



# Kentucky Enterprise Zone Program (KEZA)

The General Assembly created the Kentucky Enterprise Zone Program in 1982. The program was initiated as an innovative effort to bring new or renewed development to targeted, economically depressed areas. State and local tax incentives are offered to businesses located in an enterprise zone.

Beyond the financial or administrative benefits, many enterprise zones have intrinsic advantages. Their locations are often strategic in regard to transportation, suppliers, and the rest of the city or county. Older buildings adaptable to modern needs are often available. Undeveloped land suitable for industry is likewise available. The following ten areas were designated as an enterprise zone and shall remain in effect during the period beginning on the date of designation and ending on December 31<sup>st</sup> of the twentieth year following designation:

| <u>Area Designated</u> | <u>Year</u> |         | <u>Area Designated</u> | <u>Year</u> |         |
|------------------------|-------------|---------|------------------------|-------------|---------|
| Louisville             | 1983        | EXPIRED | Lexington              | 1985        | EXPIRED |
| Hickman                | 1983        | EXPIRED | Knox County            | 1986        | EXPIRED |
| Ashland                | 1984        | EXPIRED | Campbell County        | 1986        | EXPIRED |
| Covington              | 1984        | EXPIRED | Paducah                | 1986        | EXPIRED |
| Owensboro              | 1985        | EXPIRED | Hopkinsville           | 1987        |         |

## Eligibility

To qualify, a business must have 50 percent of its employees performing substantially all of their services within the enterprise zone. To qualify as a NEW BUSINESS (will begin/has begun operations in the enterprise zone after the date the zone was designated), 25 percent of the business' employees working 20 hours or more per week at the facility located within the enterprise zone must meet the targeted workforce criteria and be maintained throughout certification. (A qualified seasonal employee is deemed to be employed for the entire calendar year.) To qualify as an EXISTING BUSINESS (began operation in the enterprise zone prior to the designation of the zone), the business has the option of (a) increasing its capital investment by 20 percent over an 18 month period; or (b) increasing its total workforce by 20 percent, of which, 25 percent of the new employees must meet the targeted workforce criteria.

## Targeted Workforce

A targeted worker is a Kentucky resident who has resided in the Commonwealth for at least 90 days and (a) resides within the boundaries of the enterprise zone in the area; or (b) was unemployed for 90 days prior to being hired by the enterprise zone business; or (c) received public assistance for 90 days prior to being hired by the enterprise zone business.

## Enterprise Zone Incentives

The state tax incentives offered to a business located within the enterprise zone and certified as an enterprise zone qualified business are as follows:

- Building materials used in remodeling, rehabilitation, or new construction within the zone area are exempt from sales and use taxes.

- New and used machinery and equipment purchased, leased or rented and used by a qualified business within the enterprise zone are exempt from sales and use tax.
- Commercial vehicles purchased and used by a qualified business solely for business purposes shall be exempt from motor vehicle usage tax.
- Other vehicles which are not defined as commercial vehicles purchased and used by a qualified business solely for business purposes are exempt from motor vehicle usage tax, limited to the first \$20,000 of the retail price of the vehicle.
- A qualified business is allowed a credit against the tax levied, pursuant to KRS 141.040, equal to 10 percent of the wages paid to each employee who has been unemployed for at least 90 days or who has received public assistance benefits, based on need and intended to alleviate poverty, for at least 90 days prior to being employed with the qualified business, up to \$1,500 per employee. Any unused credit may be carried forward for up to five (5) years.
- A local government has the option to levy an ad valorem tax rate on qualified property within a zone of one-tenth of one cent upon each \$100 of value.
- Other local incentives offered by each individual enterprise zone.

## **The Process**

- The business makes application to the Kentucky Enterprise Zone Authority through the Local Zone Administrator.
- The Authority considers applications for certification as an Enterprise Zone Qualified Business at its regular scheduled meeting.
- If approved, the business is issued an Enterprise Zone Qualified Business Certificate.
- The business must stay in compliance with all requirements of the program to remain eligible for the above listed tax incentives.
- Failure to stay in compliance will result in the business losing its certification as an enterprise zone qualified business.
- The business is monitored annually to insure compliance.

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