CHAPTER 98

(HB 775)

AN ACT relating to fiscal matters.

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

➔Section 1. KRS 65.490 is amended to read as follows:

As used in KRS 65.490 to 65.499, unless the context otherwise requires:

(1) "Agency" means an urban renewal and community development agency of a taxing district located within a county containing a consolidated local government or a city of the first class, established under KRS Chapter 99; a development authority located within a county containing a consolidated local government or a city of the first class established under KRS Chapter 99; a nonprofit corporation located within a county containing a consolidated local government or a city of the first class; or a designated department, division, or office of a county containing a consolidated local government or of a city of the first class;

(2) "Development area" means an area no~~[less than one (1) square mile, nor]~~ more than six (6) square miles, designated in need of public improvements by a local or state government in a county containing a consolidated local government or a city of the first class, a project area as defined in KRS 99.615, or a public project as defined in KRS 58.010 in a county containing a consolidated local government or a city of the first class. "Development area" includes an existing economic development asset;

(3) "Increment" means that amount of money received by any taxing district or the state that is determined by subtracting the amount of old revenues from the amount of new revenues in any year for which a taxing district or the state and an agency have agreed upon under the terms of a contract of release or a grant contract;

(4) "Local government" means a county containing a consolidated local government or a city of the first class;

(5) "New revenues" means the revenues received by any taxing district or the state from a development area in any year after the establishment of the development area;

(6) "Old revenues" means the amount of revenues received by any taxing district or the state from a development area in the last year prior to the establishment of the development area;

(7) "Project" means any urban renewal, redevelopment, or public project undertaken in accordance with the provisions of KRS 65.490 to 65.497, any project undertaken in accordance with KRS 99.610 to 99.680, any project undertaken in accordance with the provisions of KRS Chapter 58, or any "public project" as that term is defined in KRS 58.010 undertaken by a nonprofit corporation located within a county containing a consolidated local government or a city of the first class;

(8) "Release" or "contract of release" or "grant contract" means that agreement by which a taxing district or the state permits the payment to an agency of a portion of increments or an amount equal to a portion of increments received by it in return for the benefits accrued to the taxing district or the state by reason of a project undertaken by an agency in a development area;

(9) "Taxing district" means a consolidated local government, a county containing a city of the first class, a city of the first class that encompasses all or part of a development area, or the state, but does not mean a school district; and

(10) "Pilot program" means a tax increment financing program or a grant program created by an agency within a consolidated local government or a county containing a city of the first class which shall exist for a period of twenty (20) years, and may be extended for a period not to exceed an additional twenty-five (25) years as provided in KRS 65.4931.

➔Section 2. KRS 65.494 is amended to read as follows:

(1) As used in this section:

(a) "Existing development area" means a development area established by a county containing a city of the first class or by a city of the first class prior to March 23, 2007, that is subject to the provisions of a grant contract, Interlocal Cooperation Agreement, or Master Agreement executed prior to March 23, 2007; and

(b) "New development area" means a development area that is created within an existing development area.

(2) ~~[Effective on March 23, 2007,]~~The provisions of KRS 65.490 to 65.499 shall apply only to***:***

(a) ***Existing*** development areas***; and***~~[which were established by a county containing a city of the first class or a city of the first class prior to March 23, 2007, and that are subject to the provisions of a grant contract, Interlocal Cooperation Agreement or Master Agreement executed prior to March 23, 2007]~~

(b) New development areas, provided that:

1. The project for the existing development area is amended to remove the new development area from the existing development area;

2. All contracts regarding the application of increment derived from the new development area require not less than ten percent (10%) of the increment be paid to the agency for which the existing development area was established;

3. Notwithstanding KRS 65.495 to the contrary, the payment to the agency under subparagraph 2. of this paragraph shall not be taken into account in determining whether thresholds within the contract have been met; and

4. The amendment of the project for an existing development area is approved by:

a. i. The county containing a city of the first class; or

ii. The city of the first class;

in which the existing development area is located;

b. The state;

c. The agency for which the existing development area was established; and

d. If applicable, the insurer of any bonds issued for the benefit of the agency for which the existing development area was established.

➔Section 3. KRS 131.250 is amended to read as follows:

(1) For the purpose of facilitating the administration of the taxes it administers, the department may require any tax return, report, or statement to be electronically filed.

(2) (a) A person required to electronically file a return, report, or statement may apply for a waiver from the requirement by submitting the request on a form prescribed by the department.

(b) The request shall indicate the lack of one (1) or more of the following:

1. Compatible computer hardware;

2. Internet access; or

3. Other technological capabilities determined relevant by the department.

(3) Beginning July 1, 2026, a licensee:

(a) Holding a microbrewery license and authorized to sell malt beverages under KRS 243.157; and

(b) Required to pay the:

1. Wholesale sales tax under Section 24 of this Act; and

2. Excise tax on malt beverages under subsection (3) of Section 20 of this Act;

shall electronically submit any payment and tax return, report, or statement to the department.

➔Section 4. KRS 132.010 is amended to read as follows:

As used in this chapter, unless the context otherwise requires:

(1) "Department" means the Department of Revenue;

(2) "Taxpayer" means any person made liable by law to file a return or pay a tax;

(3) "Real property":

(a) Means all lands within this state and improvements thereon; and

(b) ~~[For property assessed on January 1, 2024, and on January 1, 2025,]~~Includes but is not limited to mains, pipes, pipelines, and conduits that are:

1. Authorized to be installed in, upon, or under any public or private street or place; and

2. Used or to be used for or in connection with the collection, transmission, distribution, conducting, sale, or furnishing of heat, steam, water, sewage, natural or manufactured gas, or electricity to or for the public;

(4) "Personal property" means every species and character of property, tangible and intangible, other than real property;

(5) "Resident" means any person who has taken up a place of abode within this state with the intention of continuing to abide in this state; any person who has had his or her actual or habitual place of abode in this state for the larger portion of the twelve (12) months next preceding the date as of which an assessment is due to be made shall be deemed to have intended to become a resident of this state;

(6) "Compensating tax rate" means that rate which, rounded to the next higher one-tenth of one cent ($0.001) per one hundred dollars ($100) of assessed value and applied to the current year's assessment of the property subject to taxation by a taxing district, excluding new property and personal property, produces an amount of revenue approximately equal to that produced in the preceding year from real property. However, in no event shall the compensating tax rate be a rate which, when applied to the total current year assessment of all classes of taxable property, produces an amount of revenue less than was produced in the preceding year from all classes of taxable property. For purposes of this subsection, "property subject to taxation" means the total fair cash value of all property subject to full local rates, less the total valuation exempted from taxation by the homestead exemption provision of the Constitution and the difference between the fair cash value and agricultural or horticultural value of agricultural or horticultural land;

(7) "Net assessment growth" means the difference between:

(a) The total valuation of property subject to taxation by the county, city, school district, or special district in the preceding year, less the total valuation exempted from taxation by the homestead exemption provision of the Constitution in the current year over that exempted in the preceding year; and

(b) The total valuation of property subject to taxation by the county, city, school district, or special district for the current year;

(8) "New property" means the net difference in taxable value between real property additions and deletions to the property tax roll for the current year. "Real property additions" shall mean:

(a) Property annexed or incorporated by a municipal corporation, or any other taxing jurisdiction; however, this definition shall not apply to property acquired through the merger or consolidation of school districts, or the transfer of property from one (1) school district to another;

(b) Property, the ownership of which has been transferred from a tax-exempt entity to a nontax-exempt entity;

(c) The value of improvements to existing nonresidential property;

(d) The value of new residential improvements to property;

(e) The value of improvements to existing residential property when the improvement increases the assessed value of the property by fifty percent (50%) or more;

(f) Property created by the subdivision of unimproved property, provided, that when the property is reclassified from farm to subdivision by the property valuation administrator, the value of the property as a farm shall be a deletion from that category;

(g) Property exempt from taxation, as an inducement for industrial or business use, at the expiration of its tax exempt status;

(h) Property, the tax rate of which will change, according to the provisions of KRS 82.085, to reflect additional urban services to be provided by the taxing jurisdiction, provided, however, that the property shall be considered "real property additions" only in proportion to the additional urban services to be provided to the property over the urban services previously provided; and

(i) The value of improvements to real property previously under assessment moratorium.

"Real property deletions" shall be limited to the value of real property removed from, or reduced over the preceding year on, the property tax roll for the current year;

(9) "Agricultural land" means:

(a) Any tract of land, including all income-producing improvements, of at least ten (10) contiguous acres in area used for the production of livestock, livestock products, poultry, poultry products and/or the growing of tobacco and/or other crops including timber;

(b) Any tract of land, including all income-producing improvements, of at least five (5) contiguous acres in area commercially used for aquaculture; or

(c) Any tract of land devoted to and meeting the requirements and qualifications for payments pursuant to agriculture programs under an agreement with the state or federal government;

(10) "Horticultural land" means any tract of land, including all income-producing improvements, of at least five (5) contiguous acres in area commercially used for the cultivation of a garden, orchard, or the raising of fruits or nuts, vegetables, flowers, or ornamental plants;

(11) "Agricultural or horticultural value" means the use value of "agricultural or horticultural land" based upon income-producing capability and comparable sales of farmland purchased for farm purposes where the price is indicative of farm use value, excluding sales representing purchases for farm expansion, better accessibility, and other factors which inflate the purchase price beyond farm use value, if any, considering the following factors as they affect a taxable unit:

(a) Relative percentages of tillable land, pasture land, and woodland;

(b) Degree of productivity of the soil;

(c) Risk of flooding;

(d) Improvements to and on the land that relate to the production of income;

(e) Row crop capability including allotted crops other than tobacco;

(f) Accessibility to all-weather roads and markets; and

(g) Factors which affect the general agricultural or horticultural economy, such as: interest, price of farm products, cost of farm materials and supplies, labor, or any economic factor which would affect net farm income;

(12) "Deferred tax" means the difference in the tax based on agricultural or horticultural value and the tax based on fair cash value;

(13) "Homestead" means real property maintained as the permanent residence of the owner with all land and improvements adjoining and contiguous thereto including but not limited to lawns, drives, flower or vegetable gardens, outbuildings, and all other land connected thereto;

(14) "Residential unit" means all or that part of real property occupied as the permanent residence of the owner;

(15) "Special benefits" are those which are provided by public works not financed through the general tax levy but through special assessments against the benefited property;

(16) "Manufactured home" means a structure manufactured after June 15, 1976, in accordance with the National Manufactured Housing Construction and Safety Standards Act, transportable in one (1) or more sections, which when erected on site measures eight (8) body feet or more in width and thirty-two (32) body feet or more in length, and which is built on a permanent chassis and designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein. It may be used as a place of residence, business, profession, or trade by the owner, lessee, or their assignees and may consist of one (1) or more units that can be attached or joined together to comprise an integral unit or condominium structure;

(17) "Mobile home" means a structure manufactured on or before June 15, 1976, that was not required to be constructed in accordance with the National Manufactured Housing Construction and Safety Standards Act, transportable in one (1) or more sections, which when erected on site measures eight (8) body feet or more in width and thirty-two (32) body feet or more in length, and which is built on a permanent chassis and designed to be used as a dwelling, with or without a permanent foundation, when connected to the required utilities, and

includes the plumbing, heating, air-conditioning, and electrical systems contained therein. It may be used as a place of residence, business, profession, or trade by the owner, lessee, or their assigns and may consist of one (1) or more units that can be attached or joined together to comprise an integral unit or condominium structure;

(18) "Modular home" means a structure which is certified by its manufacturer as being constructed in accordance with all applicable provisions of the Kentucky Building Code and standards adopted by the local authority which has jurisdiction, transportable in one (1) or more sections, and designed to be used as a dwelling on a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein;

(19) "Prefabricated home" means a manufactured home, a mobile home, or a modular home;

(20) "Recreational vehicle" means a vehicular type unit primarily designed as temporary living quarters for recreational, camping, or travel use, which either has its own motive power or is mounted on or drawn by another vehicle. The basic entities are: travel trailer, camping trailer, truck camper, and motor home. As used in this subsection:

(a) "Travel trailer" means a vehicular unit, mounted on wheels, designed to provide temporary living quarters for recreational, camping, or travel use, and of a size or weight that does not require special highway movement permits when drawn by a motorized vehicle, and with a living area of less than two hundred twenty (220) square feet, excluding built-in equipment (such as wardrobes, closets, cabinets, kitchen units or fixtures) and bath and toilet rooms;

(b) "Camping trailer" means a vehicular portable unit mounted on wheels and constructed with collapsible partial side walls which fold for towing by another vehicle and unfold at the camp site to provide temporary living quarters for recreational, camping, or travel use;

(c) "Truck camper" means a portable unit constructed to provide temporary living quarters for recreational, travel, or camping use, consisting of a roof, floor, and sides, designed to be loaded onto and unloaded from the bed of a pick-up truck; and

(d) "Motor home" means a vehicular unit designed to provide temporary living quarters for recreational, camping, or travel use built on or permanently attached to a self-propelled motor vehicle chassis or on a chassis cab or van which is an integral part of the completed vehicle;

(21) "Hazardous substances" shall have the meaning provided in KRS 224.1-400;

(22) "Pollutant or contaminant" shall have the meaning provided in KRS 224.1-400;

(23) "Release" shall have the meaning as provided in either or both KRS 224.1-400 and KRS 224.60-115;

(24) "Qualifying voluntary environmental remediation property" means real property subject to the provisions of KRS 224.1-400 and 224.1-405, or 224.60-135 where the Energy and Environment Cabinet has made a determination that:

(a) All releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum products at the property occurred prior to the property owner's acquisition of the property;

(b) The property owner has made all appropriate inquiry into previous ownership and uses of the property in accordance with generally accepted practices prior to the acquisition of the property;

(c) The property owner or a responsible party has provided all legally required notices with respect to hazardous substances, pollutants, contaminants, petroleum, or petroleum products found at the property;

(d) The property owner is in compliance with all land use restrictions and does not impede the effectiveness or integrity of any institutional control;

(e) The property owner complied with any information request or administrative subpoena under KRS Chapter 224; and

(f) The property owner is not affiliated with any person who is potentially liable for the release of hazardous substances, pollutants, contaminants, petroleum, or petroleum products on the property pursuant to KRS 224.1-400, 224.1-405, or 224.60-135, through:

1. Direct or indirect familial relationship;

2. Any contractual, corporate, or financial relationship, excluding relationships created by instruments conveying or financing title or by contracts for sale of goods or services; or

3. Reorganization of a business entity that was potentially liable;

(25) "Intangible personal property" means stocks, mutual funds, money market funds, bonds, loans, notes, mortgages, accounts receivable, land contracts, cash, credits, patents, trademarks, copyrights, tobacco base, allotments, annuities, deferred compensation, retirement plans, and any other type of personal property that is not tangible personal property;

(26) (a) "County" means any county, consolidated local government, urban-county government, unified local government, or charter county government;

(b) "Fiscal court" means the legislative body of any county, consolidated local government, urban-county government, unified local government, or charter county government; and

(c) "County judge/executive" means the chief executive officer of any county, consolidated local government, urban-county government, unified local government, or charter county government;

(27) "Taxing district" means any entity with the authority to levy a local ad valorem tax, including special purpose governmental entities;

(28) "Special purpose governmental entity" shall have the same meaning as in KRS 65A.010, and as used in this chapter shall include only those special purpose governmental entities with the authority to levy ad valorem taxes, and that are not specifically exempt from the provisions of this chapter by another provision of the Kentucky Revised Statutes;

(29) (a) "Broadcast" means the transmission of audio, video, or other signals, through any electronic, radio, light, or similar medium or method now in existence or later devised over the airwaves to the public in general.

(b) "Broadcast" shall not apply to operations performed by multichannel video programming service providers as defined in KRS 136.602 or any other operations that transmit audio, video, or other signals, exclusively to persons for a fee;

(30) "Livestock" means cattle, sheep, swine, goats, horses, alpacas, llamas, buffaloes, and any other animals of the bovine, ovine, porcine, caprine, equine, or camelid species;

(31) "Heavy equipment rental agreement" means the short-term rental contract under which qualified heavy equipment is rented without an operator for a period:

(a) Not to exceed three hundred sixty-five (365) days; or

(b) That is open-ended under the terms of the contract with no specified end date;

(32) "Heavy equipment rental company" means an entity that is primarily engaged in a line of business described in Code 532412 or 532310 of the North American Industry Classification System Manual in effect on January 1, 2019;

(33) "Qualified heavy equipment" means machinery and equipment, including ancillary equipment and any attachments used in conjunction with the machinery and equipment, that is:

(a) Primarily used and designed for construction, mining, forestry, or industrial purposes, including but not limited to cranes, earthmoving equipment, well-drilling machinery and equipment, lifts, material handling equipment, pumps, generators, and pollution-reducing equipment; and

(b) Held in a heavy equipment rental company's inventory for:

1. Rental under a heavy equipment rental agreement; or

2. Sale in the regular course of business;

(34) "Veteran service organization" means an organization wholly dedicated to advocating on behalf of military veterans and providing charitable programs in honor and on behalf of military veterans;

(35) "Government restriction on use" means a limitation on the use of at least fifty percent (50%) of the individual dwelling units of a multi-unit rental housing in order to receive a federal or state government incentive based on low-income renter restrictions, including the following government incentives:

(a) A tax credit under Section 42 of the Internal Revenue Code;

(b) Financing derived from exempt facility bonds for qualified residential rental projects under Section 142 of the Internal Revenue Code;

(c) A low-interest loan under Section 235 or 236 of the National Housing Act or Section 515 of the Housing Act of 1949;

(d) A rent subsidy;

(e) A guaranteed loan;

(f) A grant; or

(g) A guarantee;

(36) "Low income" means earning at or below eighty percent (80%) of the area median income as defined by the United States Department of Housing and Urban Development for the location of the multi-unit rental housing; and

(37) "Multi-unit rental housing" means residential property or project consisting of four (4) or more individual dwelling units and does not include:

(a) Assisted living facilities; or

(b) Duplexes or single-family units unless they are included as part of a larger property that is subject to government restriction on use.

➔Section 5. KRS 136.010 is amended to read as follows:

As used in this chapter, except for KRS 136.500 to 136.575, unless the context requires otherwise:

(1) "Out-of-state business property" means all real and personal property having a taxable situs outside this state owned by a corporation for use in the active conduct of a trade or business;

(2) "Personal property" means every species and character of property, tangible and intangible, other than real property;

(3) "Real property":

(a) Means all lands within this state and improvements thereon; and

(b) ~~[For property assessed on January 1, 2024, and on January 1, 2025,]~~Includes but is not limited to mains, pipes, pipelines, and conduits that are:

1. Authorized to be installed in, upon, or under any public or private street or place; and

2. Used or to be used for or in connection with the collection, transmission, distribution, conducting, sale, or furnishing of heat, steam, water, sewage, natural or manufactured gas, or electricity to or for the public; and

(4) "Tax exempt United States obligations" means all obligations of the United States exempt from taxation under 31 U.S.C. sec. 3124(a) or exempt under the United States Constitution or any federal statute including the obligations of any instrumentality or agency of the United States which are exempt from state or local taxation under the United States Constitution or any statute of the United States.

➔Section 6. KRS 132.140 is amended to read as follows:

(1) The department shall fix the value of the distilled spirits for the purpose of taxation, assess the same at its fair cash value, estimated at the price it would bring at a fair voluntary sale, calculate the exempt portion of the property taxes, and keep a record of the valuations and assessments. The department shall immediately notify the owner or proprietor of the bonded warehouse or premises of the amount fixed, including the portion of the property tax exemption as calculated in subsection (3) of this section.

(2) (a) For purposes of this subsection only***, "revenue bond-financed warehouse"*** ~~[~~**:**

~~1. "Premises"]~~ means a bonded warehouse ***or premises*** containing distilled spirits:

1. Owned by a tax-exempt governmental unit or tax-exempt statutory authority under KRS Chapter 103;

2.~~[a.]~~ The costs of which are financed by one (1) or more series of industrial ***revenue*** bonds under KRS Chapter 103 issued prior to January 1, 2024; and

3.~~[b.]~~ Any portion of the costs of which remains financed by those ***industrial revenue*** bonds during any portion of the calendar year~~[; and~~

~~2. "Taxpayer" means the owner, proprietor, or custodian of one (1) or more premises]~~.

(b) Notwithstanding subsection (3) of this section, ***for the taxation of distilled spirits stored or aging in barrels in a revenue bond-financed warehouse:***

1. One hundred percent (100%) of the assessed value of the distilled spirits shall be subject to the applicable state and local ad valorem taxes; and

2. The state and local tax rate that may be levied on ***the*** distilled spirits~~[for a taxpayer of a premises]~~ shall be the state and local tax rate for tax assessments made on January 1, 2023.

(c) Distilled spirits stored or aging in barrels ***in a revenue bond-financed***~~[located in a bonded]~~ warehouse~~[or premises]~~ shall be exempt from state and local ad valorem taxes for tax assessments made on or after January 1, 2043.

(3) ***For***~~[The maximum state and local tax rate that may be levied on]~~ distilled spirits stored or aging in barrels located in a bonded warehouse or premises***, the portion of the assessed value that is subject to state and local ad valorem taxes*** shall be as follows:

(a) Ninety-six percent (96%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2026;

(b) Ninety-two percent (92%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2027;

(c) Eighty-eight percent (88%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2028;

(d) Eighty-four percent (84%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2029;

(e) Eighty percent (80%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2030;

(f) Seventy-six percent (76%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2031;

(g) Seventy-two percent (72%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2032;

(h) Sixty-eight percent (68%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2033;

(i) Sixty-one percent (61%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2034;

(j) Fifty-four percent (54%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2035;

(k) Forty-four percent (44%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2036;

(l) Thirty-eight percent (38%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2037;

(m) Thirty-two percent (32%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2038;

(n) Twenty-four percent (24%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2039;

(o) Twenty percent (20%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2040;

(p) Fifteen percent (15%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2041; and

(q) Eight percent (8%) of the ***assessed value***~~[otherwise applicable tax rate]~~ for tax assessments made on January 1, 2042.

(4) Distilled spirits stored or aging in barrels located in a bonded warehouse or premises shall be exempt from state and local ad valorem taxes for tax assessments made on or after January 1, 2043.

(5) If any owner, proprietor, or custodian of a bonded warehouse or premises fails to make the report required by KRS 132.130, the department shall ascertain the necessary facts required to be reported. For that purpose the department shall have access to the records of the owner, proprietor, or custodian; and the assessment shall be made and taxes collected thereon, with interest and penalties, as though regularly reported.

(6) The assessment made under (1) of this section shall be reviewed according to KRS 131.110.

➔Section 7. KRS 138.208 is amended to read as follows:

(1) As used in this section:

(a) ***"Bonded warehouse or premises" does not include a revenue bond-financed warehouse as defined in Section 6 of this Act for periods prior to the 2043 calendar year;***

(b) "Local jurisdiction" means:

1. A school district;

2. A fire protection district or subdistrict authorized to levy the ad valorem tax permitted by KRS 75.015 and 75.040 and that provides fire or other emergency services; and

3. An area served by an emergency services board that levies the ad valorem tax permitted by KRS 75A.050 and provides fire or other emergency services~~[;~~

~~(b) "Premises" means a bonded warehouse containing distilled spirits]~~; and

(c) "Taxpayer" means the owner, proprietor, or custodian of one (1) ***or***~~[of]~~ more ***bonded warehouses or*** premises.

(2) Beginning with the 2026 calendar year and for each subsequent calendar year thereafter, in addition to any ad valorem taxes collected under KRS 132.150, there is imposed a replacement tax on every taxpayer with a ***bonded warehouse or*** premises located in a local jurisdiction that collected ad valorem tax during calendar year 2025.

(3) The total replacement tax for each school district shall be:

(a) An amount that is not less than zero; and

(b) The result from the following calculation:

1. The ad valorem tax under KRS 132.150 on distilled spirits stored or aging in a ***bonded warehouse or*** premises collected by or on behalf of the school district during calendar year 2023;

2. Minus the amount of the ad valorem tax under KRS 132.150 ***on distilled spirits stored or aging in a bonded warehouse or premises*** collected by or on behalf of the school district for the applicable calendar year; and

3. Minus the amount by which the Support Education Excellence in Kentucky program under KRS 157.310 to 157.440 final calculation for the school year ending during the applicable calendar year exceeds the Support Education Excellence in Kentucky program final calculation for the 2022-2023 school year, as determined by the Department of Education under KRS 157.410(3). For purposes of the Support Education Excellence in Kentucky final calculation under this subparagraph, the average daily attendance and equalization ratio for the school year ending during the applicable calendar year shall not be less than those for the 2022-2023 school year final calculation.

