

45.238 Powers and duties of Department of Revenue to collect referred debts -- Cost-ineffective debts -- Treatment of collected debts -- Annual report. (Effective July 15, 2026)

- (1) Debts that are certified by an agency or by a local government as provided in KRS 45.237 shall be referred to the department for collection. The department shall be vested with all the powers necessary to collect any referred debts.
- (2)
 - (a) For those debts deemed unfeasible or cost ineffective to pursue, the department shall maintain written records of the debt and the reason the debt was deemed unfeasible or cost ineffective to pursue.
 - (b) In the case of agencies, these debts shall be written off in accordance with administrative regulations promulgated under the authority of subsection (6) of this section.
 - (c) In the case of local governments, these debts shall be returned to the referring local government for further action.
 - (d) In the case of public postsecondary education institutions, these debts shall be returned to the referring institution, except that enrollment-related debts and liquidated debts shall only be returned to the referring institution in accordance with KRS 45.241.
- (3)
 - (a) All certified debts of agencies received by the department after the sixty (60) day collection period allowed in KRS 45.237(4), and all certified debts of a local government received by the department after the ninety (90) day collection period allowed by KRS 45.237(5), shall be subject to:
 1. Interest at the tax interest rate determined under KRS 131.183 on the amount of the debt plus all accruals authorized by law, from the date the debt is certified to the department until it is satisfied; and
 2. A one (1) time twenty-five percent (25%) collection fee imposed on the amount of the debt plus all accruals authorized by law, as of the time of referral.
 - (b) The department may retain the collection fee.
 - (c) In the case of agencies and the Court of Justice, recovered funds and interest may, at the discretion of the secretary of the Finance and Administration Cabinet, be returned to the agency certifying the debt or improper payment or to the Court of Justice for allocation as otherwise provided by law. If the recovered funds and interest are not returned to the agency or Court of Justice, the amounts shall be deposited in the budget reserve trust fund established in KRS 48.705, except for Medicaid benefits and funds required by law to be remitted to a federal agency.
 - (d) In the case of local governments, recovered funds and interest shall be returned to the referring local government for allocation as provided by ordinance, resolution, or as otherwise provided by law.
 - (e) In the case of public postsecondary education institutions, recovered funds and interest shall be returned to the referring institution less the collection fee retained by the department under paragraphs (a) and (b) of this subsection.

- (4) The commissioner of the department may refer to the Attorney General any unsatisfied claim, demand, account, or judgment in favor of the Commonwealth for further civil or criminal action under KRS 15.060.
- (5)
 - (a) The department shall report annually by October 1 to the Legislative Research Commission on all referred certified debts, including at least a summary of the debts by agency, fund type, and age, the latter compiled in the following four (4) categories:
 1. Debts from ninety (90) to one hundred seventy-nine (179) days old;
 2. Debts from one hundred eighty (180) to three hundred sixty-four (364) days old;
 3. Debts over one (1) year old but less than three (3) years old; and
 4. Debts three (3) years old or older.
 - (b) The annual report shall also include the collection amount of the debts in paragraph (a) of this subsection and the accounts to which the amounts are credited.
- (6) The department shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish standards that agencies shall use in determining when to write debts off the books.
- (7) This section shall not affect the collection of delinquent taxes by sheriffs or county attorneys under KRS 91A.070 or 134.504.

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History: Amended 2026 Ky. Acts ch. 171, sec. 15, effective July 15, 2026. -- Amended 2013 Ky. Acts ch. 88, sec. 4, effective June 25, 2013. -- Amended 2008 Ky. Acts ch. 44, sec. 1, effective July 15, 2008. -- Amended 2005 Ky. Acts ch. 85, sec. 62, effective June 20, 2005. -- Created 2004 Ky. Acts ch. 192, sec. 2, effective April 21, 2004.