Just the Facts:

Kentucky Qualified Data Center Project Incentive Program

July 2026

This fact sheet provides an overview of the Kentucky Qualified Data Center Project Incentive Program. For a full discussion of the program requirements, please see KRS 154.20-220, et seq. As with all Cabinet administered tax incentive programs, any incentives offered to an eligible company under the Kentucky Qualified Data Center Project Incentive Program are negotiated by Cabinet for Economic Development officials and subject to approval by the Kentucky Economic Development Finance Authority (KEDFA).

Key Program Definitions	
Colocation Tenant	An entity that contracts with the Owner or Operator for space within a Qualified Data Center Project
Data Center Equipment	Computer equipment and software for the processing, storage, retrieval, or communication of data, used directly and exclusively in a Qualified Data Center Project, including but not limited to: • Servers, routers, connections, monitoring and security systems for data center equipment, fiber optic cabling and network equipment leading to and from the data center project, and other enabling machinery, equipment and hardware regardless of whether the property is affixed to or incorporated into real property; • Equipment used in the operation of computer equipment or software or for the benefit of the data center project, including component parts, installations, refreshments, replacements, and upgrades, regardless of whether the property is affixed to or incorporated into real property; • All equipment necessary for the transformation, generation, distribution, or management of electricity that is required to operate computer server equipment, including substations, generators, uninterruptible energy equipment, supplies, conduit, fuel piping and storage, cabling, duct banks, switches, switchboards, batteries, testing equipment, and backup generators; • All equipment necessary to cool and maintain a controlled environment for the operation of the computer servers and other components of the data center project, including chillers, mechanical equipment, refrigerant piping, fuel piping and storage, adiabatic and free cooling systems, cooling towers, water softeners, air handling units, indoor direct exchange units, fans, ducting, and filters; • All water conservation systems for the equipment, including facilities or mechanisms that are designed to collect, conserve, and reuse water; • All computer server equipment, chassis, networking equipment, switches, racks, fiber optic and copper cabling, trays and conduit; • All monitoring equipment and security systems for the data center project, including security system monitoring services; • All software and prewritten computer software access services;

	• Extended warranty services with respect to data center equipment; and • Any other tangible personal property that is essential to the operations of the Qualified Data Center Project Data Center Equipment does NOT include: • Construction equipment or building and construction materials permanently incorporated as an improvement to the real property; • Electricity used by the Qualified Data Center Project; and • Property used for administrative purposes, including office equipment
Operator	Any entity, other than an Owner, Project Organizer or Colocation Tenant that: • Operates a Qualified Data Center Project pursuant to a lease or other contract with the Owner; and • Is responsible for the control, oversight or maintenance of a Data Center Project Operator includes an affiliate of an Operator, licensed property management company, property lessor or any other individual or entity responsible for the control, oversight or maintenance of a Data Center Project.
Owner	Any entity, other than a Project Organizer, holding fee title to a Data Center Project and includes an affiliate of an Owner.
Project Organizer	An entity that solely provides Qualified Data Center infrastructure for a Qualified Data Center Project and will enter into or has entered into a separate agreement with another entity for the purchase, use or operation of the Qualified Data Center Infrastructure.
Qualified Data Center Infrastructure	Providing site development and organization for a Qualified Data Center Project, including, but not limited to: • An uninterruptible power supply, including electrical substations and back-up generators for safety against power disruptions; • Availability of water and natural gas service, including any necessary infrastructure; and • Multiple layers of security, including: ○ Physical security at the Data Center Project, including fencing, entry control and monitoring or security guards; ○ Infrastructure monitoring, including monitoring for water, power, telecommunications and internet connectivity; and ○ Environmental control measures, including sensors or responsive equipment for detecting fire, flood or other natural disasters

Program Requirements		
	Qualified Data Center Project for a Project Organizer	**Qualified Data Center Project for an Owner, Operator or Colocation Tenant**
Eligible Company	Any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity with a Qualified Data Center Project and includes an Operator, an Owner, a Project Organizer, and a Colocation Tenant.	

Qualified Data Center Project	A project meeting the Minimum Capital Investment requirement that includes:
	• Providing Qualified Data Center Infrastructure;
	• Acquiring, leasing, rehabilitating, expanding or constructing one (1) or more buildings that:
	  ○ House a group of networked server computers in order to centralize the storage, management and dissemination of data and information for a single project; and
	  ○ Contain:
	  ▪ Dedicated cooling equipment for the computing machines and related infrastructure;
	  ▪ Extra capacity for data redundancy, including the ability to maintain or replace equipment without a system shutdown; and
	  ▪ Physically isolated systems to avoid disruption from both planned and unplanned events; or
	• Any combination of the activities described above	