(4) The total replacement tax for each fire district or emergency services board shall be:

(a) An amount that is not less than zero; and

(b) The result from the following calculation:

1. The ad valorem tax under KRS 132.150 on distilled spirits stored or aging in a ***bonded warehouse or*** premises collected by or on behalf of the fire district or emergency services board during calendar year 2025;

2. Minus the amount of the ad valorem tax under KRS 132.150 ***on distilled spirits stored or aging in a bonded warehouse or premises*** collected by or on behalf of the district or board for the applicable calendar year.

(5) (a) Each year the department shall assess taxpayers the replacement tax for the preceding calendar year in proportion to the number of barrels of distilled spirits stored and aging at their ***bonded warehouse or*** premises in the local jurisdiction on January 1 of that preceding calendar year.

(b) If a business-wide reduction or extraordinary event occurs, any taxpayer may apply to the secretary of the Finance and Administration Cabinet for a reduction in the taxpayer's replacement tax assessment.

(c) For purposes of this subsection:

1. "Business-wide reduction" means that the volume of distilled spirits ***distilled and barreled***~~[produced]~~ by all taxpayers at all business locations in this state during the applicable calendar year is less than the volume of distilled spirits ***distilled and barreled*** at all business locations in this state in calendar year 2025; and

2. "Extraordinary event" means a pandemic, epidemic, restrictive governmental laws or regulations enacted after March 31, 2023, riots, insurrection, war, acts of a government authority imposed after March 31, 2023, court orders issued after March 31, 2023, a natural disaster, a decrease in sales in excess of ten percent (10%), or other reason of a like nature determined by the secretary not to be the fault of the taxpayer and any other items determined by the secretary to be beyond the taxpayer's reasonable control, which prevents the taxpayer from ***distilling or barreling***~~[producing]~~ distilled spirits.

(6) All revenues received by the department from the tax imposed by this section shall be distributed to the local jurisdiction for which the tax was levied within sixty (60) days from the date received.

(7) The department shall administer the replacement tax levied by this section and, in conjunction or consultation with any agency representing a local jurisdiction, may promulgate administrative regulations to implement this section.

➔Section 8. KRS 157.362 is amended to read as follows:

The portion of the assessed value of distilled spirits ***exempted from ad valorem taxes under Section 6 of this Act***~~[which equates to the percentage of the otherwise applicable tax rate that does not apply under KRS 132.140(3)]~~ shall not be included in the calculation of the local effort required for Support Education Excellence in Kentucky or the tax rate-setting process in KRS Chapter 160.

➔Section 9. KRS 141.020 is amended to read as follows:

(1) An annual tax shall be paid for each taxable year by every resident individual of this state upon his or her entire net income as defined in this chapter. The tax shall be determined by applying the rates in subsection (2) of this section to net income and subtracting allowable tax credits provided in subsection (3) of this section.

(2) (a) As used in this subsection:

1. "Balance in the BRTF at the end of a fiscal year" means the budget reserve trust fund account established in KRS 48.705 and includes the following amounts and actions resulting from the final close of the fiscal year:

a. The amount of moneys in the fund at the end of a fiscal year;

b. All close-out actions related to a budget reduction plan under KRS 48.130 or as modified in a branch budget bill; and

c. All close-out actions related to the surplus expenditure plan under KRS 48.140 or as modified in a branch budget bill;

2. "GF appropriations" means the authorization by the General Assembly to expend GF moneys, excluding:

a. Continuing appropriations;

b. Any appropriation to the budget reserve trust fund;

c. Any lump-sum appropriation to a state-administered retirement system, as defined in KRS 7A.210, that is in excess of the appropriations specifically budgeted to meet the recurring statutorily required contributions or recurring actuarially determined contributions for a state-administered retirement system under KRS 21.525, 61.565, 61.702, 78.635, 78.5536, or 161.550, as applicable; and

d. Any appropriation from the budget reserve trust fund account established in KRS 48.705 that is:

i. Solely supported by moneys from the budget reserve trust fund account; and

ii. Specifically identified in the appropriation language as not being a GF appropriation for the purposes of this section;

3. "GF moneys" means receipts deposited in the general fund defined in KRS 48.010, excluding tobacco moneys deposited in the fund established in KRS 248.654;

4. "IIT equivalent" means the amount of reduction in GF moneys resulting from a one (1) percentage point reduction to the individual income tax rate and shall be calculated by dividing the actual individual income tax receipts for the fiscal year under consideration by:

a. The sum of:

i. The individual income tax rate, expressed as a percentage, for the first six (6) months of the fiscal year; and

ii. The individual income tax rate, expressed as a percentage, for the second six (6) months of the fiscal year; and

b. Dividing the sum determined in subdivision a. of this subparagraph by two (2); ***and***

5. ***For analysis through fiscal year 2024-2025 and for reporting through September 5, 2025:***

a. "Reduction conditions" means:

i.~~[a.]~~ The balance in the BRTF at the end of a fiscal year shall be equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

ii.~~[b.]~~ GF moneys at the end of a fiscal year shall be equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year; and

b.~~[6.]~~ "Tax rate reduction" means the current tax rate minus five-tenths of one percent (0.5%).

(b) 1. For the analysis for fiscal year 2025-2026 and fiscal year 2026-2027, and for reporting on or before September 5, 2026, and September 5, 2027, "tax rate reduction conditions" means the greatest reduction achieved under subparagraphs 2. and 3. of this paragraph.

2. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus an amount that falls within a range of greater than fifty percent (50%) but less than one hundred percent (100%) of the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus twenty-five one-hundredths of one percent (0.25%).

3. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus five-tenths of one percent (0.5%).

(c) 1. For the analysis for fiscal year 2027-2028 and each fiscal year thereafter and for reporting on or before September 5, 2028, and each September 5 thereafter, "tax rate reduction conditions" means the greatest reduction achieved under subparagraphs 2. to 6. of this paragraph.

2. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus an amount that falls within a range of equal to or greater than twenty percent (20%) but not greater than thirty-nine percent (39%) of the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus one-tenth of one percent (0.1%).

3. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus an amount that falls within a range of equal to or greater than forty percent (40%) but not greater than fifty-nine percent (59%) of the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus two-tenths of one percent (0.2%).

4. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus an amount that falls within a range of equal to or greater than sixty percent (60%) but not greater than seventy-nine percent (79%) of the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus three-tenths of one percent (0.3%).

5. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus an amount that falls within a range of equal to or greater than eighty percent (80%) but not greater than ninety-nine percent (99%) of the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus four-tenths of one percent (0.4%).

6. If:

a. The balance in the BRTF at the end of a fiscal year is equal to or greater than ten percent (10%) of the GF moneys for that fiscal year; and

b. GF moneys at the end of a fiscal year are equal to or greater than GF appropriations for that fiscal year plus the IIT equivalent for that fiscal year;

then the tax rate reduction may be the current tax rate minus five-tenths of one percent (0.5%).

(d)~~[(b)]~~ For taxable years beginning on or after January 1, 2023, but prior to January 1, 2024, the tax shall be four and one-half percent (4.5%) of net income.

(e)~~[(c)]~~ For taxable years beginning on or after January 1, 2024, ***but before January 1, 2026,*** the tax shall be four percent (4%) of net income.

(f) For taxable years beginning on or after January 1, 2026, the tax shall be three and one-half percent (3.5%) of net income.

(g)~~[(d)]~~ 1. For taxable years beginning on or after January 1, ***2027***~~[2025]~~, the income tax rate may be reduced according to the annual process established in***:***

a. Subparagraph~~[subparagraphs]~~ 2. ***or 3. of this paragraph; and***

b. Subparagraph 4.~~[to 5.]~~ of this paragraph.

2. ***a.*** The Office of State Budget Director shall review the reduction conditions for the fiscal year ***2024-2025***~~[2022-2023]~~ no later than September 1, ***2025***~~[2023]~~.

b.~~[3.]~~ After reviewing the reduction conditions under ***subdivision a. of this*** subparagraph~~[2. of this paragraph]~~, the Office of State Budget Director shall, no later than September 5, ***2025***~~[2023]~~, report to the Interim Joint Committee on Appropriations and Revenue:

i.~~[a.]~~ Whether the reduction conditions for the fiscal year ***2024-2025***~~[2022-2023]~~ have been met; and

ii.~~[b.]~~ The amounts associated with each item within the reduction conditions used for making that determination.

c. i.~~[4. a.]~~ If the reduction conditions have been met for fiscal year ***2024-2025***~~[2022-2023]~~, the General Assembly may take action to reduce the rate in paragraph ***(f)***~~[(c)]~~ of this subsection for the taxable year beginning January 1, ***2027***~~[2025]~~.

ii.~~[b.]~~ If the reduction conditions have not been met for fiscal year ***2024-2025***~~[2022-2023]~~ or the General Assembly does not take action to reduce the rate in paragraph ***(f)***~~[(c)]~~ of this subsection, the department shall maintain the rate in paragraph ***(f)***~~[(c)]~~ of this subsection for the taxable year beginning January 1, ***2027***~~[2025]~~.

3. a. The Office of State Budget Director shall review the tax rate reduction conditions for the fiscal year 2025-2026 no later than September 1, 2026.

b. After reviewing the tax rate reduction conditions under subdivision a. of this subparagraph, the Office of State Budget Director shall, no later than September 5, 2026, report to the Interim Joint Committee on Appropriations and Revenue:

i. Whether the tax rate reduction conditions for the fiscal year 2025-2026 have been met; and

ii. The amounts associated with each item within the tax rate reduction conditions used for making that determination.

c. i. If the tax rate reduction conditions have been met for fiscal year 2025-2026, the General Assembly may take action to reduce the rate in paragraph (f) of this subsection for the taxable year beginning January 1, 2028.

ii. If the tax rate reduction conditions have not been met for fiscal year 2025-2026 or the General Assembly does not take action to reduce the rate in paragraph (f) of this subsection, the department shall maintain the rate in paragraph (f) of this subsection for the taxable year beginning January 1, 2028.

4.~~[5.]~~ a. The Office of State Budget Director shall implement an annual process to review and report future reduction conditions ***or tax rate reduction conditions*** at the same time and in the same manner for each fiscal year subsequent to the fiscal year ***2024-2025***~~[2022-2023]~~ and each taxable year subsequent to the taxable year beginning January 1, ***2027***~~[2025]~~.

b. The department shall not implement an income tax rate reduction without an action by the General Assembly.

c. The annual process shall continue until the income tax rate is zero.

(h) ~~[(e)]~~ For taxable years beginning on or after January 1, 2018, but before January 1, 2023, the tax shall be five percent (5%) of net income.

(i) ~~[(f)]~~ For taxable years beginning after December 31, 2004, and before January 1, 2018, the tax shall be determined by applying the following rates to net income:

1. Two percent (2%) of the amount of net income up to three thousand dollars ($3,000);

2. Three percent (3%) of the amount of net income over three thousand dollars ($3,000) and up to four thousand dollars ($4,000);

3. Four percent (4%) of the amount of net income over four thousand dollars ($4,000) and up to five thousand dollars ($5,000);

4. Five percent (5%) of the amount of net income over five thousand dollars ($5,000) and up to eight thousand dollars ($8,000);

5. Five and eight-tenths percent (5.8%) of the amount of net income over eight thousand dollars ($8,000) and up to seventy-five thousand dollars ($75,000); and

6. Six percent (6%) of the amount of net income over seventy-five thousand dollars ($75,000).

(3) (a) The following tax credits, when applicable, shall be deducted from the result obtained under subsection (2) of this section to arrive at the annual tax:

1. a. For taxable years beginning before January 1, 2014, twenty dollars ($20) for an unmarried individual; and

b. For taxable years beginning on or after January 1, 2014, and before January 1, 2018, ten dollars ($10) for an unmarried individual;

2. a. For taxable years beginning before January 1, 2014, twenty dollars ($20) for a married individual filing a separate return and an additional twenty dollars ($20) for the spouse of taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, had no Kentucky gross income and is not the dependent of another taxpayer; or forty dollars ($40) for married persons filing a joint return, provided neither spouse is the dependent of another taxpayer. The determination of marital status for the purpose of this section shall be made in the manner prescribed in Section 153 of the Internal Revenue Code; and

b. For taxable years beginning on or after January 1, 2014, and before January 1, 2018, ten dollars ($10) for a married individual filing a separate return and an additional ten dollars ($10) for the spouse of a taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, had no Kentucky gross income and is not the dependent of another taxpayer; or twenty dollars ($20) for married persons filing a joint return, provided neither spouse is the dependent of another taxpayer. The determination of marital status for the purpose of this section shall be made in the manner prescribed in Section 153 of the Internal Revenue Code;

3. a. For taxable years beginning before January 1, 2014, twenty dollars ($20) credit for each dependent. No credit shall be allowed for any dependent who has made a joint return with his or her spouse; and

b. For taxable years beginning on or after January 1, 2014, and before January 1, 2018, ten dollars ($10) credit for each dependent. No credit shall be allowed for any dependent who has made a joint return with his or her spouse;

4. An additional forty dollars ($40) credit if the taxpayer has attained the age of sixty-five (65) before the close of the taxable year;

5. An additional forty dollars ($40) credit for taxpayer's spouse if a separate return is made by the taxpayer and if the taxpayer's spouse has attained the age of sixty-five (65) before the close of

the taxable year, and, for the calendar year in which the taxable year of the taxpayer begins, has no Kentucky gross income and is not the dependent of another taxpayer;

6. An additional forty dollars ($40) credit if the taxpayer is blind at the close of the taxable year;

7. An additional forty dollars ($40) credit for taxpayer's spouse if a separate return is made by the taxpayer and if the taxpayer's spouse is blind, and, for the calendar year in which the taxable year of the taxpayer begins, has no Kentucky gross income and is not the dependent of another taxpayer; and

8. An additional twenty dollars ($20) credit shall be allowed if the taxpayer is a member of the Kentucky National Guard at the close of the taxable year.

(b) In the case of nonresidents, the tax credits allowable under this subsection shall be the portion of the credits that are represented by the ratio of the taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to the taxpayer's adjusted gross income as defined in Section 62 of the Internal Revenue Code. However, in the case of a married nonresident taxpayer with income from Kentucky sources, whose spouse has no income from Kentucky sources, the taxpayer shall determine allowable tax credit(s) by either:

1. The method contained above applied to the taxpayer's tax credit(s), excluding credits for a spouse and dependents; or

2. Prorating the taxpayer's tax credit(s) plus the tax credits for the taxpayer's spouse and dependents by the ratio of the taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to the total joint federal adjusted gross income of the taxpayer and the taxpayer's spouse.

(c) In the case of a part-year resident, the tax credits allowable under this subsection shall be the portion of the credits represented by the ratio of the taxpayer's Kentucky adjusted gross income as determined by KRS 141.019 to the taxpayer's adjusted gross income as defined in Section 62 of the Internal Revenue Code.

(4) An annual tax shall be paid for each taxable year as specified in this section upon the entire net income except as herein provided, from all tangible property located in this state, from all intangible property that has acquired a business situs in this state, and from business, trade, profession, occupation, or other activities carried on in this state, by natural persons not residents of this state. A nonresident individual shall be taxable only upon the amount of income received by the individual from labor performed, business done, or from other activities in this state, from tangible property located in this state, and from intangible property which has acquired a business situs in this state; provided, however, that the situs of intangible personal property shall be at the residence of the real or beneficial owner and not at the residence of a trustee having custody or possession thereof. For taxable years beginning on or after January 1, 2021, but before January 1, 2027, the tax imposed by this section shall not apply to a disaster response employee or to a disaster response business. The remainder of the income received by ***the*** ~~[such]~~ nonresident shall be deemed nontaxable by this state.

(5) Subject to the provisions of KRS 141.081, any individual may elect to pay the annual tax imposed by KRS 141.023 in lieu of the tax levied under this section.

(6) A part-year resident is subject to taxation, as prescribed in subsection (1) of this section, during that portion of the taxable year that the individual is a resident and, as prescribed in subsection (4) of this section, during that portion of the taxable year when the individual is a nonresident.

➔Section 10. KRS 141.381 is amended to read as follows:

(1) As used in this section:

(a) "Corporation" means the Bluegrass State Skills Corporation established by KRS 154.12-205;

(b) "Educational institution" means a regionally accredited college, university, or technical school;

(c) "Metropolitan College" means a nonprofit consortium that includes educational institutions located within the Commonwealth and the qualified taxpayer as members. The purpose of Metropolitan College shall be to provide postsecondary educational opportunities to employees of the qualified taxpayer as part of a combined work and postsecondary education program;

(d) "Other educational expenses" means the same kinds of educational expenses that were permitted under the Metropolitan College Consortium Agreement approved November 5, 2005; and

(e) "Qualified taxpayer" means any taxpayer who, on June 26, 2009, is a party to the Metropolitan College Consortium Agreement approved November 5, 2005.

(2) To be eligible for the tax credit provided by this section, a qualified taxpayer shall be a partner in Metropolitan College.

(3) A qualified taxpayer shall be allowed a nonrefundable credit against the tax imposed by KRS 141.020 or 141.040, and KRS 141.0401, for each taxable year beginning on or after July 1, 2010, in the amount of fifty percent (50%) of the actual costs incurred by the qualified taxpayer for:

(a) Tuition paid to an educational institution for a student participating in the Metropolitan College; and

(b) Other educational expenses paid on behalf of a student participating in the Metropolitan College;

on behalf of employees of the qualified corporation, for up to two thousand eight hundred (2,800) employees each year.

(4) To claim the credit each year, the qualified taxpayer shall, on an annual basis, submit to the corporation information listing each employee of the qualified taxpayer for whom tuition or other educational expenses were paid, the amount paid on behalf of each employee, and the amount of credit the qualified company is eligible to claim. The corporation shall review the information provided by the qualified company, and shall notify the department and the qualified company of the amount of credit the qualified company is eligible to claim.

(5) The credit allowed by this section for any taxable year shall not exceed the tax liability of the taxpayer for the taxable year. Any credit not used may be carried forward to subsequent years.

(6) The qualified company shall provide to the corporation and the department any information and documentation requested for the purpose of monitoring the credit established by this section.

(7) The approved company shall maintain records and submit information as required by the corporation and the department. The corporation may share information provided by the approved company with the department for the purpose of monitoring the credit established by this section.

(8) The corporation may, through the promulgation of administrative regulations in accordance with KRS Chapter 13A, establish additional standards or requirements for the administration of this section.

(9) The credit established by this section shall expire on April 15, ***2037*** ~~[2027]~~, unless extended by the General Assembly.

➔Section 11. KRS 148.851 is amended to read as follows:

As used in 148.851 to 148.860, unless the context clearly indicates otherwise:

(1) "Agreement" means the tourism development agreement entered into between the authority and an approved company;

(2) "Approved company" means any eligible company that has received final approval to receive incentives provided under KRS 148.853;

(3) "Approved costs" means the amount of eligible costs approved by the authority upon completion of the project;

(4) "Authority" means the Kentucky Tourism Development Finance Authority as set forth in KRS 148.850;

(5) "Cabinet" means the Tourism, Arts and Heritage Cabinet;

(6) "Crafts and products center" means a facility primarily devoted to the display, promotion, and sale of Kentucky products, and at which a minimum of eighty percent (80%) of the sales occurring at the facility are of Kentucky arts, crafts, or agricultural products;

(7) "Eligible company" means any corporation, limited liability company, partnership, limited partnership, sole proprietorship, business trust, or any other entity operating or intending to operate a tourism development project;

(8) "Eligible costs" means:

(a) Obligations incurred for labor and amounts paid to vendors, contractors, subcontractors, builders, suppliers, deliverymen, and materialmen in connection with the acquisition, construction, equipping, and installation of a tourism development project;

(b) The costs of acquiring real property or rights include the acquisition of real property by a leasehold interest with a minimum term of ten (10) years, and any costs incidental thereto;

(c) The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of the acquisition, construction, equipping, and installation of a tourism development project which is not paid by the vendor, supplier, deliveryman, contractor, or otherwise provided;

(d) All costs of architectural and engineering services, including but not limited to estimates, plans and specifications, preliminary investigations, and supervision of construction and installation, as well as for the performance of all the duties required by or consequent to the acquisition, construction, equipping, and installation of a tourism development project;

(e) All costs required to be paid under the terms of any contract for the acquisition, construction, equipping, and installation of a tourism development project;

(f) All costs required for the installation of utilities, including but not limited to water, sewer, sewer treatment, gas, electricity and communications, and including off-site construction of the facilities paid for by the approved company; and

(g) All other costs comparable with those described in this subsection, excluding costs subject to refund under KRS 154.20-202, 154.20-204, 154.20-206, 154.20-208, and 154.20-210 or Subchapter 31 of KRS Chapter 154;

(9) "Enhanced incentive county" has the same meaning as in KRS 154.32-010;

(10) "Entertainment destination center project" means a facility that meets the requirements of KRS 148.853(2)(b);

(11) "Final approval" means the action taken by the authority authorizing the eligible company to receive incentives under KRS 139.536 and 148.851 to 148.860;

(12) "Full-service lodging facility" means a facility that provides overnight sleeping accommodations, including private bathrooms and all of the following:

(a) On-site dining facilities;

(b) Room service;

(c) Catering: and

(d) Meeting space;

(13) "Incentives" means the Kentucky sales tax refund as prescribed in KRS 139.536;

(14) "Kentucky sales tax" means the sales tax imposed by KRS 139.200;

(15) "Lodging facility project" means a full-service lodging facility that:

(a) ***1.*** Is located on recreational property owned or leased by the Commonwealth or the federal government;

2.~~[(b)]~~ Involves the restoration or rehabilitation of a structure that:

a.~~[1.]~~ Is listed individually on the National Register of Historic Places; or

b.~~[2.]~~ Is located in the National Register Historic District; and

is certified by the Kentucky Heritage Council as contributing to the historic significance of the district, and the rehabilitation or restoration of the structure has been approved in advance by the Kentucky Heritage Council;

3.~~[(c)]~~ Is an integral part of a major convention or sports facility;

4.~~[(d)]~~ Is located:

a.~~[1.]~~ Within a fifty (50) mile radius of a property listed on the National Register of Historic Places with a current function of recreation and culture; and

b.~~[2.]~~ In any of the one hundred (100) least-populated counties in the Commonwealth, in terms of population density, according to the most recent census;

5.~~[(e)]~~ Is located on property:

a.~~[1.]~~ Owned by the Commonwealth, or leased by the Commonwealth from the federal government;

b.~~[2.]~~ Acquired for use in the state park system pursuant to KRS 148.028; and

c.~~[3.]~~ Operated by the Kentucky Department of Parks pursuant to KRS 148.021 or the Kentucky Horse Park Commission pursuant to KRS 148.258 to 148.320;

6.~~[(f)]~~ Is located on property:

a.~~[1.]~~ Owned or leased by the federal government and under the control of the Department of the Interior; or

b.~~[2.]~~ Owned by the Commonwealth and in the custody of the State Fair Board as provided in KRS 247.140;

7.~~[(g)]~~ Is part of a tourism attraction project, entertainment destination center project, or theme restaurant destination attraction project and the full-service lodging facility represents less than fifty percent (50%) of the total eligible costs; or

8.~~[(h)]~~ Has not less than five hundred (500) guest rooms***; or***~~[;]~~

(b) 1. Is located:

a. In any of the one hundred (100) least-populated counties in the Commonwealth, in terms of population density, according to the most recent decennial census;

b. In a county, the boundaries of which:

i. Include, in part, the boundaries of a designated national forest; or

ii. Are adjacent to or include a portion of parallel reservoirs of water surrounding a national recreation area;

c. Within an enhanced incentive county and will create at least fifty (50) new full-time jobs within that county; and

d. Within one-half (1/2) mile of a state resort park;

2. Has a capital investment of at least one hundred million dollars ($100,000,000); and

3. Contains accommodations for:

a. Lodging, with a minimum of one hundred (100) guest rooms, cabins, or rental units;

b. Relaxation, including a spa;

c. More than one (1) on-site dining facility; and

d. More than one (1) meeting or event space;

(16) "Net positive fiscal impact" means the amount by which increased state tax revenues will exceed the incentives given;

(17) "Preliminary approval" means the action taken by the authority conditionally approving an eligible company for the incentives under KRS 139.536 and 148.851 to 148.860;

(18) "Recreational facility" means a structure or outdoor area that:

(a) Provides visitors recreational opportunities, including but not limited to amusement parks, boating, hiking, horseback riding, hunting, fishing, camping, wildlife viewing, live theater, rock climbing, and all-terrain vehicle trails; and

(b) Serves as a likely destination where individuals who are not residents of the Commonwealth would remain overnight in commercial lodging at or near the recreational facility;

(19) "Theme restaurant destination attraction project" means a restaurant facility that meets the requirements for incentives under KRS 148.853(2)(c);

(20) (a) "Tourism attraction project" means:

1. A cultural or historical site;

2. A recreational facility;

3. An entertainment facility;

4. An area of natural phenomenon or scenic beauty; or

5. A Kentucky crafts and products center;

(b) "Tourism attraction project" does not include facilities that are primarily devoted to the retail sale of goods, other than a Kentucky crafts and products center, or a tourism attraction where the sale of goods is a secondary and subordinate component of the attraction; and

(21) "Tourism development project" means:

(a) A tourism attraction project;

(b) A theme restaurant destination attraction project;

(c) An entertainment destination center project; or

(d) A lodging facility project.

