or created by the project.

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### **Louisville Metro Brownfields Loan Program**

The *Brownfields Loan Program*, administered by Louisville Metro, provides financing for economic development in older industrial areas. Companies that want to acquire, assess and remediate property for use or resale, or to construct and install buildings and fixtures for industrial use may be eligible. This loan program is applicable in the Kentucky Economic Opportunity Zone and is made in conjunction with the Metropolitan Business Development Corporation (METCO). It is



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collateralized by a mortgage on the subject property.

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### **Manufacturing Tax Moratorium**

The *Manufacturing Tax Moratorium*, administered by Louisville Metro, is a tax relief program designed to help manufacturing companies save money just by locating in or expanding in Louisville. The program allows city and/or county property taxes to be waived over 5 years for:

- A new manufacturing company in Louisville Metro
- A manufacturing company moving into Louisville Metro
- The increased value of a building or equipment for an existing manufacturing company that is expanding its operations for a new product line in Louisville Metro.

Also eligible to be waived is the ad valorem tax on equipment that is purchased for the start-up of a business or for the addition of the new product line. Manufacturing companies moving or expanding in the Urban Service District can have both city and county property taxes waived, and companies locating outside the Urban Service District can benefit from a waiver of the county property tax.

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### **Property Assessment/Reassessment Moratorium**

Property owners in Louisville Metro can, administered by Louisville Metro, benefit from the Property Assessment/Reassessment Moratorium, which allows the waiver of an added value of improvements from the taxable assessment of a structure.

This tax benefit allows any residential and commercial structure that is older than 25 years to be eligible for the moratorium if the cost of the improvements made to the structure is at least twenty-five percent (25%) of the value of the property, based on the latest assessment by the Property Valuation Administrator.

Additionally, residential and commercial structures that are older than 25 years in qualifying target area are eligible for a tax moratorium if improvements are at least ten percent (10%) of the value of the property.

The assessment or reassessment moratorium becomes effective on the assessment date next following the issuance of the Moratorium Certificate by the Department of Inspections, Permits & Licenses, the administering agency. The property tax on the improved portion of the structure can be waived for a maximum period of 5 years.

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### **New Market Tax Credits**

The *New Markets Tax Credit* (NMTC) program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDE's).

Substantially all of that capital must, in turn, be used by the CDE to make loans to or equity investments in businesses located in low-

income communities. The total size of the program through 2007 is \$15 billion in allocations.

Louisville Community Development Bank is a CDE that was awarded \$62.5 million of a \$3.5 billion NMTC allocation in 2004. This money will be invested in important community projects located in low-income communities which (1) need additional incentives to become a reality, or (2) need these credits to complete the project to the size or scope that was originally planned.

These dollars will be leveraged with other public and private dollars to generate at least \$200 million of community investments. New businesses will be created and existing businesses will expand, creating new jobs, and providing new or more convenient goods and services in low-income neighborhoods.

New homes will be built in targeted communities. Run-down, under-utilized and abandoned properties will be reclaimed and rehabilitated as part of the bank's community revitalization effort.

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## **The Collaborative**

*The Collaborative* is an urban renewal initiative designed to connect inner-city businesses with consultant teams from MBA programs at local universities. The free consultant services provided by the Collaborative are used to help inner city businesses overcome many of the obstacles that prevent them from excelling.

The program is a joint effort between Greater Louisville Inc., Louisville Community Development Bank, the University of Louisville's External Affairs Office and the MBA programs at the University of Louisville, Sullivan University, Spalding University, Bellarmine University, and Indiana University Southeast.

Through these unique relationships, the *Collaborative* is able to offer quality consultant resources to urban businesses at *no cost* with hopes of strengthening them to make greater contributions to the regional economy.

To qualify, businesses typically must meet the following criteria:

- Operational for at least 3 years
- Earn more than \$500,000 in annual sales
- Located within an urban territory
- Commit a reasonable amount of involvement from decision-maker

Additionally, *The Collaborative* supports a service-learning mission to provide legitimate problem-solving experience for MBA students in the Greater Louisville area by connecting them with these strategically selected businesses.

