



Muhlenberg Alliance for Progress Incentives for Energy Independence Act (IEIA)

This fact sheet provides an overview of the Incentives for Energy Independence Act (IEIA) program. For a full discussion of the program requirements, please see KRS 154.27-010 through 154.27-090. As with all state administered tax incentive programs, any inducements offered to an eligible company under the IEIA program are negotiated by Cabinet for Economic Development officials and subject to approval of KEDFA.

Eligible Companies

Any company that constructs, retrofits, or upgrades a facility to:

- Increase the production and sale of alternative transportation fuels
- Increase the production and sale of synthetic natural gas, chemicals, chemical feed stocks, or liquid fuels, from coal, biomass resources, or waste coal through a gasification process
- Increase the production and sale of energy-efficient alternative fuels.
- Generate electricity for sale through alternative methods such as solar power, wind power, biomass resources, landfill methane gas, hydropower, or other renewable resources

Eligible Projects

Requirements to qualify for the incentives:

- Alternative fuel facility or gasification facility that is carbon capture ready and uses oil shale, tar sands, or coal as the primary feedstock: the minimum capital investment is \$100,000,000
- Alternative fuel facility or gasification facility that is carbon capture ready and uses biomass resources as the primary feedstock: the minimum capital investment is \$25,000,000
- Energy-efficient alternative fuel facility that produces a homogeneous fuel from processes designed to densify feedstock coal, waste coal, or biomass resources. The minimum capital investment is \$25,000,000.
- Alternative fuel facility that uses natural gas or natural gas liquids as the primary feedstock. The minimum capital investment is \$1,000,000.
- Renewable energy facility that meets the minimum electrical output requirement of at least one megawatt of power for: wind, hydro, biomass, landfill methane; or generation of 50 kilowatts for solar. The minimum capital investment is \$1,000,000.
- Carbon dioxide transmission pipeline. The minimum capital investment in Kentucky is \$50,000,000.

Incentives

Tax incentives available for up to 25 years, up to a maximum of 50% of the capital investment, via:

- **Sales and Use Tax** refunds up to 100% of tax paid on tangible personal property made to construct, retrofit or upgrade a facility.
- **Severance Tax** incentives up to 80% of taxes paid on the purchase or severance of coal or natural gas.
- **Tax Credits** up to 100% of corporate income or Limited Liability Entity Tax liability arising from the project.
- **Wage Assessment** incentives up to 4% of gross wages of each employee.

Additionally, **Advanced Disbursement** of post construction incentives using a formula based on percentage of labor component in construction and the utilization of Kentucky residents in construction phase may be available. Advance disbursements repayments may be based upon incentives earned in the future.

Incentives for Energy Independence Act (IEIA)

Application and Approval Process

1. Application is made to Kentucky Economic Development Finance Authority (KEDFA)
2. Application is forwarded to Office of Energy Policy and Department of Revenue for review
3. Application may also be forwarded to independent consultants, if necessary
4. Comments are received from external reviews
5. Tax incentive amount is negotiated

6. Application is presented to KEDFA which verifies:
 - Applicant has met all statutory and regulatory requirements
 - Applicant has secured or is in process of securing all necessary permits, certificates or approvals
 - Proposed facility is carbon capture ready, if applicable
 - Applicant has a plan that includes a projected number of Kentucky residents to be employed at the facility after completion and during construction
7. KEDFA finds the project appears to be eligible for the program and grants preliminary approval
8. Memorandum of Agreement entered into between KEDFA staff and Company. Prior to final approval the applicant shall provide all supporting data requested by KEDFA, secure all required permits or take appropriate steps to do so, and cooperate with KEDFA to obtain opinions or recommendations from any outside consultants. Advanced disbursements (if applicable) labor market analysis prepared by a Kentucky Post Secondary Education Institution in the region the project will be located must be completed.
9. Terms of a tax incentive agreement (TIA) are negotiated to include the type of incentive and amount; the agreement activation date is established for a period not to exceed five years from final approval
10. Final Resolution approved by KEDFA authorizing the execution of the tax incentive agreement
11. Agreement activation occurs; company begins incurring recoverable costs or engaging in recoverable activity; incentives are available at the appropriate time

Fees

There is a \$1,000 non-refundable application fee payable upon submission of the application. Fees that the company may expect to incur as a result of Final Approval include an administrative fee equal to ¼ of 1 percent (.25%) with a maximum of \$50,000. In addition, the company will incur other fees in connection with the project, including legal fees, and potentially consulting costs.

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