➔Section 12. KRS 148.853 is amended to read as follows:

(1) The General Assembly finds and declares that:

(a) The general welfare and material well-being of the citizens of the Commonwealth depend in large measure upon the development of tourism in the Commonwealth;

(b) It is in the best interest of the Commonwealth to provide incentives for the creation of new tourism attractions and the expansion of existing tourism attractions within the Commonwealth in order to advance the public purposes of relieving unemployment by preserving and creating jobs that would not exist if not for the incentives offered by the authority to approved companies, and by preserving and creating sources of tax revenues for the support of public services provided by the Commonwealth;

(c) The authorities granted by KRS 148.851 to 148.860 are proper governmental and public purposes for which public moneys may be expended; and

(d) That the creation or expansion of tourism development projects is of paramount importance mandating that the provisions of KRS 139.536 and KRS 148.851 to 148.860 be liberally construed and applied in order to advance public purposes.

(2) To qualify for incentives provided in KRS 139.536 and 148.851 to 148.860, the following requirements shall be met:

(a) For a tourism attraction project:

1. The total eligible costs shall exceed one million dollars ($1,000,000), except for a tourism attraction project located in a county designated as an enhanced incentive county at the time the eligible company becomes an approved company as provided in KRS 148.857(6), the total eligible costs shall exceed five hundred thousand dollars ($500,000);

2. In any year, including the first year of operation, the tourism attraction project shall be open to the public at least one hundred (100) days; and

3. In any year following the third year of operation, the tourism attraction project shall attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of the Commonwealth;

(b) For an entertainment destination center project:

1. The total eligible costs shall exceed five million dollars ($5,000,000);

2. The facility shall contain a minimum of two hundred thousand (200,000) square feet of building space adjacent or complementary to an existing tourism attraction project or a major convention facility;

3. The incentives shall be dedicated to a public infrastructure purpose that shall relate to the entertainment destination center project;

4. In any year, including the first year of operation, the entertainment destination center project shall:

a. Be open to the public at least one hundred (100) days per year;

b. Maintain at least one (1) major theme restaurant and at least three (3) additional entertainment venues, including but not limited to live entertainment, multiplex theaters, large-format theater, motion simulators, family entertainment centers, concert halls, virtual reality or other interactive games, museums, exhibitions, or other cultural and leisure-time activities; and

c. Maintain a minimum occupancy of sixty percent (60%) of the total gross area available for lease with entertainment and food and drink options not including the retail sale of tangible personal property; and

5. In any year following the third year of operation, the entertainment destination center project shall attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of the Commonwealth;

(c) For a theme restaurant destination attraction project:

1. The total eligible costs shall exceed five million dollars ($5,000,000);

2. In any year, including the first year of operation, the attraction shall:

a. Be open to the public at least three hundred (300) days per year and for at least eight (8) hours per day; and

b. Generate no more than fifty percent (50%) of its revenue through the sale of alcoholic beverages;

3. In any year following the third year of operation, the theme restaurant destination attraction project shall attract a minimum of fifty percent (50%) of its visitors from among persons who are not residents of the Commonwealth; and

4. The theme restaurant destination attraction project shall:

a. At the time of final approval, offer a unique dining experience that is not available in the Commonwealth within a one hundred (100) mile radius of the attraction;

b. In any year, including the first year of operation, maintain seating capacity of four hundred fifty (450) guests and offer live music or live musical and theatrical entertainment during the peak business hours that the facility is in operation and open to the public; or

c. Within three (3) years of the completion date, the attraction shall obtain a top two (2) tier rating by a nationally accredited service and shall maintain a top two (2) tier rating through the term of the agreement;

(d) For a lodging facility project ***defined in subsection (15)(a) of Section 11 of this Act***:

1. a. The eligible costs shall exceed five million dollars ($5,000,000) unless the provisions of subdivision b. of this subparagraph apply.

b. i. If the lodging facility is an integral part of a major convention or sports facility, the eligible costs shall exceed six million dollars ($6,000,000); and

ii. If the lodging facility includes five hundred (500) or more guest rooms, the eligible costs shall exceed ten million dollars ($10,000,000); and

2. In any year, including the first year of operation, the lodging facility shall:

a. Be open to the public at least one hundred (100) days; and

b. Attract at least twenty-five percent (25%) of its visitors from among persons who are not residents of the Commonwealth;

(e) ***For a lodging facility project defined in subsection (15)(b) of Section 11 of this Act:***

1. The eligible costs shall exceed one hundred million dollars ($100,000,000); and

2. The lodging facility shall:

a. Be open to the public at least one hundred (100) days each year, including the first year of operation; and

b. In any year following the third year of operation, attract a minimum of twenty-five percent (25%) of its overnight visitors from among persons who are not residents of the Commonwealth.

(f) Any tourism development project shall not be eligible for incentives if it includes material determined to be lewd, offensive, or deemed to have a negative impact on the tourism industry in the Commonwealth; and

(g)~~[(f)]~~ An expansion of any tourism development project shall in all cases be treated as a new stand-alone project.

(3) ***(a)*** The incentives offered ***to an approved company*** under the Kentucky Tourism Development Act ***may include***~~[shall be as follows:~~

~~(a) An approved company may be granted]~~ a sales tax incentive based on the Kentucky sales tax imposed on sales generated by or arising at the tourism development project.~~[; and]~~

(b) 1. For a tourism development project other than a lodging facility project described in ***subparagraph 4. or 5. of this paragraph***~~[KRS 148.851(14)(e) or (f), or a tourism attraction project described in subparagraph 2. of this paragraph]~~:

a. A sales tax incentive shall be allowed to an approved company over a period of ten (10) years, except as provided in subparagraphs ***7.***~~[5.]~~ and ***8.***~~[6.]~~ of this paragraph; and

b. The sales tax incentive shall not exceed the lesser of the total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement, not to exceed twenty-five percent (25%);

2. For ***projects approved according to the application period established under KRS 148.8531,*** a tourism attraction project located in an enhanced incentive county at the time the eligible company becomes an approved company as provided in KRS 148.857(6):

a. A sales tax incentive shall be allowed to the approved company over a period of ten (10) years; and

b. The sales tax incentive shall not exceed the lesser of the total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement, not to exceed thirty percent (30%);

3. ***For applications considered after the effective date of this Act, including projects related to property to which the title passed from a seller to a buyer on or after March 1, 2025, a tourism attraction project located in an enhanced incentive county with a population equal to or less than twenty thousand (20,000) based on the most recent decennial census at the time the eligible company becomes an approved company as provided in KRS 148.857(6):***

a. A sales tax incentive shall be allowed to the approved company over a period of twenty (20) years; and

b. The sales tax incentive shall not exceed the lesser of the total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement, not to exceed fifty percent (50%);

4. For a lodging facility project described in ***subsection (15)(a)5. or 6. of Section 11 of this Act***~~[KRS 148.851(14)(e) or (f)]~~:

a. A sales tax incentive shall be allowed to the approved company over a period of twenty (20) years; and

b. The sales tax incentive shall not exceed the lesser of total amount of the sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement, not to exceed fifty percent (50%);

5. For a lodging facility project described in subsection (15)(b) of Section 11 of this Act, a sales tax incentive that shall:

a. Be allowed to the approved company over a period of twenty (20) years; and

b. Not exceed the lesser of the total amount of sales tax liability of the approved company and its lessees or a percentage of the approved costs as specified by the agreement, not to exceed fifty percent (50%);

6. ~~[4.]~~ Any unused incentives from a previous year may be carried forward to any succeeding year during the term of the agreement until the entire specified percentage of the approved costs has been received through sales tax incentives;

7. ~~[5.]~~ If the approved company is an entertainment destination center that has dedicated at least thirty million dollars ($30,000,000) of the incentives provided under the agreement to a public infrastructure purpose, the agreement may be amended to extend the term of the agreement up to two (2) additional years if the approved company agrees to:

a. Reinvest in the original entertainment destination project one hundred percent (100%) of any incentives received during the extension that were outstanding at the end of the original term of the agreement; and

b. Report to the authority at the end of each fiscal year the amount of incentives received during the extension and how the incentives were reinvested in the original entertainment destination project; and

8. ~~[6.]~~ The term of a tourism development agreement entered into with a tourism attraction project that was in effect on January 1, 2020, shall be extended for one (1) year if the tourism attraction project:

a. Has historically been open to the public on a seasonal basis consisting of less than six (6) months;

b. Has previously met the requirement of being open to the public at least one hundred (100) days during the entire term of the tourism development agreement as required under subsection (2)(a)2. of this section;

c. Failed to be open to the public at least one hundred (100) days during the calendar year 2020 solely as a result of complying with one (1) or more executive orders issued by the Governor under the authority of KRS 39A.090 that prevented the tourism attraction project from being open to the public for at least one hundred (100) days during its normal operating season; and

d. Applied for a sales tax incentive related to the calendar year 2020 operating season and was denied the sales tax incentive solely on the basis that the tourism attraction project was not open to the public for at least one hundred (100) days in calendar year 2020.

➔Section 13. KRS 148.855 is amended to read as follows:

(1) The cabinet shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish standards for the making of applications for incentives and the recommendation of eligible companies and their tourism development projects to the authority.

(2) The cabinet shall consult with the authority when establishing standards to ensure that standards established pursuant to subsection (1) of this section and KRS 148.857(1) do not conflict.

(3) (a) The application for incentives shall be filed with the cabinet and shall include:

1. The name of the applicant;

2. Marketing plans for the tourism development project that target individuals who are not residents of the Commonwealth;

3. A description and location of the tourism development project;

4. Capital and other anticipated expenditures for the tourism development project that indicate that the total cost of the project shall exceed the minimum required costs as provided in KRS 148.853, and the anticipated sources of funding therefor;

5. The anticipated employment and wages to be paid at the tourism development project;

6. Business plans which indicate the average number of days in a year in which the tourism development project will be in operation and open to the public;

7. The anticipated revenues and expenses generated by the tourism development project;

8. If the tourism development project is an entertainment destination center project, the application shall include the public infrastructure purpose; and

9. Any other information as required by the cabinet.

(b) Based upon a review of these materials, if the cabinet determines that the eligible company and the proposed tourism development project appears to meet the requirements established by KRS 148.853, and that the proposed tourism development project may reasonably satisfy the criteria for final approval in subsection (4) of this section, the secretary of the cabinet may submit a written request to the authority for a preliminary approval of the eligible company and the tourism development project.

(4) The authority may review the request submitted by the secretary, including all relevant materials, and may, based upon that review, grant preliminary approval to an eligible company. Upon a preliminary approval by the authority, the cabinet shall engage the services of a competent consulting firm to analyze the data made available by the eligible company and to collect and analyze additional information necessary to determine that, in the independent judgment of the consultant, the proposed tourism development project:

(a) Will attract, in all years following the third year of operation, at least twenty-five percent (25%) of its visitors from among persons who are not residents of the Commonwealth, except for a theme restaurant destination attraction project, which shall attract, in all years following the third year of operation, a minimum of fifty percent (50%) of its visitors from among persons who are not residents of the Commonwealth;

(b) Will have costs in excess of the minimum amount required by KRS 148.853;

(c) 1. Will have a net positive fiscal impact on the Commonwealth considering, among other factors, the extent to which the proposed tourism development project will compete directly with existing tourism attractions or previously approved tourism development projects in the Commonwealth and the amount by which increased tax revenues from the tourism development project will exceed the incentives given to the approved company at the maximum level of recovery of approved costs as provided in KRS 148.853; or

2. If the independent consultant determines that the proposed tourism development project cannot produce a net positive fiscal impact to the Commonwealth at the maximum level of recovery of approved costs as provided in KRS 148.853, the independent consultant shall determine the level of recovery, if any, at which the proposed tourism development project can meet those standards;

(d) Will produce sufficient revenues and public demand to be operating and open to the public for a minimum of one hundred (100) days per year, except for a theme restaurant destination attraction, which shall be operating and open to the public for a minimum of three hundred (300) days per year;

(e) Will not adversely affect existing employment in the Commonwealth;~~[and]~~

(f) Meets all other requirements of KRS 148.851 and 148.853***; and***

(g) For a lodging facility project defined in subsection (15)(b) of Section 11 of this Act:

1. Will have an occupancy study conducted by an independent consultant to determine the percentage of rooms occupied by other lodging facilities:

a. With comparable accommodations as described in subsection (15)(b)3. of Section 11 of this Act; and

b. Within a fifty (50) mile radius of the proposed lodging facility project;

for the most recent calendar year for data collected; and

2. Will have a net positive impact statement that will exclude from consideration any impact related to state-funded infrastructure that was approved prior to the application of the eligible company.

(5) The independent consultant, in determining the amount of net positive fiscal impact to the Commonwealth for a new proposed tourism development project that is an expansion of an existing tourism development project shall not consider positive fiscal impacts from the following sources:

(a) Increased operations at the previously approved tourism development project that is being expanded by the proposed tourism development project;

(b) Increased operations at any other tourism development project approved for incentives provided under KRS 148.853; or

(c) Increased operations at any project approved for tax increment financing that includes state revenues approved pursuant to Subchapter 30 of KRS Chapter 154.

(6) (a) The independent consultant shall consult with the authority, the Office of the State Budget Director and the Finance and Administration Cabinet in the development of a report on the proposed tourism development project.

(b) The Office of the State Budget Director and the Finance and Administration Cabinet shall agree as to the methodology to be used and assumptions to be made by the independent consultant in preparing its report.

(c) On the basis of the independent consultant's report and prior to any final approval of a project by the authority, the Office of the State Budget Director and the Finance and Administration Cabinet shall certify to the authority whether there is a projected net positive fiscal impact to the Commonwealth and the expected amount of incremental state revenues from the tourism development project. A final approval shall not be granted if it is determined that there is no projected net positive fiscal impact to the Commonwealth.

(7) The eligible company shall pay for the cost of the consultant's report and shall cooperate with the consultant and provide all of the data that the consultant deems necessary to make its determination under subsection (4) of this section.

(8) In lieu of the independent consultant analysis required in subsection (4) of this section, if the eligible company is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and the estimated approved costs are less than ten million dollars ($10,000,000), the cabinet shall have the option of performing an interagency review to analyze the data made available by the eligible company and to collect and analyze additional information necessary to determine that the proposed tourism development project meets the requirements set forth in subsection (4)(a) of this section. The cabinet shall comply with the same consulting and reporting requirements as an independent consultant.

(9) After a review of relevant materials, the consultant's report, and completion of other inquiries, the secretary shall, by written notification to the authority, provide a recommendation to the authority regarding final approval of the tourism development project.

➔Section 14. KRS 148.859 is amended to read as follows:

(1) The authority, upon adoption of its final approval, may enter into a tourism development agreement with any approved company. The terms of the agreement shall be negotiated between the authority and the approved company and shall include but not be limited to:

(a) The amount of approved costs;

(b) That any increase in approved costs incurred by the approved company and agreed to by the authority shall apply retroactively for purposes of calculating the carry forward for unused incentives;

(c) A date certain by which the approved company shall have completed the tourism development project;

(d) That the authority may grant an extension or change, which in no event shall exceed three (3) years from the date of final approval, to the completion date as specified in the agreement of an approved company;

(e) That within three (3) months of the completion date, the approved company shall document the actual cost of the tourism development project through a certification of the costs to be provided by an independent certified public accountant acceptable to the authority;

(f) The term of the tourism development agreement and the maximum amount of recovery;

(g) That within forty-five (45) days after the end of each fiscal year of the approved company, during the term of the agreement, the approved company shall supply the authority with reports and certifications as the authority may request demonstrating to the satisfaction of the authority that the approved company is in compliance with the provisions of KRS 139.536 and KRS 148.851 to 148.860;

(h) That the approved company shall notify the authority if any change in ownership of the tourism attraction is contemplated. The authority shall reserve the option to renegotiate the terms of the agreement or, if the change in ownership is detrimental to the Commonwealth, the authority may terminate the agreement;

(i) That the approved company shall not receive a sales tax incentive as prescribed by KRS 139.536 with respect to any fiscal year if the requirements of KRS 148.853(2) have not been met;

(j) That the authority may grant an extension of up to three (3) years to the completion date in addition to the extension provided for in paragraph (d) of this subsection, to an approved company that has completed at least fifty percent (50%) of an entertainment destination center project;

(k) That in no event shall the completion date be more than six (6) years from the date of final approval; and

(l) That the extension provided for in paragraph (j) of this subsection shall be subject to the following conditions:

1. The approved company shall have spent or have contractually obligated to spend an amount equal to or greater than the amount of approved costs set forth in the initial agreement;

2. The term of the agreement shall not be extended, except as provided in KRS 148.853(3)(b)***7. and 8.***~~[4.]~~; and

3. The scope of the entertainment destination center project, as set forth in the initial agreement, shall not be altered to include new or additional entertainment and leisure options.

(2) The agreement, including the incentives provided under KRS 148.853, shall not be transferable or assignable by the approved company without the written consent of the authority and a passage of a resolution approving the proposed assignee of the incentives as an approved company.

➔Section 15. KRS 154.30-050 is amended to read as follows:

(1) The Signature Project Program is hereby established. The purpose of this program is to encourage private investment in the development of major projects that will have a significant impact on the Commonwealth of Kentucky and are judged to be of such a magnitude that the effect upon the location of ***the***~~[such]~~ project warrants extraordinary public support.

(2) ***(a)*** There shall be two (2) separate initiatives under this program. The first initiative, the criteria and details of which are set forth in ***subsection (3)(a) of this section***~~[paragraph (a) of this subsection]~~, shall apply to***;***

1. Qualifying projects that are not the subject of a contract under KRS 65.495 in effect on or before the March 23, 2007, but that have a project grant agreement executed pursuant to KRS 154.30-070 prior to January 1, 2008***; or***

2. Revised projects if the original project was not the subject of a contract under KRS 65.495 on or before March 23, 2007, and had a project grant agreement executed pursuant to KRS 154.30-070 prior to January 1, 2008, but the agreement was withdrawn voluntarily before the project was completed.

(b) The second initiative, the criteria and details of which are set forth in ***subsection (3)(b) of this section***~~[paragraph (b) of this subsection]~~, shall apply to projects that meet the specified requirements on or after January 1, 2008.

(3) (a) ~~[For projects that are not the subject of a contract under KRS 65.495 in effect on or before March 23, 2007, but that have a project grant agreement executed pursuant to the provisions of KRS 154.30-070 prior to January 1, 2008:]~~

1. The criteria for qualification shall be as follows:

   a. The project shall represent new economic activity in the Commonwealth; and

   b. The project shall result in a minimum capital investment of two hundred million dollars ($200,000,000).

2. The following provisions shall apply to projects that meet the criteria established in subparagraph 1. of this paragraph:

   a. KRS 65.7051 shall not apply to the establishment of a development area;

   b. The city or county in which the project is located shall adopt an ordinance establishing the development area. The ordinance shall be adopted in accordance with KRS 65.7053(1)(a), (b), (c), (d), (e), (h), (i), (j), (k), (l), and (m);

   c. KRS 65.7049, 65.7053(2) and (3), 65.7057, 65.7059, 65.7061, 65.7063, 65.7065, and 65.7067, relating to local development areas, shall apply;

   d. An application for state participation shall have been submitted as provided in KRS 154.30-030. The application shall include the information required by KRS 154.30-030(2)(a) 1.a. and b.;

   e. The report provided for in KRS 154.30-030(2)(a) 3.b. shall not be required, and the certification required by KRS 154.30-030(6)(b) shall not be required;

   f. A project grant agreement shall be executed in accordance with KRS 154.30-070; and

   g. KRS 154.30-080 and 154.30-090 shall apply.

3. Projects that meet the criteria established in subparagraph 1. of this paragraph shall be eligible for the following:

   a. Up to one hundred percent (100%) of approved public infrastructure costs, excluding any sales and use tax paid, may be recovered;

   b. Up to one hundred percent (100%) of the financing costs associated with approved public infrastructure costs may be recovered;

   c. In a county containing a city of the first class, the local participation agreement may provide for the release of up to eighty percent (80%) of the increment from the tax levied under KRS 91A.390 derived by the governing body within the project development area. The amount released shall not exceed a base amount of four hundred thousand dollars ($400,000) in the first year of the local participation agreement, which base amount shall be increased in each subsequent year of the grant agreement by four percent (4%); and

   d. Up to one hundred percent (100%) of approved signature project costs, excluding any sales and use taxes paid, subject to the following:

      i. The authority shall review proposed [ ] expenditures for [ ] inclusion in the tax incentive [ ] agreement. The authority may approve the type [ ] of expenditures it determines are [ ] necessary for completion of the private development; and

      ii. Approved signature project costs shall be detailed in the tax incentive agreement.

(b) Beginning January 1, 2008:

1. A project shall meet all of the following criteria to be considered for state participation under this program:

   a. The project shall represent new economic activity in the Commonwealth;

   b. The project shall result in a minimum capital investment of two hundred million dollars ($200,000,000);

c. The project shall result in a net positive economic impact to the Commonwealth, taking into consideration any substantial adverse impact on existing Commonwealth businesses. The net positive impact shall be certified to the commission as required by KRS 154.30-030(6)(b); and

d. Not more than twenty percent (20%) of the capital investment or twenty percent (20%) of the finished square footage shall be devoted to the support or development of assets that will be utilized for the retail sale of tangible personal property.

2. Projects that meet the criteria established by subparagraph 1. of this paragraph shall comply with all relevant provisions of this subchapter.

3. Projects that meet the criteria established by subparagraphs 1. and 2. of this paragraph shall be eligible to recover:

a. Up to one hundred percent (100%) of approved public infrastructure costs, excluding any sales and use taxes paid;

b. Up to one hundred percent (100%) of the financing costs associated with approved public infrastructure costs; and

c. Up to one hundred percent (100%) of approved signature project costs, excluding sales and use taxes paid subject to the following:

i. The authority shall review proposed expenditures for inclusion in the tax incentive agreement. The authority may approve the type of expenditures it determines are necessary for completion of the private development; and

ii. Approved signature project costs shall be detailed in the tax incentive agreement.

(4) ~~[(3)]~~ The authority shall review the application, the certification required by KRS 154.30-030, if applicable, and supporting information as provided in KRS 154.30-030.

(5) ~~[(4)]~~ The authority shall specifically identify the state taxes from which incremental revenues will be pledged. The authority may pledge up to eighty percent (80%) of the incremental revenues from the identified state tax revenues from the footprint, provided that the maximum amount of incremental revenues that may be pledged for a project during the term of the tax incentive agreement from all approved state taxes shall not exceed one hundred percent (100%) of approved public infrastructure costs, approved signature project costs, and financing costs.