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## West Louisville Business Incentives

	Kentucky Economic Opportunity Zone	New Market Tax Credits	Hub Zone	Brownfield Redevelopment Loan Fund	Manufacturing Tax Moratorium/ Property Reassessment Moratorium
<b>Qualifying Businesses</b>	New or expanding non-retail businesses that invest at least \$100,000 in the KEOZ	New and expanding businesses and real estate projects that contribute to the revitalization of low-income neighborhoods.	SBA approved small businesses that are (1) located in a historically underutilized business zone (2) owned and controlled by one or more US citizens	New or expanding businesses in the KEOZ.	New or existing manufacturing businesses that locate within the certified area or expand its operations for a new product line
<b>Special Qualifications</b>	Must hire at least 10 employees who reside in the zone	Must be selected via competitive application process based on banks NMTC funding allocation	Must hire at least 35% of its employees from the Hub Zone	Must acquire, assess, or remediate property –OR- construct and install buildings and fixtures within the KEOZ	Manufacturing business must be located within Metro Louisville's Urban Service District.
<b>Benefit of Credits</b>	Manufacturing businesses can recoup land, buildings, site development, building fixtures and equipment costs. Service & Tech. businesses can recoup <b>50%</b> of eligible relocation and start-up costs and 50% of annual occupancy costs of the facility.	Taxpayers receive credit against federal income taxes for making equity investments in designated Community Development Entities. All of the invested capital must be used by the CDE to make loans to low-income area businesses.	Provides federal contracting opportunities for qualified small businesses located in distressed areas by maintaining a list of businesses that Federal agencies can use to locate vendors	Up to \$100,000 in METCO city-financed loan funds	City and county property tax can be waived for 5 years on new or expanding manufacturing property.
<b>Duration</b>	10 years	7 years	N/A	Negotiable	5 year abatement limit
<b>Method</b>	3% of new hires' wage assessment or state income tax credit	39% of the total size of the investment	Contract applications are submitted to SBA	Loan disbursements begin at 3.0% interest rate	Property tax abatement

Source: Greater Louisville Inc., Feb. 2005

## Manufacturing Incentives

Click on the links for more details:

- Will your investment include a minimum of 15 new employees within 2 years? [KIDA](#)
- Do you have training expenses for existing employees? [BSSC and KCTCS KY Wins Training Grants](#)
- Are you considering an inner-city redevelopment area? [KEOZ](#)
- Are you making building improvements or investing in R&D? [KEIA](#)
- Do you need gap financing? [KEDFA Direct Loan and METCO Loan Programs](#)
- Do you have fewer than 50 employees and need funding for growth? [KEDFA Small Business Loan](#)
- Is your business in imminent danger of closing? [KIRA](#)
- Will you consider a brownfield site? [Metro Brownfields Loan Program](#)
- Are you considering an Indiana location? [Indiana EDGE](#)
- Do you manage an investment fund? [KIFA](#)

### Kentucky Industrial Development Act (KIDA)

KIDA provides tax incentives to new or expanding manufacturing operations that invest at least \$100,000 in the facility, employ at least 15 new full-time Kentucky residents and meet certain salary requirements.

The business can recoup up to 100% of annual debt service costs for up to 10 years for the financing of land, buildings, site development, building fixtures and equipment associated with the project. The company must acquire the real estate through either transfer of title or through a capitalized lease. Eligible equipment is limited to \$10,000 in credits per new job created.

Benefits include:

- A 100% waiver of state corporate income tax liability,
- OR -
- The retention 3% of the gross wages of the new employment generated by the project as a credit against state occupational taxes.

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### Bluegrass State Skills Corporation (BSSC)

BSSC works with business and State educational institutions to establish training programs for specific companies and industries.

