



KENTUCKY

TOURISM DEVELOPMENT ACT

This landmark legislation, the first of its kind in the nation, provides a state sales tax incentive program for tourism development projects.

The Incentive

The incentive for developers of approved new or expanding tourism projects is the ability to recover up to 25% of the project's development costs over a ten year term. Projects including, but not limited to lodging facilities, that are constructed on state park, federal park and national forest lands are eligible to recover up to fifty percent (50%) of development costs over a twenty year term. An expanding attraction receives the incentive on increased sales tax due to the expansion.

On an annual basis the Kentucky Department of Revenue will return to developers of approved projects the state sales tax paid by visitors to the attraction on admission tickets, food and gift sales and lodging costs.

Eligible Projects

The Act defines tourism attractions as:

- cultural or historical sites;
- recreation or entertainment facilities;
- areas of scenic beauty or distinctive natural phenomena;
- Entertainment Destination Centers;
- Kentucky Crafts and Products Centers;
- Theme Restaurant Destinations; and,
- Lodging, when:
 - built in conjunction with a tourism attraction and the tourism attraction cost more than the lodging facility; or
 - built on state or federal parks and recreational lands; or
 - involves restoration or rehabilitation of a historic structure; or
 - involves the restoration or renovation of a lodging facility having no less than 500 rooms with project costs exceeding \$10,000,000; or
 - Involves the construction, restoration, or renovation of a full service lodging facility which is or will be a part of a major convention or sports facility with project cost exceeding \$6,000,000; or
 - Involves the construction, restoration, or renovation of a facility which is or will be located:
 - In the Commonwealth within a 50 mile radius of a property located on the National Register of Historic Places with a current function of recreation and culture; **and**
 - Located within any of the 100 least populated counties in terms of population density.

Projects that do not qualify are strictly retail businesses and recreational facilities that are used primarily by local residents and are not a likely destination for out-of-state travelers.

The Application Process

Applications are submitted to the Secretary of the Tourism, Arts and Heritage Cabinet for an initial review. Should the Secretary decide the project will likely meet all the broad requirements of the Act, the application will be forwarded to the Kentucky Tourism Development Finance Authority with the recommendation the project be given preliminary approval. The Authority is attached to the Tourism, Arts and Heritage Cabinet.

Should preliminary approval be granted by the Authority, an independent consultant selected by the Tourism, Arts and Heritage Cabinet will do an in-depth study on the proposed project. The cost of the study will be the responsibility of the developer.

A public hearing on each project is required between preliminary and final approval.

Based on the consultant's study, related materials and the report from the public hearing, the Secretary will determine whether to request final approval by the Authority. Upon final approval by the Authority, an agreement will be signed between the state and the project developers allowing the developer to recover the state sales tax during the term of the agreement.

For a project to be eligible, it must receive approval from the state before construction commences on the project.

The Consultant's Study

For the project to be considered for final approval, the consultant's report must determine that the project:

- will attract the minimum number of out of state visitors required by statute;
- will have costs meeting or exceeding statute minimums;
- will have a significant and positive economic impact on the Commonwealth by considering, among other factors, the extent to which the tourism attraction project will compete directly with existing tourism attractions in the Commonwealth and the amount by which increased tax revenues from the tourism attraction project will exceed the refund given to the approved company;
- will be open to the public for a minimum of the number of days required by statute;
- will not adversely affect existing employment in the Commonwealth; and,
- will, if an Entertainment Destination Center, be using the state sales tax refund for a public infrastructure purpose.
- Additional requirements are in place for Theme Restaurant Destinations.

More Information

For more information or to request an application, contact the Tourism, Arts and Heritage Cabinet at the following address:

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