(6) ~~[(5)]~~ As part of the approval process, the authority shall determine the following:

(a) The footprint of the project;

(b) The maximum amount of approved public infrastructure costs, approved signature project costs, and financing costs;

(c) That the local revenues pledged to support the public infrastructure of the project, and local revenues pledged to support the overall project are of a sufficient amount to warrant participation of the Commonwealth in the project;

(d) The termination date of the tax incentive agreement, not to exceed thirty (30) years from the activation date;

(e) Any adjustments to be made to old revenues, in determining incremental revenues during each year of the term of the project grant agreement; and

(f) Any approved signature project costs;

(7) ~~[(6)]~~ For the purpose of making the determination required by KRS 139.515(2), the authority shall review the projected expenditures for tangible personal property used in the construction of a signature project, as defined in KRS 139.515(1), and shall establish an approximate percentage of the total anticipated expenditures that are not included in the tax incentive agreement as approved public infrastructure costs or approved signature project costs. This percentage shall be communicated by the authority to the Department of Revenue, which shall use the information in administering the sales tax refund permitted by KRS 139.515.

(8) ~~[(7)]~~ If state income taxes or local occupational license taxes are included for a project that includes office space, the authority shall consider the impact of pledging theses taxes on the ability to utilize other economic development projects at a later date.

(9) ~~[(8)]~~ The pledge of state incremental tax revenues of the Commonwealth by the authority shall be implemented through the execution of a tax incentive agreement between the Commonwealth and the agency, city, or county in accordance with KRS 154.30-070.

(10) ~~[(9)]~~ Notwithstanding the minimum capital investment of two hundred million dollars ($200,000,000) required by subsection ***(3)*** ~~[(2)]~~(b)1.b. of this section, the authority may, upon application of an agency that:

(a) Was approved to proceed with a project after January 1, 2008, but before January 1, 2013, that, at the time of approval pledged to make the two hundred million dollars ($200,000,000) investment requirement; and

(b) Had a consultant report prepared pursuant to KRS 154.30-030(6);

approve a reduction in the required minimum capital investment to an amount not less than one hundred fifty million dollars ($150,000,000), subject to a corresponding adjustment of the maximum incremental revenue available for recovery as appropriate, based upon the recommendation of the consultant who prepared the report pursuant to KRS 154.30-030(6).

(11) Notwithstanding any statute to the contrary, if a project had a project grant agreement executed pursuant to KRS 154.30-070 prior to January 1, 2008, but the agreement was withdrawn voluntarily before the project was completed, the project may be revised and resubmitted under subsection (3)(a) of this section.

➔Section 16. KRS 91A.390 is amended to read as follows:

(1) (a) The commission shall annually submit to the local governing body or bodies which established it a request for funds for the operation of the commission.

(b) The local governing body or bodies shall include the commission in the annual budget and shall provide funds for the operation of the commission by imposing a transient room tax on the rent for every occupancy of a suite, room, rooms, cabins, lodgings, campsites, or other accommodations charged by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds, recreational vehicle parks, or any other place in which accommodations are regularly furnished to transients for consideration or by any person that facilitates the rental of the accommodations by brokering, coordinating, or in any other way arranging for the rental of the accommodations as follows:

1. For a local governing body or bodies, other than an urban-county government, the tax rate shall not exceed three percent (3%); and

2. For an urban-county government, the tax rate shall not exceed four percent (4%).

(c) In addition to the three percent (3%) levy authorized by paragraph (b)1. of this subsection, the local governing body other than an urban-county government may impose a special transient room tax not to exceed one percent (1%) for the purposes of:

1. Meeting the operating expenses of a convention center; and

2. In the case of a consolidated local government, financing the renovation or expansion of a convention center that is government-owned and located in the central business district of the consolidated local government, except that if a consolidated local government imposes the special transient room tax authorized under this paragraph on or after August 1, 2014, revenue derived from the levy shall not be used to meet the operating expenses of a convention center until any debt issued for financing the renovation or expansion of a government-owned convention center located in the central business district of the consolidated local government is retired.

(d) Transient room taxes shall not apply to rooms, lodgings, campsites, or accommodations supplied for a continuous period of thirty (30) days or more to a person.

(e) The local governing body or bodies that have established a commission by joint or separate action shall enact an ordinance for the enforcement of the tax measure enacted pursuant to this section and the collection of the proceeds of this tax measure on a monthly basis.

(2) All moneys collected pursuant to this section and KRS 91A.400 shall be maintained in an account separate and unique from all other funds and revenues collected, and shall be considered tax revenue for the purposes of KRS 68.100 and KRS 92.330.

(3) A portion of the money collected from the imposition of this tax, as determined by the tax levying body, upon the advice and consent of the tourist and convention commission, may be used to finance the cost of acquisition, construction, operation, and maintenance of facilities useful in the attraction and promotion of tourist and convention business, including projects described in KRS 154.30-050***(3)*** ~~[(2)]~~(a). The balance of the money collected from the imposition of this tax shall be used for the purposes set forth in KRS 91A.350. Proceeds of the tax shall not be used as a subsidy in any form to any hotel, motel, inn, motor court, tourist camp, tourist cabin, campgrounds, recreational vehicle parks, or any other person furnishing accommodations, or restaurant, except as provided in KRS 154.30-050***(3)*** ~~[(2)]~~(a)3.c. Money not expended by the commission during any fiscal year shall be used to make up a part of the commission's budget for its next fiscal year.

(4) A county with a city of the first class may impose an additional tax, not to exceed one and one-half percent (1.5%) of the rent. This additional tax, if approved by the local governing body, shall be collected and administered in the same manner as the tax authorized by subsection (1)(b) of this section and shall be used for the purpose of funding additional promotion of tourist and convention business.

(5) An urban-county government may impose an additional tax, not to exceed one percent (1%) of the rents included in this subsection. This additional tax shall be collected and administered in the same manner as the tax authorized by subsection (1)(b) of this section with the exception that this additional tax shall be used for the purpose of funding the purchase of development rights program provided for under KRS 67A.845.

(6) Local governing bodies which have formed multicounty tourist and convention commissions as provided by KRS 91A.350(3) may impose an additional tax, not to exceed one percent (1%) of the rents. This additional tax, if approved by each governing body, shall be collected and administered in the same manner as the tax authorized by subsection (1)(b) of this section, with the exception that this additional tax shall be used for the purpose of funding regional efforts relating to the promotion of tourist and convention business and convention centers. In no event shall any revenues collected as provided for under KRS 91A.350(3) be utilized for the construction, renovation, maintenance, or additions to any convention center that is located outside the boundaries of the Commonwealth of Kentucky.

(7) The commission, with the approval of the tax levying body, may borrow money to pay its obligations that cannot be paid at maturity out of current revenue from the transient room tax, but shall not borrow a sum greater than can be repaid out of the revenue anticipated from the transient room tax during the year the money is borrowed. The commission may pledge its securities for the repayment of any sum borrowed.

(8) The fiscal court or legislative body of a consolidated local government or city establishing a commission pursuant to KRS 91A.350(1) or (2) and, in its own name, a commission established pursuant to of KRS 91A.350(1) is authorized and empowered to issue revenue bonds pursuant to KRS Chapter 58 for public projects. Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any cost for the acquisition of real estate, the construction of buildings and appurtenances, the preparation of plans and specifications, and legal and other services incidental to the project or to the issuance of the bonds. The payment of the bonds, with interest, may be secured by a pledge of and a first lien on all of the receipts and revenue derived, or to be derived, from the rental or operation of the property involved. Bond and interest obligations issued pursuant to this section shall not constitute an indebtedness of the county, consolidated local government, or city. All bonds sold under the authority of this section shall be subject to competitive bidding as provided by law, and shall bear interest at a rate not to exceed that established for bonds issued for public projects under KRS Chapter 58.

(9) A commission established pursuant to KRS 91A.350(3) is authorized and empowered to issue revenue bonds in its own name, payable solely from its income and revenue, pursuant to KRS Chapter 58 for revenue bonds for public projects. Bonds issued for the purposes of KRS 91A.345 to 91A.394, may be used to pay any cost for the acquisition of real estate, the construction of buildings and appurtenances, the preparation of plans and specifications, and legal and other services incidental to the project or to the issuance of the bonds. The payment of the bonds, with interest, may be secured by a pledge of and a first lien on all of the receipts and revenue derived, or to be derived, from the rental or operation of the property involved. Bond and interest obligations issued pursuant to this section shall not constitute an indebtedness of the county. All bonds sold pursuant to this section shall be subject to competitive bidding as provided by law, and shall not bear interest at rates exceeding those for bonds issued for public projects under KRS Chapter 58.

➔Section 17. KRS 154.30-010 is amended to read as follows:

As used in this subchapter:

(1) "Activation date" means:

(a) For all projects except those described in paragraph (b) of this subsection, the date established any time within a two (2) year period after the commencement date. The Commonwealth may extend the two (2) year period to no more than four (4) years upon written application by the agency requesting the extension; and

(b) For signature projects approved under KRS 154.30-050***(3)***~~[(2)]~~(a), the date established any time within a ten (10) year period after the commencement date.

For all projects established after July 14, 2018, the activation date is the date on which the time period for the pledge of incremental revenues shall commence. To implement the activation date, the minimum capital investment must be met and the agency that is a party to the tax incentive agreement shall notify the office;

(2) "Agency" means:

(a) An urban renewal and community development agency established under KRS Chapter 99;

(b) A development authority established under KRS Chapter 99;

(c) A nonprofit corporation;

(d) A housing authority established under KRS Chapter 80;

(e) An air board established under KRS 183.132 to 183.160;

(f) A local industrial development authority established under KRS 154.50-301 to 154.50-346;

(g) A riverport authority established under KRS 65.510 to 65.650; or

(h) A designated department, division, or office of a city or county;

(3) ***(a)*** "Approved public infrastructure costs" means costs associated with the acquisition, installation, construction, or reconstruction of public works, public improvements, and public buildings, including planning and design costs associated with the development of ***the***~~[such]~~ public amenities.

(b) "Approved public infrastructure costs" includes but is not limited to costs incurred for the following:

1.~~[(a)]~~ Land preparation, including demolition and clearance work;

2.~~[(b)]~~ Buildings;

3.~~[(c)]~~ Sewers and storm drainage;

4.~~[(d)]~~ Curbs, sidewalks, promenades, and pedways;

5.~~[(e)]~~ Roads;

6.~~[(f)]~~ Street lighting;

7.~~[(g)]~~ The provision of utilities;

8.~~[(h)]~~ Environmental remediation;

9.~~[(i)]~~ Floodwalls and floodgates;

10.~~[(j)]~~ Public spaces or parks;

11.~~[(k)]~~ Parking;

12.~~[(l)]~~ Easements and rights-of-way;

13.~~[(m)]~~ Transportation facilities;

14.~~[(n)]~~ Public landings;

15.~~[(o)]~~ Amenities, ***including***~~[such as]~~ fountains, benches, and sculptures; and

16.~~[(p)]~~ Riverbank modifications and improvements;

(4) "Approved signature project costs" means:

(a) The acquisition of land for portions of the project that are for infrastructure; and

(b) Costs associated with the acquisition, installation, development, construction, improvement, or reconstruction of infrastructure, including planning and design costs associated with the development of infrastructure, including but not limited to parking structures, including portions of parking structures that serve as platforms to support development above;

that have been determined by the commission to represent a unique challenge in the financing of a project such that the project could not be developed without incentives intended by this chapter to foster economic development;

(5) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;

(6) "Capital investment" means:

(a) Obligations incurred for labor and to contractors, subcontractors, builders, and materialmen in connection with the acquisition, construction, installation, equipping, and rehabilitation of a project;

(b) The cost of acquiring land or rights in land within the development area on the footprint of the project, and any cost incident thereto, including recording fees;

(c) The cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of acquisition, construction, installation, equipping, and rehabilitation of a project which is not paid by the contractor or contractors or otherwise provided;

(d) All costs of architectural and engineering services, including test borings, surveys, estimates, plans, specifications, preliminary investigations, supervision of construction, and the performance of all the duties required by or consequent upon the acquisition, construction, installation, equipping, and rehabilitation of a project;

(e) All costs that are required to be paid under the terms of any contract for the acquisition, construction, installation, equipping, and rehabilitation of a project; and

(f) All other costs of a nature comparable to those described in this subsection that occur after preliminary approval;

(7) "City" means any city, consolidated local government, or urban-county government;

(8) "Commencement date" means the final approval date or the date on which a tax incentive agreement is executed;

(9) "Commonwealth" means the Commonwealth of Kentucky;

(10) "County" means any county, consolidated local government, charter county, unified local government, or urban-county government;

(11) "CPI" means the nonseasonally adjusted Consumer Price Index for all urban consumers, all items, base year computed for 1982 to 1984 equals one hundred (100), published by the United States Department of Labor, Bureau of Labor Statistics;

(12) "Department" means the Department of Revenue;

(13) "Development area" means an area established under KRS 65.7049, 65.7051, and 65.7053;

(14) "Economic development projects" means projects which are approved for tax credits under Subchapter 20, 22, 23, 24, 25, 26, 27, 28, 34, or 48 of KRS Chapter 154;

(15) "Financing costs" means principal, interest, costs of issuance, debt service reserve requirements, underwriting discount, costs of credit enhancement or liquidity instruments, and other costs directly related to the issuance of bonds or debt for approved public infrastructure costs or approved signature project costs for projects approved pursuant to KRS 154.30-050;

(16) "Footprint" means the actual perimeter of a discrete, identified project within a development area. The footprint shall not include any portion of a development area outside the area for which actual capital investments are made and must be contiguous;

(17) "Governing body" means the body possessing legislative authority in a city or county;

(18) "Increment bonds" means bonds and notes issued for the purpose of paying the costs of one (1) or more projects;

(19) "Incremental revenues" means:

(a) The amount of revenues received by a taxing district, as determined by subtracting old revenues from new revenues in a calendar year with respect to a development area, or a project within a development area; or

(b) The amount of revenues received by the Commonwealth as determined by subtracting old revenues from new revenues in a calendar year with respect to the footprint;

(20) "Local participation agreement" means the agreement entered into under KRS 65.7063;

(21) "Local tax revenues" has the same meaning as in KRS 65.7045;

(22) "Modified new revenues for income tax" means the amount of individual income tax included in state tax revenues that is:

(a) The result of multiplying the portion of state tax revenues from individual income taxes by the modifier;

(b) Used for calculating state tax revenues in calendar years 2023 to 2026; and

(c) For projects approved prior to January 1, 2023;

(23) "Modifier" means the result of dividing the individual income tax rate of five percent (5%), in effect as of December 31, 2022, by the individual income tax rate under KRS 141.020 for the calendar year in which the new revenues for income tax are being computed;

(24) "New revenues" means:

(a) The amount of local tax revenues received by a taxing district with respect to a development area in any calendar year beginning with the year in which the activation date occurred; and

(b) The amount of state tax revenues received by the Commonwealth with respect to the footprint in any calendar year beginning with the year in which the activation date occurred.

For projects approved prior to January 1, 2023, any state tax revenues received by the Commonwealth from individual income tax shall be computed using modified new revenues for income tax;

(25) "Old revenues" means:

(a) The amount of local tax revenues received by a taxing district with respect to a development area as of December 31 of the year of preliminary approval; or

(b) 1. The amount of state tax revenues received by the Commonwealth within the footprint as of December 31 of the year of preliminary approval. If the authority determines that the amount of state tax revenues received as of December 31 of the last calendar year prior to the commencement of preliminary approval does not represent a true and accurate depiction of revenues, the authority may consider revenues for a period of no longer than three (3) calendar years prior to the year of preliminary approval, so as to determine a fair representation of state tax revenues. The amount determined by the authority shall be specified in the tax incentive agreement. If state tax revenues were derived from the footprint prior to the year of preliminary approval, old revenues shall increase each calendar year by:

a. The percentage increase, if any, of the CPI or a comparable index; or

b. An alternative percentage increase that is determined to be appropriate by the authority.

The method for increasing old revenues shall be set forth in the tax incentive agreement;

2. If state revenues were derived from the footprint prior to the year of preliminary approval, the calculation of incremental revenues shall be based on the value of old revenues as increased using the method prescribed in subparagraph 1. of this paragraph to reflect the same calendar year as is used in the determination of new revenues;

(26) "Outstanding" means increment bonds that have been issued, delivered, and paid for by the purchaser, except any of the following:

(a) Increment bonds canceled upon surrender, exchange, or transfer, or upon payment or redemption;

(b) Increment bonds in replacement of which or in exchange for which other increment bonds have been issued; or

(c) Increment bonds for the payment, redemption, or purchase for cancellation prior to maturity, of which sufficient moneys or investments, in accordance with the ordinance or other proceedings or any applicable law, by mandatory sinking fund redemption requirements, or otherwise, have been deposited, and credited in a sinking fund or with a trustee or paying or escrow agent, whether at or prior to their maturity or redemption, and, in the case of increment bonds to be redeemed prior to their stated maturity, notice of redemption has been given or satisfactory arrangements have been made for giving notice of that redemption, or waiver of that notice by or on behalf of the affected bond holders has been filed with the issuer or its agent;

(27) "Preliminary approval" means the action taken by the authority preliminarily approving an eligible project for incentives under this subchapter;

(28) "Project" means any property, asset, or improvement located in a development area and certified by the governing body as:

(a) Being for a public purpose; and

(b) Being for the development of facilities for residential, commercial, industrial, public, recreational, or other uses, or for open space, including the development, rehabilitation, renovation, installation, improvement, enlargement, or extension of real estate and buildings; and

(c) Contributing to economic development or tourism; and

(d) Meeting the additional requirements established by KRS 154.30-040, 154.30-050, or 154.30-060;

(29) "Signature project" means a project approved under KRS 154.30-050;

(30) "State real property ad valorem tax" means real property ad valorem taxes levied under KRS 132.020(1)(a);

(31) "State tax revenues" means revenues received by the Commonwealth from one (1) or more of the following sources:

(a) State real property ad valorem taxes;

(b) Individual income taxes levied under KRS 141.020, other than individual income taxes that have already been pledged to support an economic development project within the development area;

(c) Corporation income taxes levied under KRS 141.040, other than corporation income taxes that have already been pledged to support an economic development project within the development area;

(d) Limited liability entity taxes levied under KRS 141.0401, other than limited liability entity taxes that have already been pledged to support an economic development project within the development area; and

(e) Sales taxes levied under KRS 139.200, excluding sales taxes already pledged for:

1. Approved tourism attraction projects, as defined in KRS 148.851, within the development area; and

2. Projects which are approved for sales tax refunds under Subchapter 20 of KRS Chapter 154 within the development area;

(32) "Tax incentive agreement" means an agreement entered into in accordance with KRS 154.30-070; and

(33) "Termination date" means:

(a) For a tax incentive agreement satisfying the requirements of KRS 154.30-040 or 154.30-060, a date established by the tax incentive agreement that is no more than twenty (20) years from the activation date. However, the termination date for a tax incentive agreement shall in no event be more than forty (40) years from the establishment date of the development area to which the tax incentive agreement relates; and

(b) For a project grant agreement satisfying the requirements of KRS 154.30-050, a date established by the tax incentive agreement that is no more than thirty (30) years from the activation date. However, the

termination date for a tax incentive agreement shall in no event be more than forty (40) years from the establishment date of the development area to which the tax incentive agreement relates.

➔Section 18. KRS 154.30-030 is amended to read as follows:

(1) The Commonwealth shall offer three (3) tax increment financing participation programs. The first program, the criteria and details of which are set forth in KRS 154.30-040, relates to a pledge of state real property ad valorem taxes only. The second program, the criteria and details of which are set forth in KRS 154.30-050, is the Signature Projects Program. The third program, the criteria and details of which are set forth in KRS 154.30-060, relates to the pledge of state tax revenues to support mixed-use development in blighted urban areas.

(2) (a) A city or county that has established a development area pursuant to KRS 65.7049, 65.7051, and 65.7053, or an agency designated as the entity managing a development area established pursuant to KRS 65.7049, 65.7051, and 65.7053, may submit an application to the authority requesting that the Commonwealth participate in a project.

1. The application shall identify the specific program under which state participation is being requested and shall include the following attachments, in addition to any requirements developed by the authority pursuant to paragraph (b) of this subsection:

a. A copy of the ordinance adopted by the city or county establishing the development area;

b. A copy of the local participation agreement; and

c. Data and information supporting the determinations and findings required by KRS 65.7049.

2. The staff of the authority shall review the application to determine if the applicant has met all of the statutory and regulatory requirements established by this subchapter and shall notify the applicant in writing of its determination. This review shall be preliminary in nature and shall not constitute approval of the request. All applications for participation by the Commonwealth shall be reviewed by the authority for approval.

3. a. Applications meeting all statutory and regulatory requirements requesting participation by the Commonwealth pursuant to KRS 154.30-040, along with any supporting materials, shall be referred by the staff of the authority to the authority for consideration.

b. i. Applicants meeting all statutory and regulatory requirements requesting participation by the Commonwealth pursuant to KRS 154.30-050***(3)***~~[(2)]~~(b) or 154.30-060 shall be required to submit a report prepared by an independent consultant or financial adviser as described in subsection (6) of this section for the application to be complete. The staff of the authority shall notify ***the***~~[such]~~ applicants of the report requirements and shall provide information regarding the contents and requirements for the report at the same time it notifies the applicant of the results of its preliminary review.

ii. Upon receipt and review of the report, the staff of the authority shall refer the application and supporting information to the authority for consideration.

(b) Additional standards and requirements for the application process shall be established by the authority through the promulgation of administrative regulations in accordance with KRS Chapter 13A.

(3) (a) The authority may request any materials and make any inquiries concerning an application that the authority deems necessary.

(b) The authority shall, through the promulgation of administrative regulations in accordance with KRS Chapter 13A, establish commercially reasonable limitations on the financing costs that may be recovered under the provisions of KRS 154.30-050.

(4) Upon review of an application and other information available, the authority may pledge all or a portion of the state real property ad valorem tax incremental revenue of the Commonwealth or state tax revenues attributable to the footprint of the project, as limited by KRS 154.30-040, 154.30-050, or 154.30-060, whichever is applicable.

(a) If incremental revenues are pledged from less than one hundred percent (100%) of the footprint of the project, a description of the included portion of the development area shall be provided.

(b) State tax revenues from the development area that have not been pledged to projects within the development area may be used to support other economic development projects or tourism projects approved under KRS 139.536 and 148.851 to 148.860, provided that state tax revenues shall not be pledged more than once during the existence of the development area. Thus, state tax revenues pledged to support increment bonds issued for the development area, or a project in the development area shall not be pledged to support any other development area, project, program, development, or undertaking during the life of the development area. If less than one hundred percent (100%) of incremental revenues are pledged pursuant to the provisions of this subchapter, the remaining incremental revenues shall not be used to support other economic development projects or tourism projects approved under KRS 139.536 and 148.851 to 148.860.

(5) The pledge of incremental state real property ad valorem tax revenues or state tax revenues of the Commonwealth by the authority shall be implemented through the execution of a tax incentive agreement between the Commonwealth and the agency, city, or county, as the case may be, in accordance with KRS 154.30-070.

(6) (a) The authority shall engage the services of a qualified independent outside consultant or financial adviser to analyze the data related to the project and the development area and prepare the report required by subsection (2) of this section. The report shall include the following:

1. The estimated approved public infrastructure costs for the project and, if relevant, approved signature project costs, financing costs, and costs associated with land preparation, demolition, and clearance;

2. The feasibility of the project, taking into account the scope and location of the project;

3. The estimated amount of local tax revenues and state tax revenues, as applicable, that would be generated by the project over the period, which may be up to twenty (20) years or thirty (30) years, as applicable, from the activation date;

4. The estimated amount of local tax revenues and state tax revenues, as applicable, that would be displaced within the Commonwealth, for the purpose of quantifying economic activity which is being shifted over the same period as that set forth in subparagraph 3. of this paragraph. The projections for displaced activity shall include economic activity that is lost to the Commonwealth as a result of the project, as well as economic activity that is diverted to the project that formerly took place at existing establishments within the Commonwealth prior to the commencement date of the project;

5. The estimated amount of local and state old revenues that would have been generated in the footprint of the project in the absence of the project, computed over the same time period as set forth in subparagraph 3. of this paragraph;

6. In the process of estimating the revenues and impacts prescribed in subparagraphs 3. and 4. of this paragraph, the independent outside consultant shall not consider any of the following:

a. Revenues or economic impacts associated with any projects within the development area where the new project will be located; and

b. Revenues or economic impacts associated with economic development projects and approved Kentucky Tourism Development Act projects under KRS Chapter 148;

7. The relationship of the estimated incremental revenues to the financing needs, including any increment bonds, of the project;

8. When estimating the fiscal impact of the project, the consultant shall evaluate the amount of revenue estimated in subparagraph 3. of this paragraph and shall deduct the amounts estimated in subparagraphs 4. and 5. of this paragraph. The resulting difference shall be compared to the estimated incremental revenues to determine the presence or absence of a positive fiscal impact; and

9. A determination that the project will not occur if not for the designation of the development area, the granting of incremental revenues by the taxing district or districts, other than the Commonwealth, and the granting of the state tax incremental revenues.