BSSC offers two programs that support training of workers in Kentucky's new and expanding industries as well as for upgrading the skills of workers in existing industries.

The *Grant-in-Aid* program allows companies to be reimbursed for 50% of their eligible costs for training Kentucky residents in job skills ranging from entry level to advanced - including pre-employment training for prospective employees and retraining, occupational upgrade and skills upgrade of existing employees. BSSC funds can be used for curriculum development, instructor fees, instructional materials and the purchase of training equipment.

The *Skills Training Investment Credit* program allows existing companies to recover 50% of approved costs for occupational and skills upgrade training through personal and corporation income tax credits. Qualified expenses include instruction costs, administrative fees, supply and equipment costs, facility leasing, and employee wages while in training.

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## **KCTCS KY WINS Training Grants**

The Kentucky Community and Technical College System (KCTCS) KY WINS program provides funding to companies who are willing to invest in their employees through a structured training program. Designated training experts at the KCTCS colleges work with companies to access these funds through a simple application process.

Currently, employers of new or expanding companies or who have the following training needs are eligible for KY WINS funds:

- "High end" Information Technology training
- Lean Manufacturing
- WorkKeys system for job analysis, assessment and targeted instruction
- Kentucky Manufacturing Skill Standards assessment and training
- Training that leads to a credential or certification.

KY WINS will

- Pay the companies share, up to 65%, for KCTCS courses
- Invoice companies for up to 35% of the cost

KCTCS Colleges will

- Customize courses for companies who can meet minimum class size
- Consult with companies to identify training plans for employees
- Identify other companies to form partnerships to meet minimum class size
- Provide training on-site if equipment required for the course is available
- Subcontract with qualified instructors
- Build curriculum when necessary

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Manufacturing businesses can recoup costs associated with land, buildings, site development, building fixtures and equipment. Service and technology businesses can recoup **50%** of eligible relocation and start-up costs (up to \$20,000 in eligible costs, or in other words, \$10,000 in tax credits, per job created) and 50% of annual occupancy costs (or fair-market-value equivalent) of the facility.

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## **Kentucky Enterprise Initiative Act (KEIA)**

The Kentucky Enterprise Initiative Act (KEIA) provides sales tax refunds to any business entity which is involved in a new or expanded service, technology, manufacturing, or tourism attraction activity in Kentucky.

The project must involve a minimum investment of \$100,000 if located in a preference zone (enterprise zone) and \$500,000 if located outside the preference zone.

Eligible investment costs include:

- Expenditures for research and development equipment,
- Acquisition of real property, building, and
- Construction materials, construction, installation, and rehabilitation of fixtures and facilities, necessary or desirable for improvement of real estate owned, used, or occupied by the approved company.

A KEIA pre-approved company is eligible to receive a refund of sales and use tax paid for construction materials and building fixtures and for equipment used in research and development purchased during the life of the project. An approved company has 18 months from the date of approval to purchase materials eligible for refund.

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### **Kentucky Economic Development Finance Authority (KEDFA) Direct Loan Program**

KEDFA provides loan funds to businesses at below market interest rates to supplement other financing in the range of \$25,000 to \$500,000. The loans are available for fixed asset financing (land, buildings, and equipment) for business startup, new locations and expansions that create new jobs in Kentucky or have a significant impact on the economic growth of a community. The loans must be used to finance projects in agribusiness, tourism, industrial ventures or the service industry. No retail projects are eligible. Project owners must inject a minimum of 10 percent towards the fixed assets. KEDFA loan funds are disbursed at the completion of the project, so the business must obtain interim financing.

- KEDFA loan may not exceed 25 percent of a project's fixed asset cost.
- Small businesses with projects of less than \$100,000 may receive loans on fixed assets for up to 45 percent of the project costs if enough jobs are created. Interest rates are fixed for the life of the loan and are determined by the length of the loan term.
- Interest Rates range from 1 to 7 percent depending upon the length of the term.

