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**FINANCE AND ADMINISTRATION CABINET
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OFFICE OF TAX POLICY AND REGULATION**

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February 5, 2025

VIA U.S. POST, FIRST CLASS MAIL

Erin Hensley, Commissioner
Lexington-Fayette Urban County Government
Department of Finance
200 East Main Street
Lexington, KY 40507

Re: Red Mile Tax Increment Financing Project - 2023 Final Increment Calculation

Dear Ms. Hensley:

This letter is in response to the Lexington-Fayette Urban County Government's request for Tax Increment Financing ("TIF") amounts arising from the Red Mile Mixed-Use Redevelopment TIF Project for the 2023 calendar year (the "Request").

The Department of Revenue ("DOR") has reviewed the Request. DOR was unable to verify the increment amount of \$518,798.85 that was requested. The following is DOR's final calculation of the 2023 increment broken down by tax:

Property Tax

2023 New Revenues (Real Property Tax)	\$	52,214.05
Minus Old Revenues (CPI adjusted)	-	14,768.50
Receipts Available for Increment	\$	37,445.55
80% Adjustment		.80
2023 Increment	\$	29,956.44

Please note that 2023's HB 360 amended KRS 154.30-010 to adjust the definition of "New Revenues" to include a modified new revenues income tax calculation for projects approved prior to January 1, 2023. The modified calculation is determined by multiplying the income tax new revenues by the "modifier". The "modifier" is calculated by dividing the 5% income tax rate of 2022 by the income tax rate of the increment year being calculated.

Modifier Calculation

2022 Individual Income Tax Rate	.05
Divide 2023 Individual Income Tax Rate	÷ .045
2023 Modifier	<u>1.11111111</u>

Individual Income Tax – Withholding

2023 New Revenues	\$ 497,132.05
Multiply 2023 Modifier	<u>1.11111111</u>
2023 Modified New Revenues	\$ 552,368.94
Minus Old Revenues (CPI adjusted)	<u>- 103,789.80</u>
Receipts Available for Increment	\$ 448,579.14
80% Adjustment	<u>.80</u>
2023 Increment	\$ 358,863.32

Sales Tax

2023 New Revenues	\$ 287,264.48
Minus Old Revenues (CPI adjusted)	<u>- 134,191.37</u>
Receipts Available for Increment	\$ 153,073.11
80% Adjustment	<u>.80</u>
2023 Increment	\$ 122,458.49

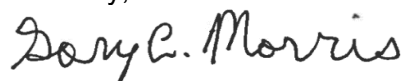
Combined Increment Calculation

Property Tax	\$ 29,956.44
Individual Income Tax – Withholding	\$ 358,863.32
Sales Tax	<u>\$ 122,458.49</u>
Net Increment Due	\$ 511,278.25

Based on the above, DOR's final calculation for 2023 is **\$511,278.25**. One check will be issued for the Property Tax increment, and two EFT payments will be processed for the Individual Income Tax – Withholding and Sales Tax increments.

Please let me know if you have any questions.

Sincerely,



Gary C. Morris, Executive Director
Office of Tax Policy & Regulation
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cc: Richard Dobson
Lowell Manning
Barbara Quackenboss
Christy Kinney
David Gordon
Katie Smith
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