(b) 1. The independent consultant or financial advisor shall consult with the Office of State Budget Director, and the Finance and Administration Cabinet in the development of the report.

2. The Office of State Budget Director and the staff of the authority, in collaboration with the independent consultant or financial advisor, shall agree on a methodology to be used and assumptions to be made by the independent consultant or financial consultant in preparing its report.

3. On the basis of the independent consultant's report and the other materials provided, prior to any approval of a project by the authority, the Office of State Budget Director and the Finance and Administration Cabinet shall certify to the authority whether there is a projected net positive economic impact to the Commonwealth and the expected amount of state tax incremental revenues from the project.

4. The city, county, or agency making the application shall pay all costs associated with the independent consultant's or financial advisor's report.

➔Section 19. KRS 241.010 is amended to read as follows:

As used in KRS Chapters 241 to 244, unless the context requires otherwise:

(1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from whatever source or by whatever process it is produced;

(2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether patented or not, containing alcohol in an amount in excess of more than one percent (1%) of alcohol by volume, which is fit for beverage purposes. It includes every spurious or imitation liquor sold as, or under any name commonly used for, alcoholic beverages, whether containing any alcohol or not. It does not include the following products:

(a) Medicinal preparations manufactured in accordance with formulas prescribed by the United States Pharmacopoeia, National Formulary, or the American Institute of Homeopathy;

(b) Patented, patent, and proprietary medicines;

(c) Toilet, medicinal, and antiseptic preparations and solutions;

(d) Flavoring extracts and syrups;

(e) Denatured alcohol or denatured rum;

(f) Vinegar and preserved sweet cider;

(g) Wine for sacramental purposes; and

(h) Alcohol unfit for beverage purposes that is to be sold for legitimate external use;

(3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine, or process that mixes liquor, spirits, or any other alcohol product with pure oxygen or by any other means produces a vaporized alcoholic product used for human consumption;

(b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler, nebulizer, atomizer, or other device that is designed and intended by the manufacturer to dispense a prescribed or over-the-counter medication or a device installed and used by a licensee under this chapter to demonstrate the aroma of an alcoholic beverage;

(4) "Automobile race track" means a facility primarily used for vehicle racing that has a seating capacity of at least thirty thousand (30,000) people;

(5) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:

(a) Composed of:

1. Distilled spirits that have been dispensed from their original sealed container; and

2. Other ingredients or alcoholic beverages;

(b) Placed into a barrel or container on the premises of a retail licensee; and

(c) Dispensed from the barrel or container as a retail sale by the drink;

(6) "Bed and breakfast" means a one (1) family dwelling unit that:

(a) Has guest rooms or suites used, rented, or hired out for occupancy or that are occupied for sleeping purposes by persons not members of the single-family unit;

(b) Holds a permit under KRS Chapter 219; and

(c) Has an innkeeper who resides on the premises or property adjacent to the premises during periods of occupancy;

(7) "Board" means the State Alcoholic Beverage Control Board created by KRS 241.030;

(8) "Bottle" means any container which is used for holding alcoholic beverages for the use and sale of alcoholic beverages at retail;

(9) "Brewer" means any person who manufactures malt beverages or owns, occupies, carries on, works, or conducts any brewery, either alone or through an agent;

(10) "Brewery" means any place or premises where malt beverages are manufactured for sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards, and storerooms connected with the premises; or where any part of the process of the manufacture of malt beverages is carried on; or where any apparatus connected with manufacture is kept or used; or where any of the products of brewing or fermentation are stored or kept;

(11) "Building containing licensed premises" means the licensed premises themselves and includes the land, tract of land, or parking lot in which the premises are contained, and any part of any building connected by direct access or by an entrance which is under the ownership or control of the licensee by lease holdings or ownership;

(12) "Cannabinoid" means a compound found in the hemp plant Cannabis sativa L. from a United States Department of Agriculture sanctioned domestic hemp production program and does not include cannabinoids derived from any other substance;

(13) "Cannabis-infused beverage":

(a) Means a properly permitted adult-use cannabinoid liquid product intended for human consumption that has intoxicating properties that change the function of the nervous system and results in alterations of perception, cognition, or behavior and shall not contain more than five (5) milligrams of intoxicating adult-use cannabinoids per twelve (12) ounce serving; and

(b) Shall not include:

1. Medicinal cannabis regulated under KRS Chapter 218B;

2. Any type of hemp tincture; and

3. Any product containing solely nonintoxicating cannabinoids;

(14) ~~[(12)]~~ "Caterer" means a person operating a food service business that prepares food in a licensed and inspected commissary, transports the food and alcoholic beverages to the caterer's designated and inspected banquet hall or to an agreed location, and serves the food and alcoholic beverages pursuant to an agreement with another person;

(15) ~~[(13)]~~ "Charitable organization" means a nonprofit entity recognized as exempt from federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec. 501(c)) or any organization having been established and continuously operating within the Commonwealth of Kentucky for charitable purposes for three (3) years and which expends at least sixty percent (60%) of its gross revenue exclusively for religious, educational, literary, civic, fraternal, or patriotic purposes;

(16) ~~[(14)]~~ "Cider" means any fermented fruit-based beverage containing seven percent (7%) or more alcohol by volume and includes hard cider and perry cider;

(17) ~~[(15)]~~ "City administrator" means city alcoholic beverage control administrator;

(18) ~~[(16)]~~ "Commercial airport" means an airport through which more than five hundred thousand (500,000) passengers arrive or depart annually;

(19) ~~[(17)]~~ (a) "Commercial quadricycle" means a vehicle equipped with a minimum of ten (10) pairs of fully operative pedals for propulsion by means of human muscular power and which:

1. Has four (4) wheels;
2. Is operated in a manner similar to that of a bicycle;
3. Is equipped with a minimum of thirteen (13) seats for passengers;
4. Has a unibody design;
5. Is equipped with a minimum of four (4) hydraulically operated brakes;
6. Is used for commercial tour purposes;
7. Is operated by the vehicle owner or an employee of the owner; and
8. Has an electrical assist system that shall only be used when traveling to or from its storage location while not carrying passengers.

(b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010 or 189.010;

(20) ~~[(18)]~~ "Commissioner" means the commissioner of the Department of Alcoholic Beverage Control;

(21) ~~[(19)]~~ "Consumer" means a person, persons, or business organization who purchases alcoholic beverages and who:

(a) Does not hold a license or permit issued by the department;

(b) Purchases the alcoholic beverages for personal consumption only and not for resale;

(c) Is of lawful drinking age; and

(d) Receives the alcoholic beverages in territory where the alcoholic beverages may be lawfully sold or received;

(22) ~~[(20)]~~ "Convention center" means any facility which, in its usual and customary business, provides seating for a minimum of one thousand (1,000) people and offers convention facilities and related services for seminars, training and educational purposes, trade association meetings, conventions, or civic and community events or for plays, theatrical productions, or cultural exhibitions;

(23) ~~[(21)]~~ "Convicted" and "conviction" means a finding of guilt resulting from a plea of guilty, the decision of a court, or the finding of a jury, irrespective of a pronouncement of judgment or the suspension of the judgment;

(24) ~~[(22)]~~ "County administrator" means county alcoholic beverage control administrator;

(25) ~~[(23)]~~ "Department" means the Department of Alcoholic Beverage Control;

(26) ~~[(24)]~~ "Dining car" means a railroad passenger car that serves meals to consumers on any railroad or Pullman car company;

(27) ~~[(25)]~~ "Discount in the usual course of business" means price reductions, rebates, refunds, and discounts given by wholesalers to distilled spirits and wine retailers pursuant to an agreement made at the time of the sale of the merchandise involved and are considered a part of the sales transaction, constituting reductions in price pursuant to the terms of the sale, irrespective of whether the quantity discount was:

(a) Prorated and allowed on each delivery;

(b) Given in a lump sum after the entire quantity of merchandise purchased had been delivered; or

(c) Based on dollar volume or on the quantity of merchandise purchased;

(28) ~~[(26)]~~ "Distilled spirits" or "spirits" means any product capable of being consumed by a human being which contains alcohol obtained by distilling, mixed with water or other substances in solution, except wine, hard cider, and malt beverages;

(29) ~~[(27)]~~ "Distiller" means any person who is engaged in the business of manufacturing distilled spirits at any distillery in the state and is registered in the Office of the Collector of Internal Revenue for the United States at Louisville, Kentucky;

(30) ~~[(28)]~~ "Distillery" means any place or premises where distilled spirits are manufactured for sale, and which are registered in the office of any collector of internal revenue for the United States. It includes any United States government bonded warehouse;

(31) ~~[(29)]~~ "Distributor" means any person who distributes malt beverages for the purpose of being sold at retail;

(32) ~~[(30)]~~ "Dry" means a territory in which a majority of the electorate voted to prohibit all forms of retail ***alcoholic beverage*** ~~[alcohol]~~ sales through a local option election held under KRS Chapter 242;

(33) ~~[(31)]~~ "Election" means:

(a) An election held for the purpose of taking the sense of the people as to the application or discontinuance of alcoholic beverage sales under KRS Chapter 242; or

(b) Any other election not pertaining to ***alcoholic beverages*** ~~[alcohol]~~;

(34) ~~[(32)]~~ "Horse racetrack" means a facility licensed to conduct a horse race meeting under KRS Chapter 230;

(35) ~~[(33)]~~ "Hotel" means a hotel, motel, or inn for accommodation of the traveling public, designed primarily to serve transient patrons;

(36) ~~[(34)]~~ "Investigator" means any employee or agent of the department who is regularly employed and whose primary function is to travel from place to place for the purpose of visiting licensees, and any employee or agent of the department who is assigned, temporarily or permanently, by the commissioner to duty outside the main office of the department at Frankfort, in connection with the administration of alcoholic beverage statutes;

(37) ~~[(35)]~~ "License" means any license issued pursuant to KRS Chapters 241 to 244;

(38) ~~[(36)]~~ "Licensee" means any person to whom a license has been issued, pursuant to KRS Chapters 241 to 244;

(39) ~~[(37)]~~ "Limited restaurant" means:

(a) A facility where the usual and customary business is the preparation and serving of meals to consumers, which has a bona fide kitchen facility, which receives at least seventy percent (70%) of its food and alcoholic beverage receipts from the sale of food, which maintains a minimum seating capacity of fifty (50) persons for dining, which has no open bar, which requires that alcoholic beverages be sold in conjunction with the sale of a meal, and which is located in a wet or moist territory under KRS 242.1244; or

(b) A facility where the usual and customary business is the preparation and serving of meals to consumers, which has a bona fide kitchen facility, which receives at least seventy percent (70%) of its food and alcoholic beverage receipts from the sale of food, which maintains a minimum seating capacity of one hundred (100) persons of dining, and which is located in a wet or moist territory under KRS 242.1244;

(40) ~~[(38)]~~ "Local administrator" means a city alcoholic beverage ***control*** administrator, county alcoholic beverage ***control*** administrator, or urban-county alcoholic beverage control administrator;

(41) ~~[(39)]~~ "Malt beverage" means any fermented undistilled alcoholic beverage of any name or description, manufactured from malt wholly or in part, or from any substitute for malt, and includes weak cider;

(42) ~~[(40)]~~ "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

(43) ~~[(41)]~~ "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other person engaged in the production or bottling of alcoholic beverages;

(44) ~~[(42)]~~ "Marina" means a dock or basin providing moorings for boats and offering supply, repair, or other services for remuneration;

(45) ~~[(43)]~~ "Minor" means any person who is not twenty-one (21) years of age or older;

(46) ~~[(44)]~~ "Moist" means a territory in which a majority of the electorate voted to permit limited ***alcoholic beverage*** ~~[alcohol]~~ sales by any one (1) or a combination of special limited local option elections authorized by KRS Chapter 242;

(47) ~~[(45)]~~ "Population" means the population figures established by the federal decennial census for a census year or the current yearly population estimates prepared by the Kentucky State Data Center, Urban Studies Center of the University of Louisville, Louisville, Kentucky, for all other years;

(48) ~~[(46)]~~ "Premises" means the land and building in and upon which any business regulated by alcoholic beverage statutes is operated or carried on. "Premises" shall not include as a single unit two (2) or more separate businesses of one (1) owner on the same lot or tract of land, in the same or in different buildings if physical and permanent separation of the premises is maintained, excluding employee access by keyed entry and emergency exits equipped with crash bars, and each has a separate public entrance accessible directly from

the sidewalk or parking lot. Any licensee holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this subsection, be ineligible to continue to hold his or her license or obtain a renewal, of the license;

(49) ~~[(47)]~~ "Primary source of supply" or "supplier" means the distiller, winery, brewer, producer, owner of the commodity at the time it becomes a marketable product, bottler, or authorized agent of the brand owner. In the case of imported products, the primary source of supply means either the foreign producer, owner, bottler, or agent of the prime importer from, or the exclusive agent in, the United States of the foreign distiller, producer, bottler, or owner;

(50) ~~[(48)]~~ "Private club" means a nonprofit social, fraternal, military, or political organization, club, or nonprofit or for-profit entity maintaining or operating a club room, club rooms, or premises from which the general public is excluded;

(51) ~~[(49)]~~ "Private selection event" means a private event with a licensed distiller during which participating consumers, retail licensees, wholesalers, distributors, or a distillery's own representatives select a single barrel or a blend of barrels of the distiller's products to be specially packaged for the participants;

(52) ~~[(50)]~~ "Private selection package" means a bottle of distilled spirits sourced from the barrel or barrels selected by participating consumers, retail licensees, wholesalers, distributors, microbreweries that hold a quota retail drink or quota retail package license, or a distillery's own representatives during a private selection event;

(53) ~~[(51)]~~ "Public nuisance" means a condition that endangers safety or health, is offensive to the senses, or obstructs the free use of property so as to interfere with the comfortable enjoyment of life or property by a community or neighborhood or by any considerable number of persons;

(54) ~~[(52)]~~ "Qualified historic site" means:

(a) A contributing property with dining facilities for at least fifty (50) persons at tables, booths, or bars where food may be served within a commercial district listed in the National Register of Historic Places;

(b) A site that is listed as a National Historic Landmark or in the National Register of Historic Places with dining facilities for at least fifty (50) persons at tables, booths, or bars where food may be served;

(c) A distillery which is listed as a National Historic Landmark and which conducts souvenir retail package sales under KRS 243.0305; or

(d) A not-for-profit or nonprofit facility listed on the National Register of Historic Places;

(55) ~~[(53)]~~ "Rectifier" means any person who rectifies, purifies, or refines distilled spirits, malt, or wine by any process other than as provided for on distillery premises, and every person who, without rectifying, purifying, or refining distilled spirits by mixing alcoholic beverages with any materials, manufactures any imitations of or compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine, spirits, cordials, bitters, or any other name;

(56) ~~[(54)]~~ "Repackaging" means the placing of alcoholic beverages in any retail container irrespective of the material from which the container is made;

(57) ~~[(55)]~~ "Restaurant" means a facility where the usual and customary business is the preparation and serving of meals to consumers, that has a bona fide kitchen facility, and that receives at least fifty percent (50%) of its food and alcoholic beverage receipts from the sale of food at the premises;

(58) ~~[(56)]~~ "Retail container" means any bottle, can, barrel, or other container which, without a separable intermediate container, holds alcoholic beverages and is suitable and destined for sale to a retail outlet, whether it is suitable for delivery or shipment to the consumer or not;

(59) ~~[(57)]~~ "Retail sale" means any sale of alcoholic beverages to a consumer, including those transactions taking place in person, electronically, online, by mail, or by telephone;

(60) ~~[(58)]~~ "Retailer" means any licensee who sells and delivers any alcoholic beverage to consumers, except for manufacturers with limited retail sale privileges and direct shipper licensees;

(61) ~~[(59)]~~ "Riverboat" means any boat or vessel with a regular place of mooring in this state that is licensed by the United States Coast Guard to carry forty (40) or more passengers for hire on navigable waters in or adjacent to this state;

(62) ~~[(60)]~~ "Sale" means any transfer, exchange, or barter for consideration, and includes all sales made by any person, whether principal, proprietor, agent, servant, or employee, of any alcoholic beverage;

(63) ~~[(61)]~~ "Service bar" means a bar, counter, shelving, or similar structure used for storing or stocking supplies of alcoholic beverages that is a workstation where employees prepare alcoholic beverage drinks to be delivered to customers away from the service bar;

(64) ~~[(62)]~~ "Sell" includes solicit or receive an order for, keep or expose for sale, keep with intent to sell, and the delivery of any alcoholic beverage;

(65) ~~[(63)]~~ "Small farm winery" means a winery whose wine production is not less than two hundred fifty (250) gallons and not greater than five hundred thousand (500,000) gallons in a calendar year;

(66) ~~[(64)]~~ "Souvenir package" means a special package of distilled spirits available from a licensed retailer that is:

(a) Available for retail sale at a licensed Kentucky distillery where the distilled spirits were produced or bottled; or

(b) Available for retail sale at a licensed Kentucky distillery but produced or bottled at another of that distiller's licensed distilleries in Kentucky;

(67) ~~[(65)]~~ "State administrator" or "administrator" means the distilled spirits administrator or the malt beverages administrator, or both, as the context requires;

(68) ~~[(66)]~~ "State park" means a state park that has a:

(a) Nine (9) or eighteen (18) hole golf course; or

(b) Full-service lodge and dining room;

(69) ~~[(67)]~~ "Supplemental bar" means a bar, counter, shelving, or similar structure used for serving and selling distilled spirits or wine by the drink for consumption on the licensed premises to guests and patrons from additional locations other than the main bar;

(70) ~~[(68)]~~ "Territory" means a county, city, district, or precinct;

(71) ~~[(69)]~~ "Urban-county administrator" means an urban-county alcoholic beverage control administrator;

(72) ~~[(70)]~~ "Valid identification document" means an unexpired, government-issued form of identification that contains the photograph and date of birth of the individual to whom it is issued;

(73) ~~[(71)]~~ "Vehicle" means any device or animal used to carry, convey, transport, or otherwise move alcoholic beverages or any products, equipment, or appurtenances used to manufacture, bottle, or sell these beverages;

(74) ~~[(72)]~~ "Vintage distilled spirit" means:

(a) A private selection package; or

(b) A package or packages of distilled spirits that:

1. Are in their original manufacturer's unopened container;

2. Are not owned by a distillery; and

3. Are not otherwise available for purchase from a licensed wholesaler within the Commonwealth;

(75) ~~[(73)]~~ (a) "Vintage distilled spirits seller" means a nonlicensed person at least twenty-one (21) years of age who is:

1. An administrator, executor, receiver, or other fiduciary who receives and sells vintage distilled spirits in execution of the person's fiduciary capacity;

2. A creditor who receives or takes possession of vintage distilled spirits as security for, or in payment of, debt, in whole or in part;

3. A public officer or court official who levies on vintage distilled spirits under order or process of any court or magistrate to sell the vintage distilled spirits in satisfaction of the order or process; or

4. Any other person not engaged in the business of selling alcoholic beverages.

(b) "Vintage distilled spirits seller" does not mean:

1. A person selling alcoholic beverages as part of an approved KRS 243.630 transfer; or

2. A person selling alcoholic beverages as authorized by KRS 243.540;

(76)~~[(74)]~~ "Warehouse" means any place in which alcoholic beverages are housed or stored;

(77)~~[(75)]~~ "Weak cider" means any fermented fruit-based beverage containing more than one percent (1%) but less than seven percent (7%) alcohol by volume;

(78)~~[(76)]~~ "Wet" means a territory in which a majority of the electorate voted to permit all forms of retail ***alcoholic beverage***~~[alcohol]~~ sales by a local option election under KRS 242.050 or 242.125 on the following question: "Are you in favor of the sale of alcoholic beverages in (name of territory)?";

(79)~~[(77)]~~ "Wholesale sale" means a sale to any person for the purpose of resale;

(80)~~[(78)]~~ "Wholesaler" means any person who distributes alcoholic beverages for the purpose of being sold at retail, but it shall not include a subsidiary of a manufacturer or cooperative of a retail outlet;

(81)~~[(79)]~~ "Wine" means the product of the normal alcoholic fermentation of the juices of fruits, with the usual processes of manufacture and normal additions, and includes champagne and sparkling and fortified wine of an alcoholic content not to exceed twenty-four percent (24%) by volume. It includes sake, cider, hard cider, and perry cider and also includes preparations or mixtures vended in retail containers if these preparations or mixtures contain not more than fifteen percent (15%) of alcohol by volume. It does not include weak cider; and

(82)~~[(80)]~~ "Winery" means any place or premises in which wine is manufactured from any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials are compounded, except a place or premises that manufactures wine for sacramental purposes exclusively.

➔Section 20. KRS 243.720 is amended to read as follows:

(1) (a) There is levied upon the use, sale, or distribution by sale or gift of distilled spirits a tax of one dollar and ninety-two cents ($1.92) on each wine gallon of distilled spirits, and a proportional rate per gallon on all distilled spirits used, sold, or distributed in any container of more or less than one (1) gallon, but the rate of the excise tax on spirits in retail containers of one-half (1/2) pint shall be twelve cents ($0.12); and

(b) Notwithstanding the provisions of paragraph (a) of this subsection, distilled spirits placed in containers for sale at retail, where the distilled spirits represent six percent (6%) or less of the total volume of the contents of ***the***~~[such]~~ containers, shall be taxed at the rate of twenty-five cents ($0.25) per gallon.

(2) There is levied upon the use, sale, or distribution by sale or gift of wine, a tax of fifty cents ($0.50) on each gallon of wine, and a proportional rate per gallon on the wine used, sold, or distributed in any container of more or less than one (1) gallon, but the tax shall not be less than four cents ($0.04) on the sale or distribution of any retail container of wine.

(3) (a) There is levied upon the sale or distribution by sale or gift of malt beverages an excise tax of two dollars and fifty cents ($2.50) on each barrel of thirty-one (31) gallons and a proportional rate per gallon on malt beverages sold or distributed in any container of more or less than thirty-one (31) gallons;

(b) Each brewer producing malt beverages in this state shall be entitled to a credit of fifty percent (50%) of the tax levied on each barrel of malt beverages sold in this state, up to three hundred thousand (300,000) barrels per annum.

(4) ***There is levied upon the use, sale, or distribution by sale or gift of cannabis-infused beverages a tax of one dollar and ninety-two cents ($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 one (1) gallon.***

(5) This section shall not apply to:

(a) Wine manufactured, sold, given away, or distributed and used solely for sacramental purposes; or

(b) Distilled spirits and wine purchased by holders of special licenses provided for in KRS 243.320 and purchased and used in the manner authorized by those licenses.

➔Section 21. KRS 243.730 is amended to read as follows:

(1) (a) Wholesalers of distilled spirits and wine shall pay and report the tax levied by KRS 243.720(1) and (2) on or before the twentieth day of the calendar month next succeeding the month in which possession or

title of the distilled spirits and wine is transferred from the wholesaler to retailers or consumers in this state, in accordance with ***administrative*** ~~[rules and]~~ regulations ***promulgated under KRS Chapter 13A*** ~~[of the Department of Revenue]~~ designed reasonably to protect the revenues of the Commonwealth.

(b) ***1.*** Distributors or retailers of malt beverages, who purchase malt beverages directly from a brewer, shall pay and report the tax levied by KRS 243.720(3) on or before the twentieth day of the calendar month next succeeding the month in which the brewer sells, transfers, or passes title of the malt beverage to the distributor or retailer, in accordance with ***administrative*** ~~[rules and]~~ regulations ***promulgated under KRS Chapter 13A*** ~~[of the Department of Revenue]~~ designed reasonably to protect the revenues of the Commonwealth.