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### **KEDFA Small Business Direct Loans**

The Kentucky Economic Development Authority (KEDFA) Small Business Direct Loan Program is specifically geared to provide high risk loans to small businesses. KEDFA may provide terms that are more lenient, less secure, or otherwise less stringent than industry standards for loans that are generally considered higher risk. The loan proceeds may be used for acquisition, construction, expansion, working capital or any other business expense deemed reasonable by KEDFA.

- Small business with 50 or fewer employees are eligible.
- The maximum loan amount under the program is \$100,000.
- At least one new full-time job must be created and maintained throughout the term of the loan.

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### **METCO Loan Programs**

The **Business Loan Program** provides up to \$100,000 in gap financing to small businesses at market rates. It is administered in conjunction with the Metro Business Development Corporation (METCO).



The **Facade Loan Program** is available to commercial property owners to revitalize neighborhood commercial corridors in Louisville. Facade loans are given for exterior property improvements, including window and door replacements, storefronts, masonry repair, siding, painting, carpentry, signage, parking and landscaping. Often, a professional architectural rendering is offered to a potential borrower to identify necessary building improvements.

Facade Loans are offered at a fixed interest rate of 3% over 10 years, making this an attractive program for revitalizing large target areas. Loans are made in conjunction with METCO and are typically secured with a lien on the improved property and the personal guarantee of the borrower.

For more information visit: <http://www.louisvilleky.gov/MDA/businessdevelopment/Loan+Programs.htm>

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### **Kentucky Industrial Revitalization Act (KIRA)**

The Kentucky Industrial Revitalization Act (KIRA) provides tax incentives to manufacturing companies that are in imminent danger of permanently closing or that have temporarily closed, and retains or creates 25 jobs.

Companies may receive state income tax credits, Kentucky Corporation License Fee credits, and job assessment fees for up to 10 years limited to 75% of the costs of the rehabilitation or construction of buildings and the refurbishing or purchasing of machinery and equipment.

Benefits include the retention of up to 5% of the gross wages of the each new or retained employee whose job was saved or created by the project.

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### **Metro Brownfields Loan Program**

The Brownfields Loan Program provides financing for economic development in older industrial areas. Companies that want to acquire, assess and remediate property for use or resale, or to construct and install buildings and fixtures for industrial use may be eligible. This loan program is applicable in the Kentucky Economic Opportunity Zone and is made in conjunction with the Metropolitan Business Development Corporation (METCO). It is collateralized by a mortgage on the subject property.

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### **Indiana Economic Development for a Growing Economy (EDGE)**

The Economic Development for a Growing Economy (EDGE) program applies tax credits against any Indiana corporate income tax liability incurred as a result of the recipient's project that creates new jobs by locating or expanding in Indiana. Credits are available for up to 10 years.

A project may be eligible for EDGE tax credits if a competitive gap exists in project costs, including incentives, between an Indiana location and competing state. The project must:

- Involve a substantial capital investment on the part of the company
- Create a meaningful number of net new jobs for Hoosiers
- Have local support and investment

EDGE tax credits are based on the payroll associated with the net new jobs created by the project. The payroll taxes withheld from those new employees, effectively 3.1% in Indiana, are the basis for the credits. Tax credits can be awarded for up to 3.1% of gross payroll for those net new jobs, for a period of up to 10

years. The credits awarded are applied first to any Indiana corporate income tax liability. Any excess amount earned is refunded directly to the company. EDGE does require a company commitment to maintain operation of the project for a period of two times as long as the term of the tax credit.

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### **Kentucky Investment Fund Act (KIFA)**

The Kentucky Investment Fund Act (KIFA) offers a 40% tax credit to certain personal and corporate investors - such as angel, seed and venture capital - in approved investment funds. Its purpose is to encourage capital investment in Kentucky, to encourage the establishment of small businesses in Kentucky, to provide additional jobs, and to encourage the development of new products and technologies in the state through capital investments.

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