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OFFICE OF THE COMMISSIONER**

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TO: **Jay Hartz, Director**
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Senator Christian McDaniel, Co-Chair
Interim Joint Committee on Appropriations and Revenue

Representative Jason Petrie, Co-Chair
Interim Joint Committee on Appropriations and Revenue

FROM: **Thomas B. Miller, Commissioner**
Department of Revenue

DATE: **October 29, 2025**

RE: **2025 Tax Law Changes from the Regular Session of the General Assembly**

Pursuant to KRS 131.132, this report summarizes tax law changes enacted during the 2025 Regular Session of the General Assembly. Provisions that do not affect tax law are excluded.

House Bill 1 – AN ACT relating to the individual income tax rate.

Section 1: Reduces the individual income tax rate to 3.5% for tax years beginning on or after January 1, 2026. Updates references to years for the individual income tax rate reduction conditions.

- **Impacted Statutes:** KRS 141.020.
- **Actions taken or to be taken to implement:** Updates to forms and IT systems will be required.
- **Required modifications to IT systems and estimated cost:** Changes to legacy system will be required to program the new tax rate with an estimated cost of \$5,300 for the

Department of Revenue Integrated Tax System (*doris*). Non-*doris* costs are unknown at this time.

- **Development of new or modification of existing forms:** Kentucky Individual Income Tax Return, Form 740; Nonresident or Part-Year Resident Kentucky Individual Income Tax Return, Form 740-NP; Kentucky Fiduciary Income Tax Return, Form 741; Kentucky Nonresident Income Tax Withholding on Distributive Share Income Report, Form 740NP-WH; Kentucky Pass-through Entity Tax, Form PTET; and other various schedules will be updated to include the new tax rate. Form instructions will also be updated for various forms.
- **Taxpayer education efforts:** Instructions for tax forms will be updated. The Department will include the new tax rate during presentations at seminars.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which may necessitate the shifting of personnel to fulfill updates set forth by HB 1 section 1, which could delay completion of some tasks in the Office of Income Taxation.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

House Bill 2 – AN ACT relating to the taxation of currency and bullion currency and declaring an emergency.

Section 1: Creates a violation when an official notice is published by the secretary of the Finance and Administration Cabinet (FAC) or the commissioner of the Department of Revenue (the Department) to instruct taxpayers to continue to collect and remit sales and use tax on the sale, use, storage, or other consumption of currency or bullion currency. Establishes that any person who paid the sales or use tax on currency or bullion may seek a refund. Allows an action for refund or alleging a violation to be brought in the Circuit Court of any county where the named plaintiff resides or where the currency or bullion currency transaction took place.

Section 2: Effective date – retroactive to August 1, 2024.

Section 3: Emergency clause.

- **Impacted Statutes:** Creates a new section of KRS Chapter 139 (KRS 139.4802).

- **Actions taken or to be taken to implement:** Removed prior notice of taxability and posted notice of the retroactive exemption and administrative refund process. Contacted selected vendors that had previously inquired about the status. Published additional guidance in the June 2025 *Sales Tax Facts*. Processing refund requests and assisting both sellers and consumers that inquire about the administrative refund process.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Notice was posted to the Department's website regarding the retroactive exemption and administrative refund process. Published additional guidance in the June 2025 *Sales Tax Facts*. Providing guidance to sellers and consumers that inquire about the refund process.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitate the shifting of personnel to fulfill updates set forth by HB 2 and could delay the refund process in the Office of Sales and Excise Taxes.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

House Bill 566 – AN ACT relating to the Kentucky Horse Racing and Gaming Corporation and declaring an emergency.

Section 1: Defines “Kentucky quarter horse purse fund.”

Section 9: Requires the Department and the State Treasurer to transfer to the Kentucky Horse Racing & Gaming Corporation all existing moneys by June 30, 2025, and instructs how future receipts are to be disbursed.

Section 33: Amends KRS 138.510 to designate 1% of all money wagered on live races and historical races at the track for quarter horse racing to be deposited in the Kentucky quarter horse development fund.