2. The credit allowed brewers in this state, under the provisions of KRS 243.720(3)(b), shall flow through to the distributor or retailer who purchases malt beverages directly from the brewer.

3. If a brewer sells, transfers, or passes title to malt beverages to any of its employees for home consumption or to any charitable or fraternal organization pursuant to the provisions of KRS 243.150, the brewer shall be responsible for paying and reporting the tax levied by KRS 243.720(3) in accordance with the provisions of ***paragraph (d) of this*** subsection ~~[(c) of this section]~~.

(c) ***Cannabis-infused beverage distributors shall pay and report the tax levied by subsection (4) of Section 20 of this Act on or before the twentieth day of the calendar month next succeeding the month in which possession or title of the cannabis-infused beverages are transferred from the cannabis-infused beverage distributor to retailers or consumers in this state, in accordance with administrative regulations promulgated under KRS Chapter 13A designed reasonably to protect the revenues of the Commonwealth.***

(d) ***1.*** Every brewer selling, transferring, or passing title to malt beverages to any person in this state other than a distributor or retailer***;***

2. ***Every manufacturer of cannabis-infused beverages permitted by the Department for Public Health selling, transferring, or passing title to cannabis-infused beverages to any person in this state other than a distributor or retailer;*** ~~[,]~~ and

3. Every other person selling, transferring, or passing title of distilled spirits, wine, ~~[or]~~malt beverages***, or cannabis-infused beverages*** to distributors, retailers, ***cannabis-infused beverage licensees,*** or consumers***;***

shall report and pay the tax levied by KRS 243.720 ~~[(1), (2), or (3)]~~ on or before the twentieth day of the calendar month next succeeding the month in which possession or title of distilled spirits, wine, ~~[or]~~malt beverages***, or cannabis-infused beverages*** is transferred to a distributor, retailer, ***cannabis-infused beverage licensee,*** or consumer in this state, in accordance with ***administrative*** ~~[rules and]~~ regulations ***promulgated under KRS Chapter 13A*** ~~[of the Department of Revenue]~~ designed reasonably to protect the revenues of the Commonwealth.

(e) ~~[(d)]~~ Every distributor, retailer, or consumer possessing, using, selling, or distributing distilled spirits, wine, ~~[or]~~ malt beverages***, or cannabis-infused beverages*** in this state upon which the tax levied by KRS 243.720 ~~[(1), (2), or (3)]~~ and KRS 243.884 has not been paid shall be jointly and severally liable for reporting and paying the tax due, in accordance with ***administrative*** ~~[rules and]~~ regulations ***promulgated under KRS Chapter 13A*** ~~[of the Department of Revenue]~~ designed reasonably to protect the revenues of the Commonwealth. ***The*** ~~[Such]~~ liability shall not be extinguished until the tax has been paid to the Department of Revenue.

(f) ~~[(e)]~~ Notwithstanding the provisions of paragraph (a) of this subsection, every owner of a small farm winery shall pay and report the tax levied by KRS 243.720 (1) and (2) on a quarterly basis, in accordance with administrative regulations of the Department of Revenue designed reasonably to protect the revenues of the Commonwealth.

(2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by sale or gift distilled spirits and wine shall ***register*** ~~[qualify]~~ with the Department of Revenue.

(3) Every brewer before selling or distributing by sale or gift malt beverages, or before importing malt beverages into the state, shall ***register*** ~~[qualify]~~ with the Department of Revenue in ***a*** ~~[such]~~ manner as the Department of Revenue may require.

(4) Every manufacturer of cannabis-infused beverages before selling or distributing by sale or gift cannabis-infused beverages, or before importing cannabis-infused beverages into the state, shall:

(a) Obtain a permit as a food manufacturer through the Department for Public Health; and

(b) Register with the Department of Revenue in a manner as the Department of Revenue may require.

➔Section 22. KRS 243.790 is amended to read as follows:

The sale or distribution of alcoholic beverages ***or cannabis-infused beverages*** manufactured in or imported into this state for shipment permanently out of the state to be sold without the state and consumed without the state shall not be subject to the tax imposed by KRS 243.720. Provided, however, the Department of Revenue may, when necessary for the purpose of control enforcement or protection of revenue, prescribe the conditions under which containers of ***the***~~[such]~~ alcoholic beverages ***or cannabis-infused beverages*** for shipment permanently out of the state to be sold without the state and consumed without the state may be kept and trafficked in without payment of the tax.

➔Section 23. KRS 243.850 is amended to read as follows:

(1) For the purpose of assisting in the enforcement of ***Sections 20, 21, 22, and 24 of this Act***~~[KRS 243.720 to 243.850 and 243.884 or any amendments thereof]~~, every licensee, except retailers, whether subject to the payment of taxes imposed by ***Sections 20, 21, 22, and 24 of this Act***~~[said sections or any amendments thereof]~~, shall, on or before the twentieth day of each month, render to the Department of Revenue a statement, in writing, of all ~~[his]~~trafficking in alcoholic beverages ***or cannabis-infused beverages*** during the preceding month.

(2) ***The***~~[Such]~~ statement shall***:***

(a) Be taken directly from the records of the reporting licensee ***or manufacturer of cannabis-infused beverages permitted by the Department for Public Health***, and shall set forth on forms furnished by the Department of Revenue ***the required***~~[such]~~ information***; and***~~[as shall be required by it. such statement shall]~~

(b) Include ***alcoholic beverages or cannabis-infused beverages***~~[alcohol]~~ destined for sale outside the state, as well as alcoholic beverages ***or cannabis-infused beverages*** subject to the tax imposed by ***Sections 20, 21, 22, and 24 of this Act***~~[KRS 243.720 to 243.850 and 243.884 or any amendments thereof].[Provided, that]~~

(3) The Department of Revenue shall have authority to require from retail licensees***,*** ~~[and]~~other licensees, ***and manufacturers of cannabis-infused beverages,*** other reports and statements at ***the necessary***~~[such]~~ times~~[as are necessary]~~ for the enforcement of ***Sections 20, 21, 22, and 24 of this Act***~~[KRS 243.720 to 243.850 and 243.884 or any amendments thereof]~~.

➔Section 24. KRS 243.884 is amended to read as follows:

(1) (a) For the privilege of making "wholesale sales" or "sales at wholesale" of ***malt beverages***~~[beer]~~, wine, ~~[or]~~distilled spirits, ***or cannabis-infused beverages,*** a tax is hereby imposed upon all wholesalers of wine and distilled spirits, all distributors of ***malt beverages or***~~[beer,]~~ ***cannabis-infused beverages,*** all direct shipper licensees shipping ***alcoholic beverages***~~[alcohol]~~ ***or cannabis-infused beverages*** to a consumer at a Kentucky address, all distillers making sales pursuant to KRS 243.0305(3), (4)(a)1. and 2. and (c), (7), (9), (10), (12), and (13), all microbreweries selling malt beverages under KRS 243.157, ~~[and]~~all small farm wineries selling wine under KRS 243.155***, and all manufacturers of cannabis-infused beverages permitted by the Department for Public Health***.

(b) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent (11%) of the gross receipts of any ~~[such]~~wholesaler or distributor derived from "sales at wholesale" or "wholesale sales" made within the Commonwealth, except as provided in subsection (3) of this section. For the purposes of this section, the gross receipts of a microbrewery making "wholesale sales" shall be calculated by determining the dollar value amount that the microbrewer would have collected had it conveyed to a distributor the same volume sold to a consumer as allowed under KRS 243.157 (3)(b) and (c).

(c) ~~[On and after July 1, 2015,]~~The following rates shall apply ***to wholesale sales or sales at wholesale***:

1. For distilled spirits ***and cannabis-infused beverages***, eleven percent (11%)~~[of wholesale sales or sales at wholesale]~~; and

2. For wine ***and malt beverages,*** ~~[and beer:~~

~~a. Ten and three-quarters of one percent (10.75%) for wholesale sales or sales at wholesale made on or after July 1, 2015, and before June 1, 2016;~~

~~b. Ten and one-half of one percent (10.5%) for wholesale sales or sales at wholesale made on or after June 1, 2016, and before June 1, 2017;~~

~~c. Ten and one-quarter of one percent (10.25%) for wholesale sales or sales at wholesale made on or after June 1, 2017, and before June 1, 2018; and~~

~~d. ~~]ten percent (10%)~~[for wholesale sales or sales at wholesale made on or after June 1, 2018]~~.

(d) ~~[On and after March 12, 2021, ~~]The following rates shall apply for direct shipper sales:

1. For distilled spirits ***and cannabis-infused beverages*** shipments, eleven percent (11%) for wholesale sales or sales at wholesale; and

2. For wine ***and malt beverage***~~[and beer]~~ shipments, ten percent (10%) for wholesale sales or sales at wholesale.

(e) For direct shipper sales or sales made pursuant to KRS 243.0305, if a wholesale price is not readily available, the direct shipper licensee or distillery shall calculate the wholesale price to be seventy percent (70%) of the retail price of the alcoholic beverages.

(2) Wholesalers of distilled spirits and wine, distributors of malt beverages~~[,]~~ ***or cannabis-infused beverages,*** microbreweries, distillers, ***manufacturers of cannabis-infused beverages permitted by the Department for Public Health,*** and direct shipper licensees shall pay and report the tax levied by this section on or before the twentieth day of the calendar month next succeeding the month in which possession or title of the distilled spirits, wine,~~[or]~~ malt beverages***, or cannabis-infused beverages*** is transferred from the wholesaler or distributor to retailers, or by microbreweries, distillers, ***manufacturers of cannabis-infused beverages permitted by the Department for Public Health,*** or direct shipper licensees to consumers in this state, in accordance with ***administrative***~~[rules and]~~ regulations ***promulgated under KRS Chapter 13A***~~[of the Department of Revenue]~~ designed reasonably to protect the revenues of the Commonwealth.

(3) Gross receipts from sales at wholesale or wholesale sales shall not include the following sales:

(a) Sales made between wholesalers***,*** ~~[or]~~between distributors***, or between manufacturers of cannabis-infused beverages permitted by the Department for Public Health***;

(b) Sales from the first fifty thousand (50,000) gallons of wine produced by a small farm winery in a calendar year made by:

1. The small farm winery; or

2. A wholesaler of that wine produced by the small farm winery; and

(c) Sales made between a direct shipper licensee and a consumer located outside of Kentucky.

➔SECTION 25. A NEW SECTION OF KRS CHAPTER 246 IS CREATED TO READ AS FOLLOWS:

The General Assembly declares:

(1) Alternative fuels are vitally important to the Commonwealth because the alternative fuel may:

(a) Reduce pollution;

(b) Improve energy security; and

(c) Support the Commonwealth's economy;

(2) Alternative fuels derived from resources within the Commonwealth, including:

(a) Ethanol derived from corn;

(b) Biodiesel derived from soybean oil;

(c) Waste streams;

(d) Renewable or zero emissions energy sources;

(e) Gaseous carbon-18 oxides; and

(f) Alternative jet fuels generated by agricultural production facilities in the Commonwealth;

reduce undesirable impacts to the environment and provide additional demand for those resources;

(3) Environmental benefits resulting from alternative fuels include:

(a) Reduced harmful emissions, including carbon dioxide, carbon monoxide, and sulfur; and

(b) Improved air quality by reducing ozone-forming emissions;

(4) Alternative fuels may:

(a) Stimulate the economy;

(b) Create jobs across the Commonwealth;

(c) Diversify the Commonwealth's energy supply; and

(d) Reduce dependence on imported fuels;

through the development of a production network in the Commonwealth for consumers in the Commonwealth;

(5) There are various other benefits which may be achieved, including improved:

(a) Performance of vehicles that results in a reduction of operation costs for the citizens of the Commonwealth; and

(b) Transportation systems, including the creation of a sustainable supply; and

(6) Its commitment to:

(a) A full evaluation of the Commonwealth's jet fuel tax policy positions; and

(b) Furthering research and development to build an alternative fuels policy that may be declared the best in the nation.

➔SECTION 26. A NEW SECTION OF KRS CHAPTER 139 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Entertainment event":

1. Means a live performance or exhibition of musical, theatrical, cultural, culinary, or other artistic presentation; and

2. Does not include sporting events or tournaments;

(b) "Facility operator" means a person who owns or operates a venue;

(c) "Qualifying attraction" means a series of entertainment events which is:

1. Held at a venue over a duration of at least two (2) consecutive days;

2. Hosted by a sponsoring entity pursuant to an agreement with a facility operator that authorizes the sponsoring entity to conduct one (1) or more series of entertainment events annually during at least five (5) consecutive years; and

3. Open to the public upon purchase of tickets, with attendance totaling at least sixty thousand (60,000) admissions over the duration of each series of entertainment events;

(d) "Sponsoring entity" means the person hosting a qualifying attraction; and

(e) "Venue" means:

1. Public property located in a consolidated local government or an urban-county government which is owned, operated, or controlled by the consolidated local government or urban-county government;

2. A park located in a consolidated local government that is:

a. Open to the general public; and

b. Owned, operated, or controlled by any nonprofit corporation established under KRS 273.161 to 273.390;

3. Property located in a consolidated local government or an urban-county government that is owned, operated, or controlled by a public university; or

4. Privately owned property located in a consolidated local government or an urban-county government that is suitable for hosting entertainment events and qualifying attractions.

(2) Notwithstanding KRS 134.580 and 139.770:

(a) A sponsoring entity and facility operator shall be granted a sales tax incentive totaling fifty percent (50%) of the Kentucky sales tax generated by the sale of admissions to a qualifying attraction held at a venue, and the sales of tangible personal property and services at the qualifying attraction, including but not limited to the sale of food and beverage concessions, souvenirs, camping, and parking;

(b) The amount of the sales tax incentive authorized in paragraph (a) of this subsection shall be allocated as follows:

1. Fifty percent (50%) shall be paid to the facility operator and utilized to support operations and maintenance at the venue; and

2. Fifty percent (50%) shall be paid to the sponsoring entity of the qualifying attraction from which the sales taxes were generated;

(c) Only one (1) incentive request shall be made for each qualifying attraction each year;

(d) The sponsoring entity and facility operator shall have no obligation to refund or otherwise return any amount of the sales tax incentive to the persons from whom the sales tax was collected;

(e) The sales tax incentive shall be reduced by the vendor compensation allowed under KRS 139.570; and

(f) Interest shall not be allowed or paid on any sales tax incentive payment made under this section.

(3) The department shall accept initial applications for sales tax incentives under this section for qualifying attractions held on or after July 1, 2025.

(4) To be eligible for a sales tax incentive under this section, the sponsoring entity shall file an initial application with the department, which:

(a) Includes sufficient information regarding the qualifying attraction to demonstrate whether it qualifies for the sales tax incentive; and

(b) Is filed at least sixty (60) days prior to the date of the first entertainment event constituting the qualifying attraction.

(5) Within thirty (30) days of receipt of the initial application, the department shall notify the sponsoring entity of its preliminary approval or denial of the qualifying attraction.

(6) If the initial application is denied, the department shall provide the reason for the denial.

(7) After approval of its initial application and the completion of the qualifying attraction, a sponsoring entity shall apply for a sales tax incentive no earlier than thirty (30) days following the end of the month during which sales taxes that were generated from the qualifying attraction are collected. The application may aggregate eligible sales taxes from previous months if the events comprising the qualifying attraction were held in more than one (1) month.

(8) The department shall review each application for a sales tax incentive and determine if it meets the requirements of this section, pending the verification of required attendance.

(9) In determining eligibility for a sales tax incentive authorized under this section, the department shall waive the duration and attendance requirements listed in subsection (1)(c)1. and 3. of this section if the person requesting an incentive demonstrates that any delays, cancellations, or postponements were due to inclement weather or other extraordinary events beyond the control of the parties involved and that the weather or other extraordinary events rendered the satisfaction of the requirement impossible.

(10) Both the initial application and the sales tax incentive application shall be in the form prescribed by the department through the promulgation of an administrative regulation in accordance with KRS Chapter 13A.

(11) The department shall verify the amount of sales tax incentive and pay the allocations determined to be due in accordance with subsection (2)(b) of this section within forty-five (45) days of receipt of the later of:

(a) The application submitted under subsection (7) of this section; or

(b) All necessary supporting information required by the department to determine that the sponsoring entity is eligible for the incentive.

(12) (a) Prior to November 1, 2026, and continuing each November 1 thereafter to November 1, 2035, the department shall provide an annual report detailing information related to each qualifying attraction receiving incentives during the fiscal year concluding on June 30 of the reporting period.

(b) The department shall include the following information in the report:

1. The name of the qualifying attraction;

2. The venue where the qualifying attraction was held;

3. The name of the facility operator;

4. The name of the sponsoring entity;

5. The duration of the qualifying attraction and the number of admissions over that duration; and

6. The amount of incentive paid to the facility operator; and

7. The amount of incentive paid to the sponsoring entity.

(c) The information required to be reported under this subsection shall not be considered confidential taxpayer information and shall not be subject to KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes prohibiting disclosure or reporting of information.

(13) The provisions of this section shall expire on June 30, 2035, and a qualifying attraction held after June 30, 2035, shall not be eligible for the incentives authorized in this section.

(14) The General Assembly is committed to the research and development of tourism policies, including the aspiration to hold other entertainment events across the Commonwealth and especially in rural Kentucky.

➔Section 27. KRS 131.190 is amended to read as follows:

(1) No present or former commissioner or employee of the department, present or former member of a county board of assessment appeals, present or former property valuation administrator or employee, present or former secretary or employee of the Finance and Administration Cabinet, former secretary or employee of the Revenue Cabinet, or any other person, shall intentionally and without authorization inspect or divulge any information acquired by him or her of the affairs of any person, or information regarding the tax schedules, returns, or reports required to be filed with the department or other proper officer, or any information produced by a hearing or investigation, insofar as the information may have to do with the affairs of the person's business.

(2) The prohibition established by subsection (1) of this section shall not extend to:

(a) Information required in prosecutions for making false reports or returns of property for taxation, or any other infraction of the tax laws;

(b) Any matter properly entered upon any assessment record, or in any way made a matter of public record;

(c) Furnishing any taxpayer or his or her properly authorized agent with information respecting his or her own return;

(d) Testimony provided by the commissioner or any employee of the department in any court, or the introduction as evidence of returns or reports filed with the department, in an action for violation of state or federal tax laws or in any action challenging state or federal tax laws;

(e) Providing an owner of unmined coal, oil or gas reserves, and other mineral or energy resources assessed under KRS 132.820, or owners of surface land under which the unmined minerals lie, factual

information about the owner's property derived from third-party returns filed for that owner's property, under the provisions of KRS 132.820, that is used to determine the owner's assessment. This information shall be provided to the owner on a confidential basis, and the owner shall be subject to the penalties provided in KRS 131.990(2). The third-party filer shall be given prior notice of any disclosure of information to the owner that was provided by the third-party filer;

(f) Providing to a third-party purchaser pursuant to an order entered in a foreclosure action filed in a court of competent jurisdiction, factual information related to the owner or lessee of coal, oil, gas reserves, or any other mineral resources assessed under KRS 132.820. The department may promulgate an administrative regulation establishing a fee schedule for the provision of the information described in this paragraph. Any fee imposed shall not exceed the greater of the actual cost of providing the information or ten dollars ($10);

(g) Providing information to a licensing agency, the Transportation Cabinet, or the Kentucky Supreme Court under KRS 131.1817;

(h) Statistics of gasoline and special fuels gallonage reported to the department under KRS 138.210 to 138.448;

(i) Providing any utility gross receipts license tax return information that is necessary to administer the provisions of KRS 160.613 to 160.617 to applicable school districts on a confidential basis;

(j) Providing documents, data, or other information to a third party pursuant to an order issued by a court of competent jurisdiction;

(k) Publishing administrative writings on its official website in accordance with KRS 131.020(1)(b); or

(l) Providing information to the Legislative Research Commission under:

1. KRS 139.519 for purposes of the sales and use tax refund on building materials used for disaster recovery;

2. KRS 141.436 for purposes of the energy efficiency products credits;

3. KRS 141.437 for purposes of the ENERGY STAR home and the ENERGY STAR manufactured home credits;

4. KRS 141.383 for purposes of the film industry incentives;

5. KRS 154.26-095 for purposes of the Kentucky industrial revitalization ***credit***~~[tax credits]~~ and the job assessment fees;

6. KRS 141.068 for purposes of the Kentucky investment fund;

7. KRS 141.396 for purposes of the angel investor~~[tax]~~ credit;

8. KRS 141.389 for purposes of the distilled spirits credit;

9. KRS 141.408 for purposes of the inventory credit;

10. KRS 141.390 for purposes of the recycling and composting ***credits***~~[credit]~~;

11. KRS 141.3841 for purposes of the selling farmer~~[tax]~~ credit;

12. KRS 141.4231 for purposes of the renewable chemical production~~[tax]~~ credit;

13. KRS 141.524 for purposes of the Education Opportunity Account Program~~[tax]~~ credit;

14. KRS 141.398 for purposes of the development area~~[tax]~~ credit;

15. KRS 139.516 for~~[the]~~ purposes of the sales and use tax ***exemptions for***~~[exemption on]~~ the commercial mining of cryptocurrency;

16. KRS 141.419 for purposes of the decontamination~~[tax]~~ credit;

17. KRS 141.391 for purposes of the qualified broadband investment~~[tax]~~ credit;~~[and]~~

18. KRS 139.499 for purposes of the sales ***and use*** tax ***exemptions***~~[exemption]~~ for a qualified data center project***; and***

19. Section 26 of this Act for purposes of the sales and use tax incentive for a qualifying attraction.

(3) The commissioner shall make available any information for official use only and on a confidential basis to the proper officer, agency, board or commission of this state, any Kentucky county, any Kentucky city, any other state, or the federal government, under reciprocal agreements whereby the department shall receive similar or useful information in return.

(4) Access to and inspection of information received from the Internal Revenue Service is for department use only, and is restricted to tax administration purposes. Information received from the Internal Revenue Service shall not be made available to any other agency of state government, or any county, city, or other state, and shall not be inspected intentionally and without authorization by any present secretary or employee of the Finance and Administration Cabinet, commissioner or employee of the department, or any other person.

(5) Statistics of crude oil as reported to the department under the crude oil excise tax requirements of KRS Chapter 137 and statistics of natural gas production as reported to the department under the natural resources severance tax requirements of KRS Chapter 143A may be made public by the department by release to the Energy and Environment Cabinet, Department for Natural Resources.

(6) Notwithstanding any provision of law to the contrary, beginning with mine-map submissions for the 1989 tax year, the department may make public or divulge only those portions of mine maps submitted by taxpayers to the department pursuant to KRS Chapter 132 for ad valorem tax purposes that depict the boundaries of mined-out parcel areas. These electronic maps shall not be relied upon to determine actual boundaries of mined-out parcel areas. Property boundaries contained in mine maps required under KRS Chapters 350 and 352 shall not be construed to constitute land surveying or boundary surveys as defined by KRS 322.010 and any administrative regulations promulgated thereto.

➔Section 28. KRS 154.60-040 is amended to read as follows:

(1) As used in this section:

(a) ***"Actively engaged farmer" means a person who makes a significant contribution of:***

1. Land, capital, and equipment to a farming operation; and

2. Active personal labor or management to a farming operation;

(b) 1. "Agricultural assets" means:

a. Agricultural land which has been appraised by an individual certified by the Real Estate Appraisers Board created under KRS 324A.015; and

b. Buildings, facilities, machinery, equipment, agricultural products, or horticultural products, if:

i. Owned by the same ***seller***~~[selling farmer]~~ owning the agricultural land sold to ***an actively engaged farmer or***~~[a]~~ beginning farmer;

ii. Purchased at the same time and in the same transaction with the agricultural land; and

iii. Purchased with the intent to be used on the purchased agricultural land.

