



## Member Alert

June 29, 2006

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### *SPECIAL SESSION ENDS JUNE 28*

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*The Special Session ended yesterday and Governor Fletcher signed HB 1 into law to provide tax relief to approximately 70,000 small businesses. In addition, the bill will provide additional tax incentives for a proposed new technology power plant in Western Kentucky. The Governor called the session last week and also set the items to be considered.*

There were no surprises during the 5-day session and the bill moved easily through the House (95-0) and Senate (36-0). Senate President David Williams (R-Burkesville) and others had proposed the Governor include additional economic development items in the call, but Gov. Fletcher refused. The bill had an emergency clause and will go into effect immediately.

The session was called to fix a problem with the alternative minimum tax calculation (AMC) passed in the Tax Modernization Act of 2005. The tax act required most businesses to pay the greatest amount of corporate income tax produced by 1 of 3 calculations – the AMC, traditional income tax or a \$175 minimum. The AMC caused many small businesses to be subject to income tax for the first time. The bill will provide more than \$41 million in tax relief to small businesses by exempting companies with gross receipts or profits of \$3 million or less. Companies with gross receipts or profits up to \$6 million will now be subject to a graduated AMC tax. Larger companies will be subject to a new minimum calculation called the Limited Liability Entity Tax (LLET). In addition, the law will treat the taxation of net income of pass-through companies like LLCs in the same way as federal tax laws beginning with the 2007 tax year.

The tax incentive package is intended to help Kentucky compete with several other states for a federal pilot demonstration power plant that produces coal and hydrogen with zero emissions. Called the power plant of the future, the plant has been referred to as the *FutureGen* project. The total incentive package is valued from \$60-\$90 million for the proposed site is in Henderson County. A smaller tax incentive package was passed in the recent regular session but state officials wanted to raise the amount after other states had made substantially larger offers.

No direct telecom issues were raised during the special session.

**ACTION REQUEST:** *None at this time.*

This is an email publication by the Kentucky Telephone Association for the benefit and information for its members and friends. Send questions and comments to [Forest M. Skaggs](mailto:Forest.M.Skaggs@ktaoffice.org), Executive Director. KTA office: 851 Corporate Drive Suite 105, Lexington, KY 40503. Tel – 859/223-9001, Fax – 859/223-2601, [www.ktaoffice.org](http://www.ktaoffice.org).