- **Impacted Statutes:** KRS 230.210, New Section of KRS 230, KRS 138.510.
- **Actions taken or to be taken to implement:** Worked with the Kentucky Horse Racing & Gaming Corporation to track the Kentucky quarter horse development fund on the backend

after transfers until changes could be made in the *doris* accounting template that went live in March 2025.

- **Required modifications to IT systems and estimated cost:** Create a new receipt account and programming changes to *doris* that cost approximately \$91,400. Made the required accounting template changes in mainframe applications, *doris*, and eMARS with the rollout on August 15, 2025, after successful end-to-end testing. Non-*doris* costs are not available at this time but to implement the pari-mutuel tax the Department's IT personnel costs totaled \$170,494.
- **Development of new or modification of existing forms:** Modify form 73A100, Form 73A101, and Form 73A102.
- **Taxpayer education efforts:** None are anticipated at this time.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitate the shifting of personnel to fulfill updates set forth by HB 566 and could delay the process in the Office of Sales and Excise Taxes.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

House Bill 606 – AN ACT relating to economic development.

Section 2: Amends language from 2025 HB 775, Section 26 that enacted a sales tax incentive for qualifying attractions. This bill expanded the definition of “venue” to include that the venue may be owned by the Commonwealth to qualify. Please note that all impacts below are not included here, but instead are included with HB 775, Section 26 as the original legislation enacting the incentive. This bill does not change implementation or costs.

- **Impacted Statutes:** 2025 HB 775, Section 26.

House Bill 775 – AN ACT relating to fiscal matters.

Sections 1-2: Allows new tax increment financing (“TIF”) development areas to be created within an “existing development area” as defined and governed under KRS 65.490-499. The existing development area will receive at least 10% of the increment from the new development area(s).

- **Impacted Statutes:** KRS 65.490 and KRS 65.494.

- **Actions taken or to be taken to implement:** The Department has met with the agency overseeing the existing development areas to discuss legislative changes. The Department will continue to coordinate and communicate with the Cabinet for Economic Development (CED) regarding the approval of new developments and will amend existing agreements as necessary to exclude new developments when appropriate.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** The Department has met with the agency of the existing development areas and discussed this legislative change.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitates the shifting of personnel to fulfill these updates. Additionally, a budget request has been submitted for four (4) Taxpayer Service Specialist 1 and one (1) Auditor I. The requested additional five (5) positions are critical to carry out the changes outlined in this report related to HB 775, including Section 1-2 (TIF Expansion), Sections 11-14 (Lodging Facility Projects), Sections 26-27 (Sales Tax Incentive for Qualifying Attractions), and Section 34 (Expansion of Sales Tax Incentive for Data Centers).
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 3: Mandates electronic filing and payment for the wholesale tax under Section 24 of this Act and excise tax on malt beverages under subsection (3) of Section 20 of this Act. This mandate applies to licensees holding a microbrewery license and authorized to sell malt beverages under KRS 243.157.

- **Impacted Statutes:** KRS 131.250.
- **Actions taken or to be taken to implement:** Development and design is underway to rollout an online platform for alcohol taxes outside the *doris* framework to accommodate the July 2026 returns due in August 2026.
- **Required modifications to IT systems and estimated cost:** Online platform for alcohol taxes will be rolled out outside of *doris*. Cost estimates are not available at this time;

however, as a reference, IT personnel costs for the implementation of sports wagering totaled \$91,542.

- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Taxpayers will be instructed to file electronically.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitates the shifting of personnel to fulfill updates set forth by HB 775 section 3 and could delay processing in the Office of Sales and Excise Taxes.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 4-5: Returns pipelines, other than oil pipelines, to real property for property tax purposes, retroactive to 2023 assessments for companies with pipelines. This applies to pipelines used in connection with the collection, transmission, distribution, conducting, sale, or furnishing of heat, steam, water, sewage, natural or manufactured gas, or electricity.