2. "Agricultural assets" does not mean:

a. A personal residence or any other residential structures;~~[and]~~

b. Any agricultural assets that have been previously included in an approved application for the Kentucky selling farmer tax credit; ***and***

c. Any land which has, is, or will be used in the production of solar power for personal or commercial purposes;

(c)~~[(b)]~~ "Agricultural land" means:

1. Any land located entirely in Kentucky that is zoned or permitted for farming, if the jurisdiction where the land is located has enacted an ordinance for zoning or permitting; and

2. a. Is a tract of land of at least ten (10) contiguous acres in area for a farming operation for agricultural products; or

b. Is a tract of land of at least five (5) contiguous acres in area for a farming operation for aquaculture or horticultural products;

owned by the ***seller***~~[selling farmer]~~ prior to the sale;

(d)~~[(c)]~~ "Agricultural products" means:

1. Livestock or livestock products;
2. Poultry or poultry products;
3. Milk or milk products; or
4. Field crops and other crops, including timber if approved by the authority;

(e)~~[(d)]~~ "Aquaculture" means the farming of fish, crustaceans, mollusks, aquatic plants, algae, or other similar organisms;

(f) "Beginning farmer" means an actively engaged farmer who has not previously held an ownership interest in agricultural land used for a farming operation for a period exceeding twenty (20) years prior to entering into an agreement to purchase agricultural assets from a seller;

(g) "Buyer" means an actively engaged farmer or beginning farmer who purchases agricultural assets from a seller;

(h) "Department" means the Department of Revenue organized under KRS 131.020;

(i)~~[(e)]~~"Farm product" means aquaculture, agricultural products, or horticultural products;

(j)~~[(f)]~~ 1. "Farming operation" means the management and operation of agricultural assets for the purpose of pursuing a profitable commercial business venture to produce agricultural products, horticultural products, or both for sale.

2. "Farming operation" does not mean any:

a.~~[Hobby farm, as determined by the Internal Revenue Service;~~

~~b.]~~ Nonprofit venture;

b.~~[c.]~~ Farm used primarily for storing agricultural products or horticultural products; or

c.~~[d.]~~ Farm used to grow or raise agricultural products or horticultural products primarily for use by the immediate family members or owners of the agricultural assets;

(k)~~[(g)]~~ "Horticultural products" means orchards, fruits, vegetables, nuts, flowers, or ornamental plants;~~[and]~~

(l)~~[(h)]~~ "Immediate family member" means any of the following in relation to any owner or spouse of the owner of the agricultural assets:

1. Parent or grandparent;
2. Children or their spouses; or
3. Siblings or their spouses***;***

(m) "Seller" means any individual or entity subject to the tax imposed by KRS 141.020 or 141.040 and 141.0401; and

(n) "Significant contribution" has the same meaning as in 7 C.F.R. sec. 1400.3.

(2) Any incentive offered to an eligible company under the Selling Farmer Tax Credit Program shall be negotiated by Cabinet for Economic Development officials and shall be subject to approval by the authority.

(3) The purpose of the Selling Farmer Tax Credit Program is to promote the continued use of agricultural land in Kentucky for farming purposes by granting a tax credit to a ***seller***~~[selling farmer]~~ who agrees to sell agricultural assets to ***an actively engaged farmer or*** a beginning farmer.

(4) ***A seller***~~[Selling farmers]~~ wanting to sell agricultural assets may be eligible for a tax credit up to five percent (5%) of the selling price of qualifying agricultural assets, subject to:

(a) A twenty-five thousand dollar ($25,000) cap for each taxable year of the ***seller when agricultural assets are sold to an actively engaged farmer who does not meet the definition of a beginning*** ~~[selling]~~ farmer;

(b) ***A fifty thousand dollar ($50,000) cap for each taxable year of the seller when agricultural assets are sold to a beginning farmer;***

(c) A one hundred thousand dollar ($100,000) lifetime cap for each ***seller*** selling ***to an actively engaged*** farmer; ~~[and]~~

(d) A two hundred thousand dollar ($200,000) lifetime cap for each seller selling to a beginning farmer; and

(e) ~~[(c)]~~ A proration by the authority based on the overall cap shared between the Small Business Tax Credit Program and the Selling Farmer Tax Credit Program cap of three million dollars ($3,000,000) under KRS 154.60-020.

(5) The tax credit allowed in subsection (4) of this section may be claimed under KRS 141.3841.

(6) In order to be eligible to receive approval for a tax credit, ***the seller*** ~~[a selling farmer]~~ shall, at a minimum:

(a) 1. a. Be registered with the Kentucky Secretary of State; and

b. Be in good standing with the Kentucky Secretary of State; or

2. If not required to be registered with the Kentucky Secretary of State, be a ***taxpayer*** ~~[resident]~~ of Kentucky;

(b) Prior to a sale of agricultural assets, be a small business with fifty (50) or fewer full-time employees and be the sole legal owner of agricultural assets sold to ***an actively engaged farmer or*** a beginning farmer;

(c) Not be a farm equipment dealer, livestock dealer, or similar entity primarily engaged in the business of selling agricultural assets for profit and not engaged in farming as a primary business activity;

(d) Not be a bank or any other similar lending or financial institution;

(e) Not be:

1. An owner, partner, member, shareholder, or trustee;

2. A spouse of an owner, partner, member, shareholder, or trustee; ***or***

3. An immediate family member of any of the owners, partners, members, shareholders, or trustees;

of the ***actively engaged farmer or*** beginning farmer to whom the ***seller*** ~~[selling farmer]~~ is seeking to sell agricultural assets;

(f) 1. Demonstrate management and operation of real and personal property for the production of a farm product;

2. Execute and effectuate a purchase contract to sell agricultural land with ***an actively engaged farmer or*** a beginning farmer for an amount evidenced by an appraisal; and

(g) Sell, convey, and transfer ownership of related agricultural assets to ***an actively engaged farmer or*** a beginning farmer.

(7) In order for the ***seller*** ~~[selling farmer]~~ to qualify for the tax credit, ***an actively engaged farmer or*** a beginning farmer shall, at a minimum:

(a) 1. a. Be registered with the Kentucky Secretary of State; and

b. Be in good standing with the Kentucky Secretary of State; or

2. If not required to be registered with the Kentucky Secretary of State, be a resident of Kentucky;

(b) Possess all licenses, registrations, and experience needed to legally operate a farming operation within the jurisdiction for the agricultural land purchased from a ***the seller*** ~~[selling farmer]~~;

(c) ~~[Not previously have held an ownership interest in agricultural land used for a farming operation for a period exceeding ten (10) years prior to entering into an agreement to purchase agricultural assets from a selling farmer;~~

~~(d)~~] Not have an ownership interest in any of the agricultural assets included in the transaction with the ***seller***~~[selling farmer]~~; and

(d)~~[(e)]~~ Provide a majority of the management, and materially participate in the operation of a for-profit farming operation located in Kentucky and purchased from a ***seller***~~[selling farmer]~~, with the intent to continue a for-profit farming operation on the purchased agricultural land for a minimum of ***ten (10)***~~[five (5)]~~ years after the sale date.

(8) The ***seller***~~[selling farmer]~~ shall submit an application~~[after consummation of the sale, transfer of title, and conveyance of agricultural assets together]~~ with all information necessary for the authority to determine eligibility for the tax credit.

(9) ***The authority may consider applications prior to the consummation of the sale, transfer of title, and conveyance of agricultural assets.***

(10) An application for the selling farmer tax credit shall contain, at a minimum, information about the:

(a) ***Seller and buyer***~~[Selling farmer and purchasing beginning farmer eligibility]~~;

(b) Purchase contract and closing statement;

(c) Documentation, such as a deed, title conveyance for the transfer of assets, including verification of Kentucky residency ***of the buyer***; and

(d) Any other information the authority may require to determine eligibility for the credit.

(11)~~[(10)]~~ For each approved application, the authority shall transmit to the department~~[of Revenue]~~ sufficient information about the ***seller***~~[selling farmer]~~ to ensure compliance with this section and KRS 141.3841, including the amount of approved tax credit allowed to the ***seller***~~[selling farmer]~~.

(12) If the buyer fails to meet the requirements of this section, the department shall assess a penalty against the buyer in an amount equal to the tax credit awarded to the seller. The department may assess an additional penalty in excess of the tax credit awarded.

(13) (a) The selling farmer tax credit shall sunset on December 31, 2031, and new applications shall not be accepted or considered on or after December 31, 2031.

(b) All outstanding applications with preliminary or final approval under this subchapter as of December 31, 2031, shall continue to be governed by the provisions of this subchapter.~~[~~

~~(11) Beginning January 1, 2020, the authority may approve selling farmer tax credits.]~~

➔Section 29. KRS 141.3841 is amended to read as follows:

(1) The selling ***farmer***~~[farmers]~~ tax credit permitted by KRS 154.60-040:

(a) Shall be nonrefundable and nontransferable; and

(b) May be claimed against the taxes imposed in KRS 141.020 or 141.040 and 141.0401, with the ordering of the credit as provided in KRS 141.0205.

(2) (a) The maximum amount of credit that may be claimed by a ***seller***~~[selling farmer]~~ in each taxable year is limited to:

1. No more than the total amount of credit approved by the Kentucky Economic Development Finance Authority;

2. Twenty-five thousand dollars ($25,000) ***cap for each taxable year of the seller when agricultural assets are sold to an actively engaged farmer who does not meet the definition of a beginning farmer;***

3. Fifty thousand dollars ($50,000) cap for each taxable year of the seller when agricultural assets are sold to a beginning farmer;

4. One hundred thousand dollars ($100,000) lifetime cap for each seller selling to an actively engaged farmer; and

5. Two hundred thousand dollars ($200,000) lifetime cap for each seller selling to a beginning farmer~~[in any taxable year; and~~

~~3. No more than one hundred thousand dollars ($100,000) total tax credit over the lifetime of the selling farmer]~~.

(b) The credit shall be first claimed on the tax return for the taxable year during which the credit was approved.

(c) Any unused credit in a taxable year may be carried forward for up to five (5) taxable years and, if not utilized within the five (5) year period, shall be lost.

(3) In order for the General Assembly to evaluate the fulfillment of the purpose stated in KRS 154.60-040, the department shall provide the following information, on a cumulative basis, for each ***seller***~~[selling farmer]~~, for each taxable year:

(a) The location, by county, of the agricultural assets sold to ***an actively engaged farmer or*** a beginning farmer and approved for a tax credit under KRS 154.60-040;

(b) The total amount of tax credit approved by the Kentucky Economic Development Finance Authority for each ***seller***~~[selling farmer]~~;

(c) The amount of tax credit claimed for each ***seller***~~[selling farmer]~~ in each taxable year; and

(d) 1. In the case of all taxpayers other than corporations, based on ranges of adjusted gross income of no larger than five thousand dollars ($5,000) for the taxable year, the total amount of tax credits claimed and the number of returns claiming a tax credit for each adjusted gross income range; and

2. In the case of all corporations, based on ranges of net income no larger than fifty thousand dollars ($50,000) for the taxable year, the total amount of tax credit claimed and the number of returns claiming a tax credit for each net income range.

(4) The report required by subsection (3) of this section shall be submitted to the Interim Joint Committee on Appropriations and Revenue beginning no later than November 1, 2021, and no later than each November 1 thereafter, as long as the credit is claimed on any return processed by the department.

➔Section 30. KRS 141.010 is amended to read as follows:

As used in this chapter, for taxable years beginning on or after January 1, 2018:

(1) "Adjusted gross income," in the case of taxpayers other than corporations, means the amount calculated in KRS 141.019;

(2) "Captive real estate investment trust" means a real estate investment trust as defined in Section 856 of the Internal Revenue Code that meets the following requirements:

(a) 1. The shares or other ownership interests of the real estate investment trust are not regularly traded on an established securities market; or

2. The real estate investment trust does not have enough shareholders or owners to be required to register with the Securities and Exchange Commission;

(b) 1. The maximum amount of stock or other ownership interest that is owned or constructively owned by a corporation equals or exceeds:

a. Twenty-five percent (25%), if the corporation does not occupy property owned, constructively owned, or controlled by the real estate investment trust; or

b. Ten percent (10%), if the corporation occupies property owned, constructively owned, or controlled by the real estate investment trust.

The total ownership interest of a corporation shall be determined by aggregating all interests owned or constructively owned by a corporation; and

2. For the purposes of this paragraph:

a. "Corporation" means a corporation taxable under KRS 141.040, and includes an affiliated group as defined in KRS 141.200, that is required to file a consolidated return pursuant to KRS 141.200; and

b. "Owned or constructively owned" means owning shares or having an ownership interest in the real estate investment trust, or owning an interest in an entity that owns shares or

has an ownership interest in the real estate investment trust. Constructive ownership shall be determined by looking across multiple layers of a multilayer pass-through structure; and

(c) The real estate investment trust is not owned by another real estate investment trust;

(3) "Commissioner" means the commissioner of the department;

(4) "Corporation" has the same meaning as in Section 7701(a)(3) of the Internal Revenue Code;

(5) "Critical infrastructure" means property and equipment owned or used by communications networks, electric generation, transmission or distribution systems, gas distribution systems, or water or wastewater pipelines that service multiple customers or citizens, including but not limited to real and personal property such as buildings, offices, lines, poles, pipes, structures, or equipment;

(6) "Declared state disaster or emergency" means a disaster or emergency event for which:

(a) The Governor has declared a state of emergency pursuant to KRS 39A.100; or

(b) A presidential declaration of a federal major disaster or emergency has been issued;

(7) "Department" means the Department of Revenue;

(8) "Dependent" means those persons defined as dependents in the Internal Revenue Code;

(9) "Disaster or emergency-related work" means repairing, renovating, installing, building, or rendering services that are essential to the restoration of critical infrastructure that has been damaged, impaired, or destroyed by a declared state disaster or emergency;

(10) "Disaster response business" means any entity:

(a) That has no presence in the state and conducts no business in the state, except for disaster or emergency-related work during a disaster response period;

(b) Whose services are requested by a registered business or by a state or local government for purposes of performing disaster or emergency-related work in the state during a disaster response period; and

(c) That has no registrations, tax filings, or nexus in this state other than disaster or emergency-related work during the calendar year immediately preceding the declared state disaster or emergency;

(11) "Disaster response employee" means an employee who does not work or reside in the state, except for disaster or emergency-related work during the disaster response period;

(12) "Disaster response period" means a period that begins ten (10) days prior to the first day of the Governor's declaration under KRS 39A.100, or the President's declaration of a federal major disaster or emergency, whichever occurs first, and that extends thirty (30) calendar days after the declared state disaster or emergency;

(13) "Doing business in this state" includes but is not limited to:

(a) Being organized under the laws of this state;

(b) Having a commercial domicile in this state;

(c) Owning or leasing property in this state;

(d) Having one (1) or more individuals performing services in this state;

(e) Maintaining an interest in a pass-through entity doing business in this state;

(f) Deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust doing business in this state, or deriving income directly or indirectly from a single-member limited liability company that is doing business in this state and is disregarded as an entity separate from its single member for federal income tax purposes; or

(g) Directing activities at Kentucky customers for the purpose of selling them goods or services.

Nothing in this subsection shall be interpreted in a manner that goes beyond the limitations imposed and protections provided by the United States Constitution or Pub. L. No. 86-272;

(14) "Employee" has the same meaning as in Section 3401(c) of the Internal Revenue Code;

(15) "Employer" has the same meaning as in Section 3401(d) of the Internal Revenue Code;

(16) "Fiduciary" has the same meaning as in Section 7701(a)(6) of the Internal Revenue Code;

(17) "Financial institution" means:

(a) A national bank organized as a body corporate and existing or in the process of organizing as a national bank association pursuant to the provisions of the National Bank Act, 12 U.S.C. secs. 21 et seq., in effect on December 31, 1997, exclusive of any amendments made subsequent to that date;

(b) Any bank or trust company incorporated or organized under the laws of any state, except a banker's bank organized under KRS 286.3-135;

(c) Any corporation organized under the provisions of 12 U.S.C. secs. 611 to 631, in effect on December 31, 1997, exclusive of any amendments made subsequent to that date, or any corporation organized after December 31, 1997, that meets the requirements of 12 U.S.C. secs. 611 to 631, in effect on December 31, 1997; or

(d) Any agency or branch of a foreign depository as defined in 12 U.S.C. sec. 3101, in effect on December 31, 1997, exclusive of any amendments made subsequent to that date, or any agency or branch of a foreign depository established after December 31, 1997, that meets the requirements of 12 U.S.C. sec. 3101 in effect on December 31, 1997;

(18) "Fiscal year" has the same meaning as in Section 7701(a)(24) of the Internal Revenue Code;

(19) "Gross income":

(a) In the case of taxpayers other than corporations, has the same meaning as in Section 61 of the Internal Revenue Code; and

(b) In the case of corporations, means the amount calculated in KRS 141.039;

(20) "Individual" means a natural person;

(21) "Internal Revenue Code" means for taxable years beginning on or after January 1, ***2025*** ~~[2024]~~, the Internal Revenue Code in effect on December 31, ***2024*** ~~[2023]~~, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, ***2024*** ~~[2023]~~, that would otherwise terminate;

(22) "Limited liability pass-through entity" means any pass-through entity that affords any of its partners, members, shareholders, or owners, through function of the laws of this state or laws recognized by this state, protection from general liability for actions of the entity;

(23) "Modified gross income" means the greater of:

(a) Adjusted gross income as defined in 26 U.S.C. sec. 62, including any amendments in effect on December 31 of the taxable year, and adjusted as follows:

1. Include interest income derived from obligations of sister states and political subdivisions thereof; and

2. Include lump-sum pension distributions taxed under the special transition rules of Pub. L. No. 104-188, sec. 1401(c)(2); or

(b) Adjusted gross income as defined in subsection (1) of this section and adjusted to include lump-sum pension distributions taxed under the special transition rules of Pub. L. No. 104-188, sec. 1401(c)(2);

(24) "Net income":

(a) In the case of taxpayers other than corporations, means the amount calculated in KRS 141.019; and

(b) In the case of corporations, means the amount calculated in KRS 141.039;

(25) "Nonresident" means any individual not a resident of this state;

(26) "Number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under KRS 141.325, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero;

(27) "Part-year resident" means any individual that has established or abandoned Kentucky residency during the calendar year;

(28) "Pass-through entity" means any partnership, S corporation, limited liability company, limited liability partnership, limited partnership, or similar entity recognized by the laws of this state that is not taxed for federal purposes at the entity level, but instead passes to each partner, member, shareholder, or owner their proportionate share of income, deductions, gains, losses, credits, and any other similar attributes;

(29) "Payroll period" has the same meaning as in Section 3401(b) of the Internal Revenue Code;

(30) "Person" has the same meaning as in Section 7701(a)(1) of the Internal Revenue Code;

(31) "Registered business" means a business entity that owns or otherwise possesses critical infrastructure and that is registered to do business in the state prior to the declared state disaster or emergency;

(32) "Resident" means an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than one hundred eighty-three (183) days of the taxable year in this state;

(33) "S corporation" has the same meaning as in Section 1361(a) of the Internal Revenue Code;

(34) "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States;

(35) "Taxable net income":

(a) In the case of corporations that are taxable in this state, means "net income" as defined in subsection (24) of this section;

(b) In the case of corporations that are taxable in this state and taxable in another state, means "net income" as defined in subsection (24) of this section and as allocated and apportioned under KRS 141.120;

(c) For homeowners' associations as defined in Section 528(c) of the Internal Revenue Code, means "taxable income" as defined in Section 528(d) of the Internal Revenue Code. Notwithstanding the provisions of subsection (21) of this section, the Internal Revenue Code sections referred to in this paragraph shall be those code sections in effect for the applicable tax year; and

(d) For a corporation that meets the requirements established under Section 856 of the Internal Revenue Code to be a real estate investment trust, means "real estate investment trust taxable income" as defined in Section 857(b)(2) of the Internal Revenue Code, except that a captive real estate investment trust shall not be allowed any deduction for dividends paid;

(36) "Taxable year" means the calendar year or fiscal year ending during such calendar year, upon the basis of which net income is computed, and in the case of a return made for a fractional part of a year under the provisions of this chapter or under administrative regulations prescribed by the commissioner, "taxable year" means the period for which the return is made; and

(37) "Wages" has the same meaning as in Section 3401(a) of the Internal Revenue Code and includes other income subject to withholding as provided in Section 3401(f) and Section 3402(k), (o), (p), (q), and (s) of the Internal Revenue Code.

➔Section 31. KRS 243.027 is amended to read as follows:

(1) KRS 243.027 to 243.029 shall supersede any conflicting statute in KRS Chapters 241 to 244.

(2) A direct shipper ***Type A*** license shall authorize the holder to ship alcoholic beverages to consumers. ***A direct shipper Type B license shall authorize the holder to ship cannabis-infused beverages to consumers.*** The department shall issue a direct shipper license to a successful applicant that:

(a) Pays ***the applicable***~~[an]~~ annual license fee~~[of one hundred dollars ($100)]~~;

(b) Is a manufacturer located in this state or any other state***, a cannabis-infused beverage manufacturer licensed by the Department for Public Health,*** or an alcoholic beverage supplier licensed under KRS 243.212 or 243.215; and

(c) Holds a current license, permit, or other authorization to manufacture or supply alcoholic beverages ***or cannabis-infused beverages*** in the state where the applicant is located. If an applicant is located outside

of Kentucky, proof of its current license, permit, or other authorization as issued by its home state shall be sufficient proof of its eligibility to hold a direct shipper license in Kentucky.

(3) (a) A manufacturer applicant shall only be authorized to ship~~[alcoholic]~~ beverages that are sold under a brand name owned or exclusively licensed to the manufacturer, provided the~~[alcoholic]~~ beverages were:

1. Produced by the manufacturer;

2. Produced for the manufacturer under a written contract with another manufacturer; or

3. Bottled ***or canned*** for or by the manufacturer.

(b) An applicant licensed under KRS 243.212 or 243.215 shall only be authorized to ship alcoholic beverages ***or cannabis-infused beverages*** for which it is the primary source of supply.

(4) The department shall establish the form for a direct shipper license application through the promulgation of an administrative regulation. These requirements shall include only the following:

(a) The address of the manufacturer or supplier; and

(b) If the applicant is located outside this state, a copy of the applicant's current license, permit, or other authorization to manufacture, store, or supply alcoholic beverages ***or cannabis-infused beverages*** in the state where the applicant is located.

(5) For purposes of this section, the holder of a direct shipper license may utilize the services of a third party to fulfill shipments, subject to the following:

(a) The third party shall not be required to hold any alcoholic beverage license ***or cannabis-infused beverage license***, but no licensed entity shall serve as a third party to fulfill shipments other than the holder of a storage license or transporter's license;

(b) The third party may operate from the premises of the direct shipper licensee or from another business location; and

(c) The direct shipper licensee shall be liable for any violation of KRS 242.250, 242.260, 242.270, or 244.080 that may occur by the third party.

(6) A direct shipper licensee shall:

(a) Agree that the Secretary of State shall serve as its registered agent for service of process. The licensee shall agree that legal service on the agent constitutes legal service on the direct shipper licensee;

(b) Maintain the records required under KRS 243.027 to 243.029 and provide the department and the Department of Revenue access to or copies of these records;

(c) Allow the department or the Department of Revenue to perform an audit of the direct shipper licensee's records or an inspection of the direct shipper licensee's licensed premises upon request. If an audit or inspection reveals a violation, the department or the Department of Revenue may recover reasonable expenses from the licensee for the cost of the audit or inspection;

(d) Register with the Department of Revenue, and file all reports and pay all taxes required under KRS 243.027 to 243.029; and

(e) Submit to the jurisdiction of the Commonwealth of Kentucky for any violation of KRS 242.250, 242.260, 242.270, or 244.080 or for nonpayment of any taxes owed.

(7) (a) Each direct shipper licensee shall submit to the department and the Department of Revenue a quarterly report for that direct shipper license showing:

1. The total amount of~~[alcoholic]~~ beverages shipped into the state per consumer;

2. The name and address of each consumer;

3. The purchase price of the~~[alcoholic]~~ beverages shipped and the amount of taxes charged to the consumer for the~~[alcoholic]~~ beverages shipped; and

4. The name and address of each common carrier.

(b) The Department of Revenue shall create a form through the promulgation of an administrative regulation for reporting under paragraph (a) of this subsection.

(c) The department shall provide a list of all active direct shipper licensees to licensed common carriers on a quarterly basis to reduce the number of unlicensed shipments in the Commonwealth.

