



2025

STATE POLICY RECOMMENDATIONS

MAKING A BETTER KENTUCKY

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Attract More Investment to Grow Jobs



To make Kentucky more competitive for the investments that will grow our manufacturing economy, the Commonwealth should:

- Continue the phased reduction of Kentucky’s personal income tax.
- Eliminate the sales and use tax of repair, replacement, and spare parts for manufacturing processes.
 - An alternative is to clarify that the exclusions of such parts from the relevant exemptions (manufacturing supplies exemption, new and expanded industry exemption) extend only to limited repair parts and not to the otherwise exempt materials, supplies, machinery, and equipment.
- Clarify that the new sales and use tax on “prewritten computer software access services” found in 2022’s House Bill 8 does not pyramid taxes on manufacturers and other Kentucky businesses.
- Improve Kentucky’s ad valorem property tax structure, including the taxation of inventory which disadvantages Kentucky versus our surrounding states, through a phase-out of the inventory tax or by creating refundable/transferable income tax credits to offset the tax.
- Repeal the limited liability entity tax, which lowers our business climate rankings and further discourages investment.
- Implement a system to modernize and streamline the collection of local government business taxes.

Improve Kentucky’s Energy Posture and Environmental Oversight



- To improve its business climate and reputation, Kentucky should develop a long-term energy strategy that:
 - Prioritizes energy affordability, reliability, and resiliency.
 - Balances the need for environmental regulation with the imperative to keep energy costs low for Kentucky businesses and consumers.

- To improve environmental oversight, the General Assembly should clarify that any air monitoring results and enforcement actions are based upon strict adherence to protocols established by the federal government by administrative regulations to provide certainty to the regulated community regarding the standards to be attained.
- The General Assembly should also adopt measures that:
 - Ensure pipelines are maintained and regulated on a reasonable basis by the appropriate federal and state authorities.
 - Protect underground utilities and pipelines by enforcing and modernizing 811 laws to ensure agricultural operations work in coordination with underground utility operators to protect farmland, maintain the integrity of underground utilities, and avoid personal injury when tilling deeper than a certain required level.
 - Make permanent the changes that were adopted during the 2024 Session that established, for a limited period of time, that certain pipelines are considered to be real property, as opposed to tangible personal property, for taxation purposes. This classification would reinstate pipelines to the status historically maintained before Kentucky Department of Revenue misinterpretation.

Building a World-Class Workforce



Since Kentucky is in a national and international competition for talent, the Commonwealth should:

- Fund a workforce marketing and attraction program that supports local and regional efforts to attract new workers.
- Consider all reasonable proposals to incentivize development of the affordable housing needed to solve Kentucky's housing shortage.
- Increase assistance for the affordable, quality childcare that parents and businesses need.
- Establish a grant or tax credit program for small and medium manufacturers headquartered here to help such companies assess their potential to use automation to compensate for workforce shortages and increase operational efficiency.
- Increase funding for programs that help more veterans enter the workforce.
- Increase funding for reentry strategies for Kentuckians recovering from substance abuse.
- Support the development of off-ramps for public assistance to help workers achieve self-sufficiency.
- Support the continued creation and expansion of work-based learning and certificate programs in Kentucky high schools.

Building a Healthy Kentucky



The Commonwealth should help the business community provide high quality health care to employees and dependents by:

- Minimizing government intrusion in employer-sponsored health plans so the free market can lower health care costs.
- Adopting pharmacy benefit management (PBM) reforms to end the price-gouging and lack of transparency of the market-dominating PBMs.
- Modernize workers' compensation disability ratings, since the continued use of old data and outdated treatment mechanisms is producing higher multiples and ignores significant advancements in treatments and outcomes.
- Adopting reforms to ensure hospitals do not misuse federal programs designed to provide low-cost medications to those in need.
- Adopting Medicaid reforms which encourage program participants to pursue employment opportunities and ensure the benefits cliff does not prevent participants from doing so.

Maintain and Modernize Our Transportation Infrastructure



A robust transportation network is critically important to our economic competitiveness, so Kentucky should:

- Continue state investment in infrastructure projects that leverage federal grants and programs.
- Encourage multimodal transportation solutions by funding projects that integrate road, rail, and port systems and create more efficient, flexible transportation options for industry.
- Use technology and data to optimize infrastructure investment by funding projects that incorporate smart transportation technology that enhances efficiency and safety.
- Continue to investigate alternative fuels such as hydrogen, and the revolutionary technologies of advanced air mobility craft and autonomous vehicles.