- **Impacted Statutes:** KRS 132.010 and KRS 136.010.
- **Actions taken or to be taken to implement:** None are anticipated at this time.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Questions will be responded to as received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by HB 775 Sections 4-5.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 6-7: Section 6 changes the term “premises” to “revenue bond-financed warehouse” and includes that they may be owned by a tax-exempt governmental unit or tax-exempt statutory authority under KRS Chapter 103. Clarifies that the phase-out is based on the assessed

value instead of the otherwise applicable tax rate. Section 7 defines “bonded warehouse or premises” and makes conforming changes.

- **Impacted Statutes:** KRS 132.140 and KRS 138.208.
- **Actions taken or to be taken to implement:** The Department is working to implement the replacement tax that is effective January 1, 2026. IT systems must be updated to implement the new tax and ensure accurate tracking of receipts. Forms will need to be modified and/or created.
- **Required modifications to IT systems and estimated cost:** IT systems must be updated to implement the new tax and ensure accurate tracking of receipts.
- **Development of new or modification of existing forms:** The Department will modify the Annual Report of Distilled Spirits in Bonded Warehouse and update Form 61A508.
- **Taxpayer education efforts:** Letters to be sent to distilleries and to the Kentucky Distillers Association to provide additional guidance. The Department will also respond to taxpayer inquiries as they are received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitate the shifting of personnel to fulfill updates set forth by HB 775 sections 6-7.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 9: Amends the individual income tax rate reduction conditions. For the analysis for fiscal years 2025-2026 and 2026-2027, it allows individual income tax rate reductions from 0.25% using a range of 50% to less than 100% of the individual income tax (IIT) equivalent instead of using 100% of the IIT equivalent. For the analysis for subsequent fiscal years, it allows individual income tax rate reductions ranging from 0.1%-0.5%, in one-tenth steps, using a range of 20% to less than 100% of the IIT equivalent instead of using 100% of the IIT equivalent, depending upon which conditions are met and is subject to approval by the General Assembly. The Office of the State Budget Director determines if rate reduction conditions are met. This does not impact the Department of Revenue until the rate reduction conditions have been met and an individual income tax rate reduction has been approved by the General Assembly. Each individual income tax rate reduction will require IT programming changes, form and form instruction changes, and taxpayer education efforts.

- **Impacted Statutes:** KRS 141.020.
- **Actions taken or to be taken to implement:** This legislative change does not impact the Department until the rate reduction conditions have been met and an individual income tax rate reduction has been approved by the General Assembly.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** None are anticipated at this time.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by HB 775 Section 9.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 10: Extends the Metropolitan College income tax credit until April 15, 2037.

- **Impacted Statutes:** KRS 141.381.
- **Actions taken or to be taken to implement:** Revisions to existing forms will be necessary to align with statutory and administrative changes.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** Update the Tax Credit Schedule and instructions.
- **Taxpayer education efforts:** Instructions for tax forms will be updated. The Department will include this change into future presentations at seminars.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by HB 775 Sections 10.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 11-14: Expands the definition of “lodging facility project” and allows additional projects to qualify under the Tourism Development Act. Establishes eligibility requirements for lodging facility projects. These new projects may obtain up to 50% of the approved cost over a 20-year period in sales tax generated at the attraction. It also allows for tourism projects approved after March 1, 2025, in an enhanced incentive county with a population of 20,000 or less to be allowed up to 50% of the approved costs over a 20-year period. Lodging facility projects in any of the 100 least-populated counties must have an occupancy study conducted by an independent consultant. These projects are approved by the Kentucky Tourism Development Finance Authority. The information below includes only the Department’s impacts.

- **Impacted Statutes:** KRS 148.851, KRS 148.853, KRS 148.855, and KRS 148.859.
- **Actions taken or to be taken to implement:** This is an active program and any new projects under this program will be reviewed in the same manner. Once approved by Tourism, the Department will facilitate and verify the 20-year term of the refund incentive.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** None are anticipated at this time.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitates the shifting of personnel to fulfill these updates. Additionally, a budget request has been submitted for four (4) Taxpayer Service Specialist 1 and one (1) Auditor I. The requested additional five (5) positions are critical to carry out the changes outlined in this report related to HB 775, including Section 1-2 (TIF Expansion), Sections 11-14 (Lodging Facility Projects), Sections 26-27 (Sales Tax Incentive for Qualifying Attractions), and Section 34 (Expansion of Sales Tax Incentive for Data Centers).
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 15-18: Amends the Tax Increment Financing (TIF) Signature Project statutes to allow an inactive project that was not the subject of a contract under KRS 65.495 on or before March 23, 2007, and had a project grant agreement executed prior to January 1, 2008, that was

voluntarily withdrawn to be revised and resubmitted. These projects are approved by the Cabinet for Economic Development. The information below only includes impacts to the Department of Revenue.

