

CHAPTER 143**(HB 297)**

AN ACT relating to contracts for the payment of taxes.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 371 IS CREATED TO READ AS FOLLOWS:

- (1) If a contract requires one (1) party to reimburse another party for taxes levied under Part III of Subchapter A of Chapter 32 of the Internal Revenue Code, the party making the reimbursement, at its option, shall not be required to reimburse the other party more than one (1) business day before the other party is required to remit the taxes to the Internal Revenue Service.*
- (2) If a party chooses to exercise its option under subsection (1) of this section, and provision is not already provided in the contract, the party shall notify the other party in writing of its intention. The option may not be exercised until at least thirty (30) days after the written notification or the beginning of the next federal tax quarter, whichever is later.*
- (3) The party to be reimbursed under subsection (1) of this section may require security from the reimbursing party for the payment of the taxes in proportion to the amount the taxes represent compared to the security required on the contract as a whole. The party to be reimbursed shall not change other payment terms of the contract due to the timing of the tax reimbursement, but may require the taxes to be reimbursed by electronic transfer of funds.*

Section 2. This Act applies to all continuing contracts now in effect that have no expiration date and all contracts entered into or renewed after the effective date of this Act.

Approved April 22, 2004