

# Does your business qualify for the Kentucky Small Business Tax Credit?

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Kentucky small businesses that added one or more employees and invested in qualifying equipment or technology in the past 24 months may qualify for a non-refundable tax credit of up to \$25,000 on their state income tax return through the Kentucky Small Business Tax Credit (KSBTC) program. The program is available to most for-profit businesses with 50 or fewer full-time employees.

The credit is calculated as the lesser of:

- \$3,500 per eligible position added; or
- The rounded eligible dollar amount invested in qualifying equipment or technology.

The credit is capped at \$25,000 per applicant for each calendar year.

To qualify for the credit, employers must meet the following criteria within the 24-month period before submission of an application:

- Add at least one eligible position (see below for the definition of an eligible position); and
- Spend at least \$5,000 on qualifying equipment (excluding real property) or technology.

A new employee meets the eligible position requirement if the employee:

- Is subject to Kentucky individual income tax (i.e., a Kentucky resident);
- Works an average of 35 hours per week or more for 12 consecutive months;
- Is paid an hourly wage of at least \$10.88 per hour (includes wages, tips, bonuses, and commissions, but not employee benefits);
- Increases your business's base employment (i.e., did not replace someone who left); and
- Is replaced within 45 days if terminated within the 12 consecutive month period.

Small businesses are encouraged to apply for the credit in early November to secure their best chance of approval to include the credit on their 2020 tax return.

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