- **Impacted Statutes:** KRS 154.30-050, KRS 91A.390, KRS 154.30-010, and KRS 154.30-030.
- **Actions taken or to be taken to implement:** This is an active program and any new grant agreements under this program will be reviewed in the same manner.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** None are anticipated at this time.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Due to the complexity of this tax, existing staff will be required to assume additional responsibilities in conjunction with their current assignments to fulfill updates set forth by HB 775 sections 15-18. Due to the additional tasks, there are concerns with the retention of the highly experienced personnel.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 19-24: Defines “cannabinoid” and “cannabis-infused beverage” in KRS 241.010. Establishes a new tax on the use, sale, or distribution by sale or gift of cannabis-infused beverages. The tax rate is \$1.92 on each gallon of a cannabis-infused beverage and a proportional rate per gallon on all cannabis-infused beverages used, sold, or distributed in any container of more or less than 1 gallon. Requires cannabis-infused distributors to pay and report the tax on or before the 20th day of the calendar month following the transfer of possession or title of the cannabis-infused beverage from the distributor to retailers or consumers. Allows the promulgation of an administrative regulation. Requires every manufacturer of cannabis-infused beverages to obtain a food manufacturer permit through the Department of Public Health and register with the Department of Revenue prior to selling or distributing by sale or gift cannabis-infused beverages or before importing cannabis-infused beverages into Kentucky. Amends KRS 243.884 to include manufacturers of cannabis-infused beverages in the tax on wholesalers; this imposes an 11% tax on wholesale sales or sales at wholesale for cannabis-infused beverages to be paid and reported on or before the 20th day of the

calendar month following the transfer of possession or title of the cannabis-infused beverage from the wholesaler or distributor to retailers or by manufacturers of cannabis-infused beverages.

- **Impacted Statutes:** KRS 241.010, KRS 243.720, KRS 243.730, KRS 243.790, KRS 243.850, KRS 243.884.
- **Actions taken or to be taken to implement:** The Department posted notifications of the law and tax enactments on the website. The Department collaborated with the Cabinet for Health and Family Services and the Alcoholic Beverage Control to identify companies liable for the new tax and sent out notifications and registration applications to applicable parties. The Department also developed new forms for registration and various return types for reporting and remitting the tax. In addition, the Department created receipt accounts (general ledger codes) and the entire new tax type system template to administer these taxes to post filings and payments. The Department began processing first return filings that were due on August 20, 2025.
- **Required modifications to IT systems and estimated cost:** Programming will be required in *doris* to accommodate the new tax and to expand the wholesalers tax to cannabis-infused beverages. The *doris* cost is estimated at \$101,400. The Department created receipts accounts and the entire new tax type system template to administer these taxes to post filing and payments. Non-*doris* costs are unknown at this time but the cost to implement Electric Vehicle Charging Station tax totaled \$435,633 for the Department's IT personnel.
- **Development of new or modification of existing forms:** Developed the following new forms – Distributor's Monthly Report of Cannabis-Infused Beverages, Form 74A475; Monthly Report of Direct Shipping and Self-Distribution of Cannabis-Infused Beverages, Form 73A476; Direct Shipping and Self-Distribution of Cannabis-Infused Beverages Detailed Quarterly Report, Form 73A477; Cannabis-Infused Beverage Registration Form, Form 73A478; Consignor's Report of Alcoholic and Cannabis-Infused Beverages Shipped, Form 73A530.
- **Taxpayer education efforts:** Guidance will be provided to taxpayers as questions are received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitate

the shifting of personnel to fulfill updates set forth by HB 775 sections 19-24 and could delay the process in the Office of Sales and Excise Taxes.

- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 26-27: Establishes a new sales tax refund equal to 50% of the sales tax generated from sales of admissions to a qualifying attraction held at a venue and the sales of tangible personal property and services at the qualifying attraction. This sales tax incentive will be divided between the facility operator and the sponsoring entity with each receiving 50% of the approved amount. Requires the Department of Revenue to accept initial applications for this incentive for qualifying attractions held on or after July 1, 2025. Requires the Department of Revenue to promulgate an administrative regulation to prescribe the initial application and the sales tax incentive application. Mandates a report be provided to the Legislative Research Commission detailing information related to each qualifying attraction receiving incentives by November 1. Excludes reporting requirements from the confidentiality provisions in KRS 131.190.

- **Impacted Statutes:** New Section of KRS Chapter 139, KRS131.190.
- **Actions taken or to be taken to implement:** The Department published information regarding the new sales tax incentive in the June 2025 *Sales Tax Facts*. Created and posted the Eligibility Application for Qualifying Attraction Sales Tax Incentives, Form 51A930, on the website. Responded to questions and received initial eligibility applications for two events. Developed additional forms to facilitate the application and refund process – Qualifying Attraction Preliminary Approval Letter, Form 51A931, and Final Application for the Qualifying Attraction Sales Tax Incentive, Form 51A932. Modified Information Sharing and Assignment Agreement for Designated Refund Claims, Form 51A290.
- **Required modifications to IT systems and estimated cost:** Additional programming is required in *doris* to accommodate the new sales tax refunds. The *doris* cost is estimated to be \$116,600.
- **Development of new or modification of existing forms:** Created and posted the Eligibility Application for Qualifying Attraction Sales Tax Incentives, Form 51A930, on the website. Responded to questions and received initial eligibility applications for two events. Developed additional forms to facilitate the application and refund process – Qualifying Attraction Preliminary Approval Letter, Form 51A931, and Final Application

for the Qualifying Attraction Sales Tax Incentive, Form 51A932. Modified Information Sharing and Assignment Agreement for Designated Refund Claims, Form 51A290.

- **Taxpayer education efforts:** Published information in the June 2025 *Sales Tax Facts*. Responded to taxpayer questions as received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitates the shifting of personnel to fulfill these updates. Additionally, a budget request has been submitted for four (4) Taxpayer Service Specialist 1 and one (1) Auditor I. The requested additional five (5) positions are critical to carry out the changes outlined in this report related to HB 775, including Section 1-2 (TIF Expansion), Sections 11-14 (Lodging Facility Projects), Sections 26-27 (Sales Tax Incentive for Qualifying Attractions), and Section 34 (Expansion of Sales Tax Incentive for Data Centers).
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Sections 28-29: Amends the selling farmers income tax credit. Tax credit is allowed for a taxpayer who sells agricultural assets. The taxpayer may be eligible to claim a tax credit up to 5% of the selling price of the qualifying agricultural assets with a \$25,000 cap for each taxable year when agricultural assets are sold to an actively engaged farmer who does not meet the definition of beginning farmer with a \$100,000 lifetime cap. For sales of qualifying agricultural assets made to a beginning farmer, the taxpayer may claim a tax credit up to \$50,000 with a lifetime limit of \$200,000.

- **Impacted Statutes:** KRS 154.60-040, KRS 141.3841.
- **Actions taken or to be taken to implement:** Revisions to existing forms and instructions will be necessary to align with statutory and administrative changes.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** Update the Tax Credit Schedule and instructions.
- **Taxpayer education efforts:** Instructions for tax forms will be updated. The Department will include this change during presentations at seminars.

- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by HB 775 Sections 28-29.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 30: Updates conformity date to the Internal Revenue Code to the Code in effect on December 31, 2024, for income tax purposes.