(8) A direct shipper licensee shall submit a current copy of its alcoholic beverage license ***or cannabis-infused beverage license*** from its home state along with the ***applicable***~~[one hundred dollar ($100)]~~ license fee every year upon renewal of its direct shipper license.

(9) Notwithstanding any provision of this section to the contrary, a manufacturer located and licensed in Kentucky may ship by a common carrier holding a Kentucky transporter's license samples of alcoholic beverages produced by the manufacturer in quantities not to exceed one (1) liter, per any recipient, of any individual product in one (1) calendar year of distilled spirits or wine, or ninety-six (96) ounces, per any recipient, of any individual product in one (1) calendar year of malt beverages, to any of the following:

(a) Marketing or media representatives twenty-one (21) years of age or older;

(b) Distilled spirits, wine, or malt beverage competitions or contests;

(c) Wholesalers or distributors located outside of Kentucky;

(d) Federal, state, or other regulatory testing labs;

(e) Third-party product formulation and development partners; and

(f) Persons or entities engaged in a private selection event pursuant to KRS 243.0305.

Such samples shall be marked by affixing across the product label, a not readily removed disclaimer with the words "Sample-Not for Sale" and the name of the manufacturer.

➔Section 32. KRS 243.030 is amended to read as follows:

The following licenses that authorize traffic in distilled spirits and wine ***and in cannabis-infused beverages*** may be issued by the distilled spirits administrator. Licenses that authorize traffic in all alcoholic beverages may be issued by both the distilled spirits administrator and malt beverages administrator. The licenses and their accompanying fees are as follows:

(1) Distiller's license:

(a) Class A, per annum $3,090.00

(b) Class B (craft distillery), per annum $1,000.00

(c) Off-premises retail sales outlet, per annum $300.00

(2) Rectifier's license:

(a) Class A, per annum $2,580.00

(b) Class B (craft rectifier), per annum $825.00

(3) Winery license, per annum $1,030.00

(4) Small farm winery license, per annum $110.00

(a) Small farm winery off-premises retail license, per annum $30.00

(5) Wholesaler's license, per annum $2,060.00

(6) Quota retail package license, per annum $570.00

(7) Quota retail drink license, per annum $620.00

(8) Transporter's license, per annum $210.00

(9) Special nonbeverage alcohol license, per annum $60.00

(10) Special agent's or solicitor's license, per annum $30.00

(11) Bottling house or bottling house storage license, per annum $1,030.00

(12) Special temporary license, per event $100.00

(13) Special Sunday retail drink license, per annum $520.00

(14) Caterer's license, per annum $830.00

(15) Special temporary alcoholic beverage auction license, per event $100.00

(16) Extended hours supplemental license, per annum $2,060.00

(17) Hotel in-room license, per annum $210.00

(18) Air transporter license, per annum $520.00

(19) Sampling license, per annum $110.00

(20) Replacement or duplicate license $25.00

(21) Entertainment destination center license:

(a) When the licensee is a city, county, urban-county government, consolidated local government, charter county government, or unified local government, per annum $2,577.00

(b) All other licensees, per annum $7,730.00

(22) Limited restaurant license, per annum $780.00

(23) Limited golf course license, per annum $720.00

(24) Small farm winery wholesaler's license, per annum $110.00

(25) Qualified historic site license, per annum $1,030.00

(26) Nonquota type 1 license, per annum $4,120.00

(27) Nonquota type 2 license, per annum $830.00

(28) Nonquota type 3 license, per annum $310.00

(29) Distilled spirits and wine storage license, per annum $620.00

(30) Out-of-state distilled spirits and wine supplier's license, per annum $1, 550.00

(31) Limited out-of-state distilled spirits and wine supplier's license, per annum $260.00

(32) Authorized public consumption license, per annum $250.00

(33) Direct shipper ***Type A*** license, per annum $100.00

(34) Limited nonquota package license, per annum $300.00

(35) Vintage distilled spirits license, per annum $300.00

(36) ***Cannabis-infused beverage retail package license, per annum $2,000.00***

(37) Cannabis-infused beverage distributor's license, per annum $1,000.00

(38) Cannabis-infused beverage distributor's license, supplemental, per annum $1,000.00

(39) Direct shipper Type B license, per annum $1,000.00

(40) A nonrefundable fee of sixty dollars ($60) shall be charged to process each new transitional license pursuant to KRS 243.045.

(41) ~~[(37)]~~ Other special licenses the board finds necessary for the proper regulation and control of the traffic in distilled spirits and wine and provides for by administrative regulation. In establishing the amount of license taxes that are required to be fixed by the board, it shall have regard for the value of the privilege granted.

(42) ~~[(38)]~~ The fee for each of the first five (5) supplemental bar licenses shall be the same as the fee for the primary retail drink license. There shall be no charge for each supplemental license issued in excess of five (5) to the same licensee at the same premises.

A nonrefundable application fee of fifty dollars ($50) shall be charged to process each new application under this section, except for subsections (4), (8), (9), (10), (12), (15), (19), and (20) of this section. The application fee shall be applied to the licensing fee if the license is issued; otherwise it shall be retained by the department.

➔Section 33. KRS 243.040 is amended to read as follows:

The following kinds of malt beverage licenses may be issued by the malt beverages administrator, the fees for which shall be:

(1) Brewer's license, per annum $2,580.00

(2) Microbrewery license, per annum $520.00

(3) Distributor's license, per annum $520.00

(4) Nonquota retail malt beverage package license, per annum $210.00

(5) Out-of-state malt beverage supplier's license,

per annum $1,550.00

(6) Malt beverage storage license, per annum $260.00

(7) Replacement or duplicate license, per annum $25.00

(8) Limited out-of-state malt beverage supplier's license,

per annum $260.00

(9) Nonquota type 4 malt beverage drink license,

per annum $210.00

(10) Direct shipper ***Type A*** license, per annum $100.00

(11) The holder of a nonquota retail malt beverage package license may obtain a Nonquota type 4 malt beverage drink license for a fee of fifty dollars ($50). The holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota retail malt beverage package license for a fee of fifty dollars ($50).

(12) A nonrefundable fee of sixty dollars ($60) shall be charged to process each new transitional license pursuant to KRS 243.045.

(13) Other special licenses as the state board finds to be necessary for the administration of KRS Chapters 241 to 244 and for the proper regulation and control of the trafficking in malt beverages, as provided for by administrative regulations promulgated by the state board.

A nonrefundable application fee of fifty dollars ($50) shall be charged to process each new application for a license under this section. The application fee shall be applied to the licensing fee if the license is issued, or otherwise the fee shall be retained by the department.

➔Section 34. KRS 154.20-220 is amended to read as follows:

As used in KRS 154.20-220 to 154.20-229:

(1) "Affiliate" means the following:

(a) Members of a family, including only brothers and sisters of the whole or half blood, spouse, ancestors, and lineal descendants of an individual;

(b) An individual, and a corporation more than fifty percent (50%) in value of the outstanding stock of which is owned, directly or indirectly, by or for that individual;

(c) An individual, and a limited liability company of which more than fifty percent (50%) of the capital interest or profits are owned or controlled, directly or indirectly, by or for that individual;

(d) Two (2) corporations which are members of the same controlled group, which includes and is limited to:

1. One (1) or more chains of corporations connected through stock ownership with a common parent corporation if:

a. Stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote or more than fifty percent (50%) of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is owned by one (1) or more of the other corporations; and

b. The common parent corporation owns stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote or more than fifty percent (50%) of the total value of shares of all classes of stock of at least one (1) of the other corporations, excluding, in computing the voting power or value, stock owned directly by the other corporations; or

2. Two (2) or more corporations if five (5) or fewer persons who are individuals, estates, or trusts own stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote or more than fifty percent (50%) of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each person only to the extent the stock ownership is identical with respect to each corporation;

(e) A grantor and a fiduciary of any trust;

(f) A fiduciary of a trust and a fiduciary of another trust, if the same person is a grantor of both trusts;

(g) A fiduciary of a trust and a beneficiary of that trust;

(h) A fiduciary of a trust and a beneficiary of another trust, if the same person is a grantor of both trusts;

(i) A fiduciary of a trust and a corporation more than fifty percent (50%) in value of the outstanding stock of which is owned, directly or indirectly, by or for the trust or by or for a person who is a grantor of the trust;

(j) A fiduciary of a trust and a limited liability company more than fifty percent (50%) of the capital interest, or the interest in profits, of which is owned directly or indirectly, by or for the trust or by or for a person who is a grantor of the trust;

(k) A corporation, a partnership, or a limited partnership if the same persons own:

1. More than fifty percent (50%) in value of the outstanding stock of the corporation; and

2. More than fifty percent (50%) of the capital interest, or the profits interest, in the partnership or limited partnership;

(l) A corporation and a limited liability company if the same persons own:

1. More than fifty percent (50%) in value of the outstanding stock of the corporation; and

2. More than fifty percent (50%) of the capital interest or the profits in the limited liability company;

(m) A partnership or limited partnership and a limited liability company if the same persons own:

1. More than fifty percent (50%) of the capital interest or profits in the partnership or limited partnership; and

2. More than fifty percent (50%) of the capital interest or the profits in the limited liability company; and

(n) Two (2) or more limited liability companies, if the same persons own more than fifty percent (50%) of the capital interest or are entitled to more than fifty percent (50%) of the capital profits in the limited liability companies;

(2) "Approved company" means an eligible company that has received final approval from the authority;

(3) "Authority" means the Kentucky Economic Development Finance Authority established by KRS 154.20-010;

(4) "Colocation tenant" means an entity that contracts with the owner or operator for space within a qualified data center project;

(5) "Commonwealth" means the Commonwealth of Kentucky;

(6) "Data center equipment":

(a) Means 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:

1. a. Servers;

b. Routers;

c. Connections;

d. Monitoring and security systems for the data center equipment;

e. Fiber optic cabling and network equipment leading to and from the data center project; and

f. Other enabling machinery, equipment, and hardware;

regardless of whether the property is affixed to or incorporated into real property;

2. 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;

3. 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;

4. 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;

5. All water conservation systems for the equipment, including facilities or mechanisms that are designed to collect, conserve, and reuse water;

6. All computer server equipment, chassis, networking equipment, switches, racks, fiber optic and copper cabling, trays, and conduit;

7. All monitoring equipment and security systems for the data center project, including security system monitoring services;

8. All software and prewritten computer software access services;

9. Extended warranty services with respect to data center equipment; and

10. Any other tangible personal property that is essential to the operations of the qualified data center project, excluding:

a. Electricity used by a qualified data center project; and

b. Property used for administrative purposes at the data center project, including office equipment; and

(b) Does not include:

1. Construction equipment; or

2. Building and construction materials permanently incorporated as an improvement to real property;

(7) "Department" means the Department of Revenue;

(8) "Eligible company":

(a) Means any corporation, limited liability company, partnership. limited partnership, sole proprietorship, business trust, or any other entity with a qualified data center project; and

(b) Includes an operator, an owner, a project organizer, and a colocation tenant;

(9) "Eligible costs" means 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;

(10) "Final approval" means the action taken by the authority to verify that, on or before the fifth anniversary of the preliminary approval, the minimum capital investment has been made, with respect to the data center project;

(11) "Memorandum of agreement" means the agreement between the eligible company and the authority executed under KRS 154.20-229;

(12) "Operator":

(a) Means any entity, other than an owner, a project organizer, or a colocation tenant:

1. Operating a qualified data center project pursuant to a lease or other contract with the owner; and

2. Responsible for the control, oversight, or maintenance of a data center project; and

(b) Includes:

1. An affiliate of an operator;

2. A licensed property management company;

3. A property lessor; or

4. Any other individual or entity responsible for the control, oversight, or maintenance of a data center project;

(13) "Owner" means an entity, other than a project organizer, holding fee title to a data center project and includes an affiliate of an owner;

(14) "Preliminary approval" means the action taken by the authority to enter into a memorandum of agreement with an eligible company;

(15) "Project organizer" means an entity that:

(a) Solely provides qualified data center infrastructure for a qualified data center project; and

(b) 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;

(16) "Qualified data center infrastructure" means providing site development and organization for a qualified data center project, including but not limited to:

(a) An uninterruptible power supply, including electrical substations and backup generators for safety against power disruptions;

(b) Availability of water and natural gas service, including any necessary infrastructure; and

(c) Multiple layers of security, including:

1. Physical security at the data center project, including fencing, entry control and monitoring, or security guards;

2. Infrastructure monitoring, including monitoring for water, power, telecommunications, and internet connectivity; and

3. Environmental control measures, including sensors or responsive equipment for detecting fire, flood, or other natural disasters;

(17) "Qualified data center project":

(a) Means:

1. Providing qualified data center infrastructure;

2. Acquiring, leasing, rehabilitating, expanding, or constructing one (1) or more buildings that:

a. 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

b. Contain:

i. Dedicated cooling equipment for the computing machines and related infrastructure;

ii. Extra capacity for data redundancy, including the ability to maintain or replace equipment without a system shutdown; and

iii. Physically isolated systems to avoid disruption from both planned and unplanned events; or

3. Any combination of the activities described in subparagraphs 1. and 2. of this paragraph;

(b) Has the following minimum capital investment on or before the fifth anniversary of the preliminary approval:

1. For an owner, operator, or colocation tenant, at least***:***

a. Four hundred fifty million dollars ($450,000,000) ***if located in a county having a population equal to or greater than one hundred thousand (100,000)***;

b. One hundred million dollars ($100,000,000) if located in a county having a population greater than fifty thousand (50,000) but less than one hundred thousand (100,000); or

c. Twenty-five million dollar ($25,000,000) if located in a county having a population of not more than fifty thousand (50,000);

determined using the county's population estimate from the most recently available five (5) year American Community Survey as published by the United States Census Bureau at the time of application by the eligible company; or

2. For a project organizer, at least one hundred fifty million dollars ($150,000,000);

(c)~~[Is located within a consolidated local government having a population equal to or greater than five hundred thousand (500,000), determined using the county's population estimate from the most recently available five (5) year American Community Survey as published by the United States Census Bureau at the time of application by the eligible company;~~

~~(d)]~~ Does not include any data center project that:

1. Will result in the replacement of data centers existing in the Commonwealth;

2. Applies for or accepts any other economic development incentives under KRS Chapter 154; or

3. Benefits from the sales and use tax exemption for the sale or purchase of electricity used in commercial mining of cryptocurrency; and

(18) "Term" means the period of time for which a memorandum of agreement may be in effect, which shall not exceed:

(a) Fifteen (15) years for a qualified data center project of a project organizer; and

(b) For any other qualified data center project:

1. Fifty (50) years for a data center project having a capital investment equal to or greater than four hundred fifty million dollars ($450,000,000); or

2. Twenty-five (25) years for a data center project having a capital investment less than four hundred fifty million dollars ($450,000,000).

➔Section 35. 2025 RS HB 566/EN, Section 3, is amended to read as follows:

(1) There is hereby created and established the Kentucky Horse Racing and Gaming Corporation to regulate all forms of live horse racing, pari-mutuel wagering, sports wagering, breed integrity and development, and on and after July 1, 2025, charitable gaming, in the Commonwealth, exclusive of the state lottery established under KRS Chapter 154A. It shall be an independent, de jure municipal corporation and political subdivision of the Commonwealth of Kentucky which shall be a public body corporate and politic. The corporation shall be deemed a public agency within the meaning of KRS 61.805 and 61.870. The corporation shall be managed in such a manner that enables the people of the Commonwealth to benefit from its actions and to enjoy the best possible racing and gaming experiences. The General Assembly hereby recognizes that the operations of racing and gaming are unique activities for state government and that a corporate structure will best enable

racing and gaming to be managed in a businesslike manner. It is the intent of the General Assembly that the Kentucky Horse Racing and Gaming Corporation shall be accountable to the Governor, the General Assembly, and the people of the Commonwealth.

(2) (a) 1. The Auditor of Public Accounts shall perform an audit of the corporation once every four (4) years, a copy of which shall be sent to the Governor and the Legislative Research Commission.

2. A different auditing entity that is qualified to evaluate municipal corporations shall conduct an annual audit of the corporation once each year in every year when the Auditor of Public Accounts does not perform an audit. A copy of this audit shall be sent to the Governor and Legislative Research Commission.

3. This first audit conducted under this subsection shall cover fiscal year ***2024-2025***~~[2026-2027]~~.

(b) The corporation shall submit a written annual report to the Governor and the Legislative Research Commission on or before July 1 of each year. The first report shall be due July 1, 2025. The corporation shall file any additional reports requested by the Governor or the Legislative Research Commission. The annual report shall include the following information:

1. The receipts and disbursements of the corporation; and

2. Actions taken by the corporation.

(c) The corporation may submit any additional information and recommendations that the corporation considers useful or that the Governor or the Legislative Research Commission requests.

(3) The Kentucky Horse Racing and Gaming Corporation shall be administered by a board of directors to regulate the conduct of:

(a) Live horse racing;

(b) Pari-mutuel wagering;

(c) Sports wagering;

(d) Charitable gaming on and after July 1, 2025;

(e) Breed integrity and development; and

(f) Related activities within the Commonwealth of Kentucky.

(4) (a) The corporation shall establish and maintain a general office for the transaction of its business and may, in its discretion, establish a branch office or offices.

(b) The corporation may hold meetings at any of its offices or at any other place at its convenience.

(c) A majority of the voting members of the corporation shall constitute a quorum for the transaction of its business or exercise of any of its powers.

(5) Except as otherwise provided, the corporation shall be responsible for the following:

(a) Developing and implementing programs designed to ensure the safety and well-being of horses, jockeys, and drivers;

(b) Developing programs and procedures that will fulfill its oversight and regulatory role on such matters as medical practices and integrity issues;

(c) Recommending tax incentives and implementing incentive programs to ensure the strength and growth of the equine industry;

(d) Designing and implementing programs that strengthen the ties between Kentucky's horse industry and the state's universities, with the goal of significantly increasing the economic impact of the horse industry on Kentucky's economy, improving research for the purpose of promoting the enhanced health and welfare of the horse, and other related industry issues;

(e) Developing and supporting programs which ensure that Kentucky remains in the forefront of equine research;

(f) Designing and implementing programs that support and ensure breed integrity and development;

(g) Developing monitoring programs to ensure the highest integrity of sporting events and sports wagering;

(h) Developing a program to share wagering information with sports governing bodies upon which sports wagering may be conducted. The program shall be designed to assist the corporation in determining potential problems or questionable activity and provide reports to sports governing bodies effectively;

(i) Developing programs and procedures that will fulfill its oversight and regulatory role to ensure the highest integrity in charitable gaming;

(j) Developing programs and procedures that will provide oversight and regulation for all current forms of gaming and wagering;

(k) Annually evaluating the allocation and use of funds among the purposes listed in Section 10 of this Act from unredeemed pari-mutuel vouchers; and

(l) Ensuring that the correct responsibilities are assigned to each of its offices as established in KRS 230.232.

(6) (a) The corporation shall conduct all procurements in accordance with procedures which are not inconsistent with the provisions of KRS Chapter 45A and this chapter; provided, however, that this chapter shall control if and to the extent that any provision in this chapter is expressly inconsistent with any provision of KRS Chapter 45A.

(b) The corporation may promulgate administrative regulations establishing its procurement procedures. If the corporation elects to promulgate administrative regulations establishing its procurement procedures rather than conduct procurements in accordance with KRS Chapter 45A, the corporation may include sections of KRS Chapter 45A as part of its administrative regulations.

(c) Major procurements for personal service contracts shall not be subject to the requirements of KRS 45A.695(2)(b) due to the unique operational activities conducted for state government by the corporation. The corporation's procurement procedures or administrative regulations shall be designed to provide for the purchase of supplies, equipment, services, and construction items that provide the greatest long-term benefit to the state and the greatest integrity for the corporation and the public.

(d) In its bidding and negotiation processes, the corporation may do its own bidding and procurement, or may utilize the services of the Finance and Administration Cabinet, or a combination thereof. The president of the corporation may, in lieu of the secretary of the Finance and Administration Cabinet, declare an emergency for purchasing purposes.

(7) Corporation records shall be open and subject to public inspection in accordance with KRS 61.870 to 61.884 unless:

(a) A record is exempted from inspection under KRS 61.878;

(b) A record involves a trade secret or other legally protected intellectual property or confidential proprietary information of the corporation or of an applicant, licensee, individual, or entity having submitted information of such character to the corporation, in which case, the portion of the record relating to these subjects may be closed; or

(c) The disclosure of the record could impair or adversely affect the operational security of the corporation in the regulation of matters within its jurisdiction or could impair or adversely impact the operational security of applicants or licensees.

(8) Meetings of the corporation through its board of directors shall be open to the public in accordance with KRS 61.800 to 61.850 unless the exceptions set forth in KRS 61.810 apply or the meeting addresses trade secrets, confidential or proprietary information, or operational security issues as described in subsection (7)(c) of this section. If this is the case, the corporation may meet in closed session and shall follow the procedures set forth in KRS 61.815.

(9) The corporation may participate in all state agency price contracts to the same extent as agencies of the Commonwealth in accordance with KRS 45A.050(3).

(10) (a) The corporation is hereby authorized to accept and expend such moneys as may be appropriated by the General Assembly or such moneys as may be received from any source for effectuating its purposes, including without limitation the payment of the initial expenses of administration and operation of the corporation.

(b) After the transfer to the corporation of any funds appropriated in fiscal year 2024-2025 and fiscal year 2025-2026 for the administration of this chapter and KRS Chapter 238, the corporation shall be self-sustaining and self-funded and moneys in the state general fund shall not be used or obligated to pay the expenses of the corporation.

(11) On July 1, 2024:

(a) The Kentucky Horse Racing and Gaming Corporation shall assume all responsibilities of the Kentucky Horse Racing Commission;

(b) The Kentucky Horse Racing Commission shall be abolished and all employees of the Kentucky Horse Racing Commission are transferred to the corporation; and

(c) All personnel, equipment, and funding shall be transferred from the Kentucky Horse Racing Commission to the Kentucky Horse Racing and Gaming Corporation.

(12) On July 1, 2025:

(a) The office regulating charitable gaming in the Kentucky Horse Racing and Gaming Corporation shall assume all responsibilities of the Department of Charitable Gaming;

(b) The Department of Charitable Gaming shall be abolished and all employees of the Department of Charitable Gaming are transferred to the corporation; and

(c) All personnel, equipment, and funding shall be transferred from the Department of Charitable Gaming to the Kentucky Horse Racing and Gaming Corporation.

(13) Notwithstanding any other law to the contrary, nothing in this chapter or KRS Chapter 238 shall authorize the corporation to:

(a) Regulate or control horse sales;

(b) Require the licensure of horse breeders in their capacity as breeders;

(c) Prohibit or restrict any approved, either by statute or administrative regulation, game or charitable gaming activity in use in the Commonwealth as of July 1, 2025, without action by the Kentucky General Assembly; or

(d) Exercise jurisdiction over matters within the exclusive national authority of entities designated by the laws of the United States of America.

➔Section 36. (1) Beginning July 1, 2025, until April 15, 2026, the Kentucky Horse Racing and Gaming Corporation shall not authorize additional locations for the play of electronic charity game tickets beyond the office location of the charitable organization, the location where the charitable organization is licensed to conduct bingo, and the location where pre-approved charitable fundraising events are authorized.

(2) Subsection (1) of this section shall not:

(a) Prevent electronic charity game ticket activities and electronic charity game ticket locations operating prior to July 1, 2025, from being resupplied or updated; or

(b) Apply if the corporation promulgates administrative regulations that regulate electronic charity game tickets.

➔Section 37. The Kentucky Horse Racing and Gaming Corporation may promulgate administrative regulations in accordance with KRS 13A.200 to regulate all activities authorized by KRS Chapters 230 and 238 in contemplation of statutes granting additional authority to the corporation that shall go into effect July 1, 2025.

➔Section 38. A claim for refund or credit of a tax overpayment for any taxable period made by an amended return, tax refund application, or any other method on or after the effective date of this Act, and based on the amendments to subsection (3) of Section 4 of this Act or subsection (3) of Section 5 of this Act, shall not be recognized for any purpose.

➔Section 39. Sections 4 and 5 of this Act shall apply retroactively to property assessed on or after December 31, 2022.

➔Section 40. Sections 19 to 24, 26, and 35 to 37 of this Act take effect on July 1, 2025.

Became law without Governor's signature March 27, 2025.