

Credits/Incentives:

Kentucky: New Law Permits Localities to Create Economic Development Taxing Districts that Levy Property Tax and 3% Income Tax

H.B. 606, signed by gov. 4/2/25. New law authorizes two or more governing bodies of Kentucky local governments (*e.g.*, Kentucky cities and counties) to join together as a region and enter into an “interlocal agreement” to develop real estate as part of a “regional economic development project” consisting of 300 or more contiguous acres located in the jurisdiction of a local government that is a party to the interlocal agreement and which results in the creation of at least 500 new jobs. Under the new law, territory used in a qualifying regional economic development project may be organized into a separate Kentucky taxing district that is authorized to levy a special ad valorem tax on property located within the jurisdictional boundaries of the district, as well as impose and collect an “occupational license fee” on businesses, trades, professions, or occupations performed, rendered, or conducted within the district. The legislation provides that this new occupational license fee may be imposed at a percentage rate not to exceed 3% of:

URL: <https://apps.legislature.ky.gov/record/25rs/hb606.html>

- Salaries, wages, commissions, and other compensation earned by persons within the district for work done and services performed, rendered, or conducted within the district;
- The net profits of self-employed individuals, partnerships, professional associations, or joint ventures resulting from businesses, trades, professions, occupations, or activities conducted in the district; and
- The net profits of corporations resulting from businesses, trades, professions, occupations, or activities conducted in the district.

Please contact us with any questions.

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