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Economic incentives bill advances

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Published: Friday, February 13, 2009 12:19 AM CST

FRANKFORT -- Kentucky would revamp its system of economic development incentives, including expanding incentives to cover existing industries and making the state more attractive to filmmakers, under a bill approved by a House committee Thursday.

The plan already has the general support of Gov. Steve Beshear, who mentioned the issue during his State of the Commonwealth address last week, and the broad backing of state officials and the business community.

"Businesses have a new model," Rep. Tommy Thompson, the bill's sponsor, told the House Economic Development Committee. "They're operating differently. States have to operate differently to compete."

The 126-page bill covers broad ground and would provide tax credits to Kentucky manufacturing businesses that invest in facilities and work-force education, the reimbursement of film and television productions for certain expenses and the consolidation of the state's multiple incentive programs into one.

In his address to the state last week, Beshear said one of the initiatives he hoped to push this year was to tailor the state's economic development incentives program to better attract new jobs and protect the ones already here.

"It's time we modernized and restructured our incentive programs to make them more responsive to today's economic needs and to give us flexibility to compete for new jobs," Beshear told lawmakers Feb. 4.

Under the portions of the plan for existing industries, manufacturers could recoup 50 percent of the cost of investments topping \$10 million through tax credits and be reimbursed through credits for 100 percent of costs to train employees.

"These jobs are very important, certainly in today's economic times," Jim LeMaster, president of the Kentucky Association of Manufacturers, told the committee.

Companies that depend heavily on computer and technological equipment could see sales tax exemptions on investments of more than \$200 million.

Rep. John "Bam" Carney, a Campbellsville Republican, said he would like to see the bill help offset the health insurance costs with which many small businesses contend.

"We need to find a way to help those small people who are already shouldering that burden," Carney said.

Thompson said he had hoped to expand funding for the state's ICARE program, which helps offset those costs for small businesses, but the state doesn't have the money right now.

"We just had some funding constraints," Thompson told Carney.

The incentive programs already in place would be consolidated into a single program, which would help those outside the state and outside the country better navigate the process, according to Donna Duncan, commissioner of the Office of Financial Incentives.

"I think we'll have something to sell to folks," Duncan told the committee. "I think there will be an exciting and refreshing look at Kentucky."

Changes to those existing programs include higher rates of return to the company on wages created and longer terms for the incentive programs in counties suffering from higher rates of unemployment.

Companies involved in "mega-projects" with investments of more than \$500 million would also get advance disbursements of up to 30 percent of the total incentives, similar to the way the state handles companies involved in energy projects.

"Certainly any time you can simplify, streamline and enhance incentive packages, it's positive," said Nick Brake, who heads the Greater Owensboro Economic Development Corp., when contacted after the committee hearing.

The bill also contains provisions to attract investment by the film and television industry, an effort Thompson made during past session.

Kentucky ranks 45th in the country in the incentives it provides to the film industry, just above those states that offer no incentives at all, Deputy Secretary David Lovelace with the Kentucky Tourism, Arts and Heritage Cabinet told the committee.

House Bill 299 would provide income tax credits of up to 20 percent of costs from film and television productions in the state in areas such as food, accommodations, set construction and vehicles and land leased for productions.

The bill would also re-establish the Kentucky Film Commission to help promote the state as a place for film and television production.

"We are losing a lot of film business, even films that are written for Kentucky but are going to other states strictly because of the incentives," Lovelace said.

Brake said he had hoped the bill would include incentives for Broadway theater productions, such as those produced at the RiverPark Center in Owensboro, and hoped the bill could be expanded.

"I wish for our sake it would have been included, and hopefully it still could be included," Brake said.

After passing the committee without opposition, House Bill 229 will head to full House for its consideration.

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