# Kentucky Laws and Incentives for Tax Incentives

The list below contains summaries of all Kentucky laws and incentives related to Tax Incentives.

## State Incentives

**Biodiesel Production and Blending Tax Credit**
Qualified biodiesel producers or blenders are eligible for an income tax credit of $1.00 per gallon of pure biodiesel (B100) or renewable diesel produced or used in the blending process. Re-blending of blended biodiesel does not qualify for the tax credit. The total amount of credits claimed by all biodiesel producers may not exceed the annual biodiesel tax credit cap of $10 million. Unused credits may not be carried forward. For the purpose of this credit, biodiesel must meet ASTM specification D6751, and renewable diesel is defined as a renewable, biodegradable, non-ester combustible liquid derived from biomass resources that meets ASTM specification D975 or D396. (Reference Kentucky Revised Statutes 141.422 to 141.424)

**Ethanol Production Tax Credit**
Qualified ethanol producers are eligible for an income tax credit of $1.00 per gallon of corn- or cellulosic-based ethanol that meets ASTM specification D4806. The total credit amount available for producers is $5 million for each fuel type in each taxable year. Unused ethanol credits from one ethanol-based cap, such as corn, may be applied to another ethanol-based cap, such as cellulosic, in the same taxable year. Unused credits may not be carried forward. Feedstock eligibility restrictions may apply. (Reference Kentucky Revised Statutes 141.422 and 141.4242 to 141.4248)

**Alternative Fuel Production Tax Incentives**
Through the Incentives for Energy Independence Act program, the Kentucky Economic Development Finance Authority (KEDFA) provides tax incentives to construct, retrofit, or upgrade an alternative fuel production or gasification facility that uses coal or biomass as a feedstock. KEDFA also provides tax incentives for energy-efficient alternative fuel production facilities and for up to five alternative fuel production facilities that use natural gas or natural gas liquids as a feedstock. Energy-efficient alternative fuels are defined as homogeneous fuels that are produced from processes designed to densify feedstocks such as coal, waste coal, or biomass resources and have an energy content that is greater than the feedstock. The incentives may consist of: 1) a refund of up to 100% of the state sales tax paid on the purchase of personal property used to construct the facility; 2) a credit of up to 100% of an approved company's state income tax and limited liability entity tax that the project generates; 3) up to 4% of the wage assessment of employees whose jobs were created as a result of the construction, retrofit, upgrade, or operation of a qualified facility; and 4) a credit for up to 80% of the severance tax paid for coal, natural gas, or natural gas liquids used as a feedstock. KEDFA may allow advance incentive disbursement to encourage the use of in-state labor for facility construction.

The incentives expire at the time of receipt of the authorized amount or 25 years from activation of the project, whichever occurs first. Approved companies may recover up to 50% of their capital investment via the authorized tax incentives. The minimum capital investment for incentive eligibility is $25 million for an alternative fuel or gasification facility that uses biomass as the primary feedstock; $100 million for an alternative fuel or gasification facility that uses coal, oil shale, or tar sands as the primary feedstock; $25 million for an energy-efficient alternative fuel facility; and $1 million for a facility that uses natural gas or natural gas liquids as the primary feedstock.

To apply for the incentive, an eligible taxpayer must submit a $1,000 non-refundable application fee and remit payment for any other fees in connection with the project, including administrative, legal, and consulting fees.

(Reference Kentucky Revised Statutes 154.27-010 to 154.27-090)

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**Propane Excise Tax Exemption**

Propane is exempt from the state excise tax when it is used to operate motor vehicles on public highways provided that vehicles are equipped with carburetion systems approved by the Kentucky Energy and Environment Cabinet or fuel systems that meet Federal Motor Vehicle Safety Standards. (Reference House Bill 212, 2013, and Kentucky Revised Statutes 234.321)