Ineligible Business Activities	A Qualified Data Center Project does NOT include any project that: • Will result in the replacement of data centers existing in the Commonwealth; • Applies for or accepts any other economic development incentives under KRS Chapter 154; or • Benefits from the sales and use tax exemption for the sale and purchase of electricity used in commercial mining of cryptocurrency	
Minimum Capital Investment Requirement	Invests at least $150,000,000 in Eligible Costs for the Qualified Data Center Project within five years of preliminary approval	Investment in Eligible Costs for the Qualified Data Center Project within five years of preliminary approval, based on county population: • County population equal or greater than 100,000 - $450,000,000 in Eligible Costs • County population between 50,000 and 100,000 - $100,000,000 in Eligible Costs • County population not more than 50,000 - $25,000,000 in Eligible Costs

Eligible Costs	Expenditures made by the preliminarily approved company or approved company after preliminary approval for the purchase, installation, repair, and replacement of Data Center Equipment for the Qualified Data Center Project. No investment should be made prior to preliminary approval, confirmation with the CED leadership, and receipt of the exemption certification from DOR. Any expenses incurred prior to receipt of the exemption certification from DOR will not be eligible for the sales and use tax exemption.	
Term of Agreement	Up to 15 Years from Preliminary approval	Up to 50 Years from Preliminary approval
Incentive	Sales and use tax exemption for the sale, purchase, use, storage, consumption, installation, repair and replacement of Data Center Equipment associated with the Qualified Data Center Project.	
Incentive Parameters	If the Minimum Capital Investment Requirement is met within five years of Preliminary approval, the tax exemption certificate may remain in place for the remaining term of the Memorandum of Agreement (MOA) after documentation is submitted confirming the requirement was achieved and Final approval by KEDFA is obtained. If the Minimum Capital Investment Requirement is not met within five years of Preliminary approval, the Cabinet will notify the Department of Revenue of failure to meet the minimum requirement. The Department of Revenue will revoke the certificate of exemption, and the approved company shall immediately pay the tax that was not paid as a result of the sales and use tax exemption upon receipt of the notice of assessment issued by the Department of Revenue.	

The Process – Application, Approvals, MOA

Kentucky Qualified Data Center Project Incentive Program Process	
Pre-Application 45 days prior to KEDFA meeting	The Kentucky Cabinet for Economic Development recommends the company submit a draft application to Business & Community Development project management staff. Business & Community Development project management staff negotiate recommended incentives and requirements.
Application Submission 30 days prior to KEDFA meeting	Application, required attachments, and application fee submitted to Business & Community Development project management staff.

MOA / KEDFA Meeting / Preliminary Approval Last Thursday of month, except November and December	The MOA outlining the terms and conditions of the incentive will be provided to the applicant for review and signature prior to the KEDFA meeting. The project is presented to KEDFA for Preliminary approval at which time the MOA is approved and signed on behalf of KEDFA. An approval letter/notification with the fully executed MOA will be sent to the approved company after the meeting. The approved company **may begin its investment** after Preliminary approval occurs. *KEDFA is a public meeting. Company name and investment will be disclosed at the meeting.*
Notification to Department of Revenue of MOA / Certificate of Exemption	After Preliminary approval, the Cabinet will provide a copy of the MOA to the Department of Revenue, and the Department of Revenue will issue a certificate of exemption to the approved company.
Eligible to Begin Using Certificate of Exemption	After receipt of the certificate of exemption, the approved company may issue the certificate to the vendor individually or execute it jointly with a contractor for the purchase of Data Center Equipment associated with the Qualifying Data Center Project.
Interim Performance Period Within 9 months of preliminary approval	*See detailed chart outlining requirements that should be fulfilled/provided during the interim period*
Annual Compliance Exhibits End of each fiscal year	Company submits annual exhibits with supporting documentation as requested within 30 days of fiscal year end to report cumulative investment and confirm compliance with the MOA. If Minimum Capital Investment Requirement is met within five years of Preliminary approval, the tax exemption certificate may remain in place for the term of the MOA after Final approval by KEDFA. If the Minimum Capital Investment Requirement is not met within five years of Preliminary approval, the tax exemption certificate will be revoked, MOA will be canceled/terminated and the approved company will be required to pay all taxes not paid.
KEDFA Meeting / Final Approval Up to 5 years after preliminary approval	Upon achieving the Minimum Capital Investment Requirement and providing documentation to confirm the requirement was met, the project is presented to KEDFA for Final approval at which time KEDFA will authorize a certification to be issued for the sales and use tax exemption to remain in place for the remaining term of the MOA.

	KEDFA is a public meeting. Company name and investment will be disclosed at the meeting.
Monitoring / Compliance	The Cabinet will confirm with the Department of Revenue annually that the approved company and Qualified Data Center Project are still active during the remaining term of the MOA.

Fees

A non-refundable application fee of $1,000 is payable upon submission of the application. Prior to final approval, the company will be required to pay an administrative fee equal to $25,000 for a Project Organizer or $70,000 for an Owner, Operator or Colocation Tenant. In addition, the company will pay all legal fees, including expenses of counsel to KEDFA, necessary for the preparation of the MOA.

To learn more, contact:
Kylee Palmer
Kylee.Palmer@ky.gov
Phone: (502) 564-7670