- **Impacted Statutes:** KRS 141.010.
- **Actions taken or to be taken to implement:** Revisions to existing form instructions will be necessary to align with statutory and administrative changes.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time. **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Changes will be included in the presentation for the University of Kentucky Income Tax Seminar presented multiple times at various locations in the state. Taxpayers will be educated individually as calls or inquiries are received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which may necessitate the shifting of personnel to fulfill updates set forth by HB 775 section 30, call/response times may be longer than usual in the Office of Income Taxation.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 34: Expands the sales tax incentive for data centers to allow projects outside of Louisville to be eligible. The amount of capital investments required would be determined by the population of the county in which the project would be located.

- **Impacted Statutes:** KRS 154.20-220.
- **Actions taken or to be taken to implement:** Published notification of the data center expansion in the June 2025 *Sales Tax Facts*.

- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Published notification of the data center expansion in the June 2025 *Sales Tax Facts*.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** Existing staff will be required to assume additional responsibilities in conjunction with their current assignments, which necessitates the shifting of personnel to fulfill these updates. Additionally, a budget request has been submitted for four (4) Taxpayer Service Specialist 1 and one (1) Auditor I. The requested additional five (5) positions are critical to carry out the changes outlined in this report related to HB 775, including Section 1-2 (TIF Expansion), Sections 11-14 (Lodging Facility Projects), Sections 26-27 (Sales Tax Incentive for Qualifying Attractions), and Section 34 (Expansion of Sales Tax Incentive for Data Centers).
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Section 38: Prohibits a claim for refund or tax credit of a tax overpayment on or after the effective date of the Act relating to the amendments to KRS 132.010 and KRS 136.010 defining “real property under Sections 4-5 of the Act. Other than currently pending administrative matters, no refunds of state or local taxes paid should be issued relative to these statutory amendments.

- **Impacted Statutes:** KRS 132.010 and KRS 136.010.
- **Actions taken or to be taken to implement:** Non-codified language.
- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Responded to taxpayer inquiries as received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by HB 775 Section 38.

- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Senate Bill 43 – AN ACT relating to identity documents.

Section 2: Remove the Department's ability to suspend driver's licenses of delinquent taxpayers.

- **Impacted Statutes:** KRS 186.570.
- **Actions taken or to be taken to implement:** All driver's licenses revocations have been released. Informed Transportation Cabinet that they will no longer receive a file from the Department of Revenue of a list of all revoked driver's licenses.
- **Required modifications to IT systems and estimated cost:** Minor programming modifications are required to remove the system functionality authorizing driver's license revocation.
- **Development of new or modification of existing forms:** None are anticipated at this time.
- **Taxpayer education efforts:** Responded to taxpayer inquiries as received.
- **Administrative regulations filed or to be filed:** No new administrative regulations are anticipated at this time.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by SB 43 Section 2.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.

Senate Bill 129 – AN ACT relating to property.

Section 1: Adds new definitions to KRS 99.727. Allows a diverted tax delinquency purchaser to purchase a certificate of delinquency to vacant and abandoned property placed in the tax delinquency diversion program. Requires third-party purchasers to register with the Department to qualify as a diverted tax delinquency purchaser. Requires the Department to promulgate an administrative regulation to establish the process for the purchase and sale of certificates of delinquency related to property placed in a tax delinquency diversion program.

Section 2: Makes conforming changes to reference the tax delinquency diversion program.

- **Impacted Statutes:** KRS 99.727, 134.128.
- **Actions taken or to be taken to implement:** Create a new registration form for diverted tax delinquency purchasers and a new certificate of registration.

- **Required modifications to IT systems and estimated cost:** None are anticipated at this time.
- **Development of new or modification of existing forms:** A new registration form for diverted tax delinquency purchasers is under development, and a corresponding certificate of registration is being created.
- **Taxpayer education efforts:** Information on the criteria to be a diverted tax delinquency purchaser will be posted on the Department of Revenue's website when the registration form is posted.
- **Administrative regulations filed or to be filed:** SB 129 requires the Department to promulgate an administrative regulation for this program, which is currently in the initial drafting stage.
- **Shifting of personnel to perform actions:** No shifting of personnel is necessary at this time to fulfill the updates made by SB 129 Section 2.
- **Suggestions for related statutory corrections/improvements:** No statutory corrections or improvements are